

Index Page

Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2016-17

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 4

File Name : FSTB(FS)-2-e1.docx

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
FSTB(FS)001	2527	Alice MAK Mei-kuen	148	(1) Financial Services
FSTB(FS)002	3234	CHAN Chi-chuen	148	(1) Financial Services
FSTB(FS)003	0730	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)004	0731	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)005	0732	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)006	2666	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)007	2667	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)008	2668	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)009	0395	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)010	0396	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)011	0397	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)012	0398	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)013	0399	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)014	0400	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)015	0401	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)016	0402	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)017	0403	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)018	0404	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)019	1504	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)020	1510	CHAN Kin-por	148	(1) Financial Services
FSTB(FS)021	2315	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)022	2319	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)023	2320	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)024	1481	Christopher CHEUNG Wah-fung	148	(1) Financial Services
FSTB(FS)025	2829	Christopher CHEUNG Wah-fung	148	(1) Financial Services
FSTB(FS)026	0444	Dennis KWOK	148	(1) Financial Services
FSTB(FS)027	0445	Dennis KWOK	148	(1) Financial Services
FSTB(FS)028	2454	James TIEN Pei-chun	148	(1) Financial Services
FSTB(FS)029	3243	Kenneth LEUNG	148	(1) Financial Services
FSTB(FS)030	3244	Kenneth LEUNG	148	(1) Financial Services
FSTB(FS)031	3245	Kenneth LEUNG	148	(1) Financial Services
FSTB(FS)032	2476	LAM Tai-fai	148	(1) Financial Services
FSTB(FS)033	1190	LEE Cheuk-yan	148	(1) Financial Services
FSTB(FS)034	1191	LEE Cheuk-yan	148	(1) Financial Services
FSTB(FS)035	1192	LEE Cheuk-yan	148	(1) Financial Services

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
FSTB(FS)036	2152	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)037	3203	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)038	3204	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)039	1750	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)040	1751	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)041	1752	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)042	2931	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)043	2932	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)044	2933	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)045	2934	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)046	2935	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)047	2936	Martin LIAO Cheung-kong	148	(1) Financial Services
FSTB(FS)048	3290	Michael TIEN Puk-sun	148	(1) Financial Services
FSTB(FS)049	1498	NG Leung-sing	148	(1) Financial Services
FSTB(FS)050	1499	NG Leung-sing	148	(1) Financial Services
FSTB(FS)051	1500	NG Leung-sing	148	(1) Financial Services
FSTB(FS)052	1054	Paul TSE Wai-chun	148	(1) Financial Services
FSTB(FS)053	1078	Paul TSE Wai-chun	148	(1) Financial Services
FSTB(FS)054	1080	Paul TSE Wai-chun	148	(1) Financial Services
FSTB(FS)055	2892	Paul TSE Wai-chun	148	(1) Financial Services
FSTB(FS)056	2893	Paul TSE Wai-chun	148	(1) Financial Services
FSTB(FS)057	2215	SIN Chung-kai	148	(1) Financial Services
FSTB(FS)058	2927	SIN Chung-kai	148	(1) Financial Services
FSTB(FS)059	3137	SIN Chung-kai	148	(1) Financial Services
FSTB(FS)060	3257	SIN Chung-kai	148	(1) Financial Services
FSTB(FS)061	2288	TANG Ka-piu	148	(1) Financial Services
FSTB(FS)062	0320	WONG Kwok-hing	148	(1) Financial Services
FSTB(FS)063	0882	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)064	0883	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)065	0884	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)066	0885	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)067	0886	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)068	0887	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)069	0451	Abraham SHEK Lai-him	26	(6) Labour Statistics
FSTB(FS)070	0136	Alice MAK Mei-kuen	26	(2) Social Statistics

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
FSTB(FS)071	2852	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)072	2853	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)073	2854	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)074	2387	James TIEN Pei-chun	26	(2) Social Statistics
FSTB(FS)075	0219	Jeffrey LAM Kin-fung	26	(2) Social Statistics (4) General Statistical Services (5) Price/Industry/Service Statistics (6) Labour Statistics
FSTB(FS)076	0671	Jeffrey LAM Kin-fung	26	(6) Labour Statistics
FSTB(FS)077	0759	LEUNG Yiu-chung	26	-
FSTB(FS)078	2802	Regina IP LAU Suk-yee	26	(4) General Statistical Services
FSTB(FS)079	2836	Christopher CHEUNG Wah-fung	116	(1) Official Receiver's Office
FSTB(FS)080	0351	LO Wai-kwok	G01	-
FSTB(FS)081	7196	CHAN Kam-lam	148	(1) Financial Services
FSTB(FS)082	5275	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)083	5290	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)084	5311	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)085	5729	Charles Peter MOK	148	(1) Financial Services
FSTB(FS)086	5606	CHEUNG Kwok-che	148	(1) Financial Services
FSTB(FS)087	6866	CHEUNG Kwok-che	148	(1) Financial Services
FSTB(FS)088	4640	James TIEN Pei-chun	148	(1) Financial Services
FSTB(FS)089	4641	James TIEN Pei-chun	148	(1) Financial Services
FSTB(FS)090	4017	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)091	4018	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)092	4019	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)093	4020	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)094	7191	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)095	7192	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)096	7193	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)097	7194	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)098	7195	James TO Kun-sun	148	(1) Financial Services
FSTB(FS)099	4428	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)100	4431	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)101	4463	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)102	4464	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)103	5689	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)104	5690	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)105	5691	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)106	5692	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)107	5693	LEUNG Kwok-hung	148	(1) Financial Services
FSTB(FS)108	5056	SIN Chung-kai	148	(1) Financial Services

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
FSTB(FS)109	7178	WONG Ting-kwong	148	(1) Financial Services
FSTB(FS)110	5469	CHAN Chi-chuen	26	(2) Social Statistics
FSTB(FS)111	4360	CHEUNG Kwok-che	26	-
FSTB(FS)112	3656	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)113	3660	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)114	3661	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)115	3669	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)116	3670	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)117	3671	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)118	3697	Fernando CHEUNG Chiu-hung	26	-
FSTB(FS)119	3698	Fernando CHEUNG Chiu-hung	26	-
FSTB(FS)120	3726	Fernando CHEUNG Chiu-hung	26	-
FSTB(FS)121	5974	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)122	6443	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)123	6444	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)124	6445	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)125	6446	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)126	6447	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)127	6448	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)128	6449	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)129	6451	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)130	6452	Fernando CHEUNG Chiu-hung	26	(2) Social Statistics
FSTB(FS)131	6780	Fernando CHEUNG Chiu-hung	26	-
FSTB(FS)132	6781	Fernando CHEUNG Chiu-hung	26	-

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
<u>FSTB(FS)133</u>	6786	Fernando CHEUNG Chiu-hung	26	-
<u>FSTB(FS)134</u>	6787	Fernando CHEUNG Chiu-hung	26	-
<u>FSTB(FS)135</u>	6894	Fernando CHEUNG Chiu-hung	26	-
<u>FSTB(FS)136</u>	4899	KWOK Ka-ki	26	(2) Social Statistics
<u>FSTB(FS)137</u>	5052	SIN Chung-kai	26	-
<u>FSTB(FS)138</u>	5425	CHAN Chi-chuen	31	(1) Control and Enforcement
<u>FSTB(FS)139</u>	5925	KWOK Ka-ki	31	(2) Anti-narcotics Investigation
<u>FSTB(FS)140</u>	5063	SIN Chung-kai	116	(1) Official Receiver's Office
<u>FSTB(FS)141</u>	6453	Fernando CHEUNG Chiu-hung	G01	-
<u>FSTB(FS)142</u>	5687	LEUNG Kwok-hung	G01	-
<u>FSTB(FS)143</u>	7234	WONG Kwok-kin	G01	-

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2527)

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 this Programme, will the Government inform this Committee of the following:

- (a) The estimated financial provision of the Financial Services Branch for 2016-17 is 211.3% higher than that for 2015-16. What are the reasons for that?
- (b) It is mentioned in the Matters Requiring Special Attention in 2016-17 that the Branch will “examine the existing regulatory arrangements of money lenders and related intermediaries to enhance protection for borrowers, and review the relevant provisions in the existing Money Lenders Ordinance (Cap. 163) when necessary; as well as step up public education to raise people’s awareness of debt management”. What are the details and progress of such work and the estimated expenditure involved?
- (c) Regarding measures to step up public education, have financial resources been reserved for that purpose? If yes, what is the amount of expenditure involved?

Asked by: Hon Alice MAK Mei-kuen (Member Question No. 16)

Reply:

- (a)
The draft estimate for 2016-17 is 211.3% above the 2015-16 revised estimate. This is mainly due to the provisions for the establishment of an independent Insurance Authority (\$450 million), the exit package for the Insurance Officer Grade officers (\$1 million), the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector (\$21.7 million), and the promotion of development of financial technologies (about \$13.8 million).

(b) & (c)

We have earmarked \$2.9 million for rolling out public education activities in 2016-17 which will include publishing of an information leaflet and posters, distribution channels will include money lenders and the Public Enquiry Service Centres of Home Affairs Department; the posters will also be sent to all Owners' Corporations in Hong Kong; placing panel advertisements at MTR stations and bus stops; broadcasting announcements of public interest (API) on television and radio; the API will also be displayed at the lobbies of public housing estates. Our objective is to raise public awareness of the risks involved in applying for loans from money lenders through intermediaries and the importance of debt management.

We are liaising closely with the Police on its enforcement experience. We will update the Legislative Council Panel on Financial Affairs on the regulatory and related arrangements to tackle malpractices by intermediaries for money lending in April 2016.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)002****(Question Serial No. 3234)**

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. 123)

Reply:

Details are as follows:

Period	Study	Objective	Scope of study	Research institution	Manpower involved	Expenditure (\$)
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.	Relevant regulatory requirements on ILAS, including licensing system and conduct requirements, in various countries.	Ernst & Young Advisory Services Limited	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 within existing resources of	300,000

Period	Study	Objective	Scope of study	Research institution	Manpower involved	Expenditure (\$)
					Financial Services Branch.	
June 2012 to March 2015	Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong.(Phase I)	To formulate proposals for developing a risk-based capital framework for the insurance industry of Hong Kong.	Quantitative requirements (including assessment of capital adequacy and valuation), qualitative requirements (including corporate governance and Enterprise Risk Management), as well as requirements on public disclosure and transparency of relevant information	KPMG	Ditto	5.6 million

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0730)

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:

1. What is the annual premium of new investment-linked assurance schemes (ILAS) in Hong Kong over the past 3 years? What is its share in the annual overall premium income of new insurance policies?
2. What is the annual premium income related to ILAS over the past 3 years? What is its share in the annual overall premium income?
3. What are the numbers of surrender cases and cessation of payment cases involving ILAS over the past 3 years? What are the shares of these two types of cases in the annual total of surrender cases and cessation of payment cases respectively?
4. How many ILAS-related complaints were received by the Office of the Commissioner of Insurance and the 3 self-regulatory organisations over the past 5 years? What is the amount of premium involved?
5. How do the relevant authorities handle these complaints? What is the amount of expenditure involved?
6. How does the Government regulate the sale of ILAS products? Which department is responsible for the job? What are the manpower and expenditure involved?

Asked by: Hon CHAN Kam-lam (Member Question No. 15)

Reply:

1. Premium of new Investment-linked Assurance Scheme (ILAS) business from 2013 to 2015 –

	2013	2014	2015
Premium of new ILAS business (\$billion)	19.13	16.05	10.24
Percentage in the overall premium of new business	20.7%	14.1%	7.8%

2. Premium of inforce ILAS business from 2013 to 2015 –

	2013	2014	2015
Premium of inforce ILAS business (\$billion)	54.68	48.82	40.23
Percentage in the overall premium of inforce business	22.0%	17.1%	12.6%

3. Number of surrendered¹ ILAS policies from 2013 to 2015 –

	2013	2014	2015
Surrendered ILAS policies	136 440	113 228	103 691
Percentage in the total number of surrendered policies	30.9%	27.3%	24.7%

4. 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 –

	2011	2012	2013	2014	2015
Handled by OCI	33	51	50	75	92
Handled by SROs	267	270	319	277	247
Total	300	321	369	352	339

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

¹ Includes policies lapsed due to the cessation of contributions.

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

5. 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.

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 an intermediary, the SRO concerned could take disciplinary action. The 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.

6. ILAS products are insurance policies issued by authorised insurers.

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 also 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.

Insurance intermediaries need to pass the relevant qualifying examinations and register with an SRO in order 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.

In addition, the Securities and Futures Commission (SFC) is responsible for the authorisation of ILAS products offered to the Hong Kong public, and their offering documents (including Product Key Facts Statements) and marketing materials as required under the Securities and Futures Ordinance (SFO) (Cap. 571), unless an exemption provided under the SFO applies. ILAS products and their offering documents are required to comply with the applicable provisions of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the SFC Products Handbook), as well as other applicable regulatory requirements issued by the SFC, in order to be authorised pursuant to sections 104 and 105 of the SFO. The SFC Products Handbook sets out, among other things, overarching principles as well as specific disclosure requirements.

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.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)004

(Question Serial No. 0731)

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 that the Government will encourage the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

1. Please provide details of the initiative together with the amount and manpower resources involved.
2. The Cyberport will provide training to the industry through its incubation programme to promote relevant technologies for developing more services and products. When will the incubation programme be launched and what are the details?

Asked by: Hon CHAN Kam-lam (Member Question No. 13)

Reply:

Financial technologies (Fintech) provide financial institutions with tools to improve their operational efficiency and can be applied to a wide range of areas. The Government will encourage the industry to explore the application of Blockchain and other cutting-edge technologies with wide applications in financial services. As announced in the 2016-17 Budget, Cyberport will roll out a designated incubation programme for 150 Fintech start-ups over the next five years. In addition, Cyberport will organise a series of topical workshops and training activities on Fintech (including Blockchain technology) to nurture enterprises and help them understand the development of relevant technologies.

The Financial Services Branch (FSB) will set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments. The related expenditure will be absorbed by FSB with

existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)005

(Question Serial No. 0732)

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 this financial year, the Bureau will examine the existing regulatory arrangements of money lenders and related intermediaries to enhance protection for borrowers.

1. What is the latest position of the above work?
2. At present, does the Government consider that it is necessary to review the relevant provisions in the Money Lenders Ordinance? What are the enhancement measures that can be implemented as well? Will the Government consider giving the Hong Kong Monetary Authority or other relevant authorities the power instead to regulate finance companies and related intermediaries?
3. In this financial year, the Government will step up public education to raise people's awareness of debt management. What are the details of the publicity campaign and its contents? What are the estimated expenditure and manpower resources involved?

Asked by: Hon CHAN Kam-lam (Member Question No. 16)

Reply:

We are liaising closely with the Police on its enforcement experience. We will update the Legislative Council Panel on Financial Affairs on the regulatory and related arrangements to tackle malpractices by financial intermediaries for money lending in April 2016.

As regards stepping up public education, we have earmarked \$2.9 million for rolling out public education activities in 2016-17 which will include publishing of an information leaflet and posters, distribution channels will include money lenders and the Public Enquiry Service Centres of Home Affairs Department; the posters will also be sent to all Owners' Corporations in Hong Kong; placing panel advertisements at MTR stations and bus stops;

broadcasting announcements of public interest (API) on television and radio; the API will also be displayed at the lobbies of public housing estates. Our objective is to raise public awareness of the risks involved in applying for loans from money lenders through financial intermediaries and the importance of proper debt management. The related work will be undertaken by existing manpower of the Financial Services Branch.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2666)

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 will promote the development of financial technologies (Fintech) in Hong Kong, having regard to the recommendations made by the Steering Group on Financial Technologies.

1. The Steering Group on Financial Technologies has completed its report and put forward a series of recommendations. How will the Government follow up on the proposed measures this year? Please provide a detailed breakdown.
2. What are the estimated resources required, including expenditure and manpower involved in the promotion of the relevant policies, provision of support measures, regulation, and development of talents on this front?
3. Besides, the Securities and Futures Commission (SFC) announced the setting up of "Fintech Contact Point" and "Fintech Advisory Group" to facilitate the Fintech community's understanding of the current regulatory regime, and identify the opportunities, risks and regulatory perimeter implications of Fintech-related developments respectively. The SFC stressed that various current Fintech developments are related to the regulatory work of the Government, including peer-to-peer lending and equity crowdfunding platforms. With regard to the promotion of Fintech development, what are the progress and details of the Government's effort in studying the regulation issue and the amendments to legislation?
4. What are the specific plans of the Government in promoting the development of crowdfunding in the future?

Asked by: Hon CHAN Kam-lam (Member Question No. 12)

Reply:

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group on Financial Technologies, including –

- (a) establishing a dedicated team under Invest Hong Kong (InvestHK) to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport’s Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;
- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme (ESS) under the Innovation and Technology Fund;
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The ESS was set up in April 2015, and the three financial regulators have already established their respective dedicated liaison platforms for Fintech. Other measures mentioned above are expected to be rolled out within 2016-17.

The Government has earmarked about \$13.8 million for InvestHK’s dedicated team in 2016-17 for assisting start-ups, investors and R&D institutions to establish their presence in Hong Kong and promoting Hong Kong’s Fintech sector (including organising and sponsoring forums, seminars and other events; branding; advertising and general promotion). InvestHK will formally establish the team after the Budget is passed by the Legislative Council. In 2016-17, four new staff will be recruited to support its operation.

The Financial Services Branch (FSB) will also set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the

latest market developments. The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

In developing Fintech, the Government will uphold the “technology-neutrality” principle and attach importance to investor protection. The regulators’ Fintech dedicated platforms will also liaise with the industry to help ensure an appropriate balance between market innovation and investors’ understanding and tolerance of risks.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)007****(Question Serial No. 2667)**

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 over 3 years since 19 June 2012.

- (1) Please provide in detail the number of resolution cases taken up, the categorisation by nature of cases and the number of cases successfully resolved each year. What are the average numbers of hours required for resolving cases of different categories?
- (2) Please provide the number of existing mediators and arbitrators.
- (3) How much financial resources was deployed in the past 3 years and how much will be deployed in the coming year by the Government to conduct training courses and continuing professional training workshops for mediators and arbitrators?

Asked by: Hon CHAN Kam-lam (Member Question No. 14)

Reply:

- (1) Since its commencement of operation in June 2012 to the end of 2015, the Financial Dispute Resolution Centre (FDRC) has accepted 97 applications for its mediation service. The breakdown by the nature of these accepted cases is set out below -

Nature of cases	Number of applications for mediation accepted				
	2012	2013	2014	2015	Cumulative figure
Misrepresentation – Investment performance, product nature and administrative matters	5	15	25	6	51

Operational issues – Omission, negligence and maladministration	4	8	3	3	18
Mis-selling – Omission	3	4	5	8	20
Forced liquidation	2	1	0	4	7
System malfunction	0	1	0	0	1
Cumulative figure	14	29	33	21	97

Out of the 82 mediation cases closed, 71 were settled, representing a success rate of over 85%. The breakdown by year is provided below -

Year	Number of applications for mediation accepted	Number of mediation cases closed	Number of cases settled
2012	14	9	7
2013	29	25	19
2014	33	32	30
2015	21	16	15
Cumulative figure	97	82	71

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) As at the end of 2015, there were 64 mediators and 14 arbitrators on the FDRC Lists of Mediators and Arbitrators.
- (3) Regarding the training courses and continuing professional training workshops for FDRC mediators, arbitrators and case officers (FDRC case officers are required to fulfil the relevant training requirements to administer the Financial Dispute Resolution Scheme and/or become mediators), the respective amount deployed in the past three years and the amount reserved for 2016 by the FDRC is provided below -

Year	Amount deployed/ reserved for training courses and continuing professional training workshops (\$)
2013	104,000
2014	20,000
2015	47,000
2016	93,000 (estimated figure)

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)008

(Question Serial No. 2668)

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:

Shanghai-Hong Kong Stock Connect was launched in November 2014.

1. Please provide the monthly trading volume figures of Northbound and Southbound trading since its launch.
2. What has been done by the relevant departments so far to promote 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 Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect? Will they be implemented this year?
4. What is the latest progress of the Hong Kong Exchanges and Clearing's plan to build a London-Hong Kong Connect scheme jointly with the London Metal Exchange for the development of a trading link between the bulk commodities markets of the two places?

Asked by: Hon CHAN Kam-lam (Member Question No. 17)

Reply:

1. The monthly trading volume figures of the Northbound and Southbound Trading Links since the launch of the Shanghai-Hong Kong Stock Connect in November 2014 are set out in Annex.
2. Since the announcement of the programme in April 2014, the Hong Kong Exchanges and Clearing Limited (HKEX) has been cooperating with market participants and

industry associations to organize marketing events for promoting the programme in the Mainland and Hong Kong. The major events and media-related initiatives are summarized as follows:

Event Date	Organizing Party / Co-organizing Parties	Event Theme	Location	No.of Attendees
29 April 2014	HKEX	Media workshop to introduce key features of the programme to the media	Hong Kong	75
8 May 2014	HKEX	Media workshop to explain the trading, clearing and settlement mechanism to the media	Hong Kong	70
10 May 2014	HKEX	Media workshop for Hong Kong Journalists Association (HKJA)	Hong Kong	35
20 May 2014	HKEX	Media workshop for HKJA	Hong Kong	20
May 2014 – December 2015	Mainland local securities industry associations	Investor education events on Stock Connect	Beijing / Hunan / Sichuan / Shandong and other places	Over 3,000
June 2014 to June 2015	Retail brokers	Seminars for retail investors and practitioners working at retail brokers	Hong Kong	Over 10,000
June 2014 to June 2015	Investment banks, associations of institutional investors and financial information vendors	Seminars for investment banks and institutional investors	Hong Kong / London / Tokyo / Singapore / Seoul	Over 8,000
9 July 2014	Alternative Investment Management Association Hong Kong	Seminar for investment funds	Hong Kong	202
21 July 2014	Shanghai Stock Exchange (SSE)	Training seminar of SSE on southbound trading	Beijing	350
24 July 2014	SSE	Training seminar of SSE on southbound trading	Guangzhou	350

Event Date	Organizing Party / Co-organizing Parties	Event Theme	Location	No.of Attendees
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 4. Hong Kong Securities & Futures Professionals Association 5. Hong Kong Securities Association Limited	Seminar for Category B and C local Hong Kong brokers	Hong Kong	Over 1500
16, 23 & 24 September 2014	SSE	Seminar on the practical information on southbound trading	Shanghai / Shenzhen / Beijing	600
18 September 2014	Asset Management Association of China (AMAC)	Training workshop of AMAC	Beijing	230
22 September 2014 8 October 2014 25 October 2014 8 December 2014	Investor Education Centre	Seminar for Hong Kong retail investors	Hong Kong	1163
10 November 2014	HKEX	Press conference to explain rollout details after regulators announced the launch date	Hong Kong	80
11 November 2014	China Securities Depository and Clearing Corporation Limited (CSDC) / SSE	Training for the trading and clearing aspects of Shanghai – Hong Kong Stock Connect	Ha'erbin, Heilongjiang Province	1200
17 November 2014	HKEX	Launch ceremony	Hong Kong	Over 200
11 March 2015	Hong Kong Investor Relations Association / The Chamber of Hong Kong Listed Companies	Training for eligible Southbound HK listed companies on investor relation	Hong Kong	200
21 March 2015	CSDC / SSE	Training on corporate actions of HK listed companies	Shanghai	280

Event Date	Organizing Party / Co-organizing Parties	Event Theme	Location	No.of Attendees
29 September 2015	SSE	Training seminars on Southbound trading	Chongqing	200
27 October 2015	Hong Kong Investor Relations Association	Training for eligible Southbound HK listed companies on investor relation	Hong Kong	200
23, 26 November; 1, 8, 10 & 15 December 2015	SSE / CSDC	Training seminars on Southbound trading	Hangzhou / Taiyuan / Wuhan / Chengdu / Beijing / Shenzhen	1,300

Source of information: HKEX

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.

3. We have discussed with relevant authorities of the Central Government the launch of the Shenzhen-Hong Kong Stock Connect and the enhancement of the Shanghai-Hong Kong Stock Connect. We are all set with preparatory work and, subject to the announcement of the Central Government, shall implement the programme as soon as possible.
4. We note that the HKEX proposes to build the London-Hong Kong Connect to establish trading and clearing links between the London Metal Exchange and the Hong Kong Futures Exchange. The operating model is at a development stage and subject to regulatory approval in the two jurisdictions.

Monthly Trading Volume of Northbound and Southbound Trading Links

	Monthly Trading Volume of Northbound Trading (RMB, 100 million)	Monthly Trading Volume of Southbound Trading (HKD, 100 million)
2014		
November	465.9	76.0
December	1209.2	184.1
2015		
January	998.9	307.2
February	674.9	102.2
March	1375.3	356.3
April	1551.1	2350.7
May	1505.5	1034.1
June	2272.1	827.9
July	1962.8	930.0
August	1207.1	509.7
September	818.8	252.9
October	709.1	276.3
November	1,009.7	377.4
December	625.3	452.4
2016		
January	637.7	521.7
February	441.2	281.1

Source of information: The Hong Kong Exchanges and Clearing Limited

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0395)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one, as well as seek funding of \$450 million in the context of the Appropriation Bill 2016 for the establishment of the Insurance Authority. In fact, funding of a total of \$650 million has to be sought by phases for the Insurance Authority. Will the Government advise this Committee of:

- a) the time when funding will be sought of the remaining \$200 million;
- b) any contingency plan in the event of an unforeseeable situation that results in a shortage of funds; and
- c) any contingency measure in the event of a filibuster and a delay of funding of the \$450 million to be sought in the context of the Appropriation Bill 2016?

Asked by: Hon CHAN Kin-por (Member Question No. 1)

Reply:

- (a) According to the revised indicative budget of the Independent Insurance Authority (IIA) (the revised budget) prepared by the Consultant in November 2015, IIA will face a deficit of about \$650 million in the first four years of operation. We have consulted the Legislative Council Panel on Financial Affairs on the funding proposal on 7 December 2015. Of the total \$650 million, it is expected that there will be a deficit of \$450 million in the first two years. We therefore propose providing IIA with \$450 million in 2016-17 to help meet its operating expenses in the first two years. In line with the streamlining practice which has been in place since 2015-16, we have included a commitment of \$450 million, as the first instalment of funding for IIA to meet its shortfall in the first two years, under a subhead of Head 148: Government

Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) in the 2016-17 Estimates for approval by the Legislative Council in the context of the Appropriation Bill 2016. Our current target is for IIA to take over the statutory functions of the Office of the Commissioner of Insurance (OCI) by the end of 2016 and the regulation of insurance intermediaries from the three Self-Regulatory Organizations in two to three years from its establishment. Whether the target could be achieved would depend on the progress of the preparatory work. We therefore propose to provide the remaining \$200 million to IIA tentatively in 2018-19, subject to the progress of the aforementioned transitional work.

- (b) If the funding is found not sufficient to meet the operational deficit of IIA due to unforeseen circumstances, we will explore feasible options under the existing mechanism to assist IIA to resolve its financial difficulties, for example, by way of a Government loan to IIA.
- (c) If the funding provision of \$450 million being sought is not approved in time due to filibustering, it is expected that IIA will not be able to take over OCI's statutory functions as scheduled and OCI will have to continue its statutory functions of regulating insurance companies.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0396)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one. Currently, the Government has appointed the Chairman and Non-Executive Directors of the Insurance Authority. Will the Government inform this Committee:

- (a) when the official appointment of the Chief Executive Officer (CEO) and arrangements for office accommodation and staff recruitment will be made; and whether such work can only be proceeded after funding approval by the Legislative Council; and
- (b) of any contingency plan in the event of a filibuster and a delay in funding approval which may affect such issues as CEO appointment and office accommodation?

Asked by: Hon CHAN Kin-por (Member Question No. 2)

Reply:

- (a) The Financial Secretary and the Treasury Bureau has set up a small preparatory team of civil servants to assist the Independent Insurance Authority (IIA) to recruit its staff, formulate and implement internal administrative/financial systems and procedures, prepare office accommodation, procure essential stores and equipment, etc. The recruitment of the Chief Executive Officer and other staff members, securing lease of office, and procurement of essential services (e.g. IT services) are contingent on funding approval by the Legislative Council.
- (b) If the funding provision of \$450 million being sought is not approved in time due to filibustering, IIA will not be able to have timely financial resources for staff

recruitment, office accommodation and procurement of essential services. As such, the Office of the Commissioner of Insurance will have to continue its statutory regulatory functions of regulating insurance companies until IIA is ready to take over them.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0397)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one. The Insurance Authority will have an estimated establishment of 299 full-time staff. Will the Government inform this Committee:

- a) of the specific staffing structure of the Insurance Authority and its estimated number of staff in the respective management ranks;
- b) of the standards on which staff remuneration and future pay rises are determined;
- c) given that the Insurance Authority will start establishing its human resources department prior to other departments in the first stage, of the time required for recruiting sufficient staff to take over the Insurance Authority's work; and
- d) given that the establishment of 299 staff is only an estimated manpower requirement, whether the Insurance Authority will assess in further detail the actual requirement to decide if there is a need to increase or reduce manpower?

Asked by: Hon CHAN Kin-por (Member Question No. 3)

Reply:

- (a) As recommended by a consultancy study commissioned earlier by the Government, the executive arm of the Independent Insurance Authority (IIA), with an estimated workforce of 299 staff, will have five Divisions, namely, the Long Term Business Division, General Business Division, Policy and Development Division, Market Conduct Division and the Corporate Services Division. Each division will be led by a

director and supported by various professional and administrative staff. A Chief Executive Officer will oversee the operation of IIA.

- (b) According to the Insurance Companies (Amendment) Ordinance 2015, IIA may employ persons for the remuneration and allowances, and on the terms and conditions, that IIA determines. IIA will generally adopt a market-driven approach in determining the staff remuneration package.
- (c) IIA plans to recruit staff in phases. It is expected that about 130 professional officers on insurance-related duties will be recruited in 2016. Its target is to take over the statutory functions of the Office of the Commissioner of Insurance by the end of 2016.
- (d) IIA is a statutory body independent of the Government. It will determine the appropriate size of its workforce based on actual operational needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)012

(Question Serial No. 0398)

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 that the Branch will oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one. Apart from a funding of \$650 million to be sought by phases from the Government for the establishment of the Insurance Authority, a formal charging and levy mechanism will also be in place to meet its day-to-day operating costs. Will the Government inform this Committee of the following:

- a) When will the charging and levy mechanism be activated to formally collect fees and levies from the relevant stakeholders?
- b) As the Chairman of the Insurance Authority recently put it, authorisation fees for insurance companies will be the main source of revenue and it is believed that the level of fees has to be increased to meet the future expenditure. Given that such fees has been a concern of the insurance industry, will the Government clarify under what circumstances a fees increase will be proposed by the Insurance Authority?
- c) Will the insurance industry be consulted before introducing any changes to fees collection?

Asked by: Hon CHAN Kin-por (Member Question No. 4)

Reply:

The independent Insurance Authority (IIA) is financially independent of the Government. Its income would comprise the following elements -

- (i) a levy of 0.1% on premiums for insurance policies;

- (ii) a fixed authorization fee of \$300,000 (\$30,000 for captive insurance companies) and a variable authorization fee of 0.0039%, calculated on the basis of individual company's insurance liabilities, payable by insurance companies;
- (iii) a fixed licence fee payable by insurance intermediaries; and
- (iv) user fees for specific services.

About 70% of IIA's income will be from the levy while the remaining 30% will be from the various authorization/licence and user fees.

- a) We expect to submit the relevant subsidiary legislation on the levy, authorization fees, and some of the user fees to the Legislative Council (LegCo) in early 2017, so that IIA could start to collect the relevant levy and fees in the second quarter of 2017.
- b) As mentioned above, the levy on insurance premiums will be IIA's major source of income. IIA is required to review the level of levy once its reserves are more than twice its estimated operating expenses for the financial year (after deducting depreciations and all provisions) and it has no outstanding debt, with a view to recommending a reduction in levy.
- c) All fees and levy to be charged by IIA will be prescribed by way of subsidiary legislation. Any adjustments to the levels will be subject to the established consultation process and the scrutiny of LegCo.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0399)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one, as well as seek funding of \$450 million. Will the Government inform this Committee:

- a) how the Insurance Authority will manage the funding once it is approved, and whether an investment committee will be set up to yield returns through investment; and
- b) which kinds of investment strategies the Insurance Authority will employ, and whether it will consider entrusting the Hong Kong Monetary Authority with the management?

Asked by: Hon CHAN Kin-por (Member Question No. 5)

Reply:

- (a) The Independent Insurance Authority (IIA) is a statutory body independent of the Government and industry, both financially and operationally. IIA will adopt a prudent approach in managing its financial resources.

IIA has resolved to set up different Committees to advise it on matters in specific areas, including an Investment Committee at a later stage to advise IIA on investment strategies.

- (b) According to the Insurance Companies (Amendment) Ordinance 2015, IIA may invest, in the manner approved by the Financial Secretary, its funds that are not required for immediate use. The Investment Committee to be set up by IIA will discuss and advise IIA on investment strategies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)014

(Question Serial No. 0400)

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 that the Branch will oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one. According to the Government information, the Office of the Commissioner of Insurance (OCI) currently has 48 serving Insurance Officers (IOs), who are the backbone of the present OCI. As the work of insurance regulation demands specialised knowledge, it is believed that the Insurance Authority will also require the service of such experienced personnel. However, about 10 of them have indicated their preference for switching to other civil service posts after the dissolution of the OCI, which means the number of IOs who can transfer to the new Insurance Authority will be about 30-odd at most. Will the Government inform this Committee:

- a) of the number of officers that the Insurance Authority will need to recruit for duties similar to those of the IO grade;
- b) whether there will be a succession gap in terms of the regulation experience and manpower strength of the Insurance Authority; and
- c) whether the work of insurance regulation will be affected during the transitional period if recruitment of sufficient experienced staff fails?

Asked by: Hon CHAN Kin-por (Member Question No. 6)

Reply:

- (a) At present, there are 48 Insurance Officers (IOs) and 82 non-civil service contract (NCSC) staff members in the Office of the Commissioner of Insurance (OCI) undertaking regulatory duties.

As recommended by a consultancy study commissioned earlier by the Government, the executive arm of the Independent Insurance Authority (IIA) will have an estimated workforce of 299 staff members of various professional and administrative disciplines. IIA plans to recruit staff in phases. To enable IIA to take over the statutory functions of OCI, it is expected that about 130 professional officers on insurance-related duties of IIA will be recruited in 2016.

- (b) IIA will recruit its own staff. It is expected that most IOs and their NCSC counterparts will apply for jobs in IIA. This can help retention of regulatory experience.
- (c) Whether IIA can meet the current target of taking over the statutory functions of OCI by the end of 2016 would depend on whether it can recruit sufficient experienced staff.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)015

(Question Serial No. 0401)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will prepare legislation for the establishment of a Policyholders' Protection Fund to better protect policyholders' interests in the event of the insolvency of an insurer. In fact, the Government proposed establishing the Fund in 2009 and completed consultation in early 2012. It was then envisaged that a bill would be tabled at the Legislative Council in 2012-13. Will the Government advise this Committee of:

- a) the issues that have been delaying the completion of the drafting of the Bill; and
- b) the time it plans to table the Bill at the Legislative Council (LegCo), given that the legislative work cannot be completed in time within the current term of the LegCo?

Asked by: Hon CHAN Kin-por (Member Question No. 9)

Reply:

The Government conducted a public consultation exercise in 2011 on the proposals for the establishment of a Policyholders' Protection Fund (PPF). The public and insurance industry generally supported the establishment of PPF. The Government published the consultation feedback and conclusions in early 2012.

Since then, the industry has provided their views on certain operational details of PPF, including the cap on levy. The Government has been maintaining a dialogue with the industry on the detailed arrangements while preparing the relevant legislation. We need more time to handle the relatively complicated provisions to ensure the continuity of life policies to protect the interest of policyholders in the event of insurer insolvency. Nevertheless, we will introduce the bill into the Legislative Council as soon as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)016

(Question Serial No. 0402)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will implement the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector. Will the Government advise this Committee:

- a) when the programme will be formally launched, and of the implementation timetable; and
- b) whether the programme, if proved to be successful, will be ongoing or even increase its training places?

Asked by: Hon CHAN Kin-por (Member Question No.10)

Reply:

- (a) Starting from the latter half of this year, we will implement in phases the various initiatives of the three-year Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector.
- (b) We will launch the Pilot Programme for three years and then review its effectiveness before considering whether to continue or expand the programme.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0403)

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 of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will legislate for a more conducive environment to attract more corporate treasury activities to Hong Kong. It is shown that the Government has organised various promotional and publicity events in collaboration with the Hong Kong Monetary Authority and the industry, with a view to promoting the development of Hong Kong into a corporate treasury centre in Asia. As at the end of 2015, over 170 corporations and financial institutions have participated in these events. Will the Government inform this Committee:

- a) of the details of the promotional events and how they were received by the corporations, and how many of the corporations have expressed an interest in setting up operations in Hong Kong;
- b) whether the Government has also advised the corporations to set up their regional headquarters in Hong Kong; and
- c) of its next plan?

Asked by: Hon CHAN Kin-por (Member Question No. 11)

Reply:

- (a) The Government strives to provide a conducive environment for corporate treasury business and promote Hong Kong as a preferred regional location for corporate treasury centres (CTCs). The Government and the Hong Kong Monetary Authority (HKMA) organise different types of promotional activities (including one-on-one meetings, seminars, conferences, etc.) in Hong Kong, the Mainland, and other major markets to introduce to corporations the proposed tax measures and the advantages of setting up a

CTC in Hong Kong. Multinational and Mainland corporations welcome the proposed tax measures. We envisage that a corporation will take into account its business needs, tax efficiency of the business location and other relevant considerations in structuring its group's operation.

- (b) Depending on the business needs, corporations may set up CTCs and regional headquarters in the same location. Hence, attracting more CTCs to Hong Kong will contribute to the development of the headquarters economy in Hong Kong, thereby fostering the development of Hong Kong as an international financial centre and business hub.
- (c) To attract more multinational and Mainland corporations to establish CTCs in Hong Kong, the Government has introduced the Inland Revenue (Amendment) (No. 4) Bill 2015 into LegCo to allow, under specified conditions, interest deductions under profits tax for intra-group financing business of corporations and reduce profits tax of qualifying CTCs by 50 per cent. We hope that the Bill will be passed by LegCo as soon as possible. After the passage of the Bill, the Inland Revenue Department will explain the operation of the tax regime through its Departmental Interpretation and Practice Notes to facilitate compliance, and the HKMA will step up marketing efforts to tie in with the implementation of the tax measures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)018

(Question Serial No. 0404)

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 Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance will set up Fintech dedicated platforms to liaise with the industry to ensure that the market will balance between market demand and investors' understanding and tolerance of risk when introducing innovative financial products and services. In this regard, will the Government provide details of how Fintech dedicated platforms operate, the kind of information provided on such platforms for investors, the expenditure and manpower involved, and the implementation timetable?

Asked by: Hon CHAN Kin-por (Member Question No. 17)

Reply:

The respective dedicated liaison platforms under the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance have already been launched. The platforms (each comprising three or four officers) are respectively led by a Division Head, Senior Director or Assistant Commissioner. The regulators will absorb the operating cost and manpower required with their own resources.

In terms of operations, the liaison platforms are tasked to communicate with the Fintech sector, handle enquiries from the industry and provide information on related regulatory requirements to companies engaging in financial innovation to enhance the industry's understanding of the regulatory environment in Hong Kong. The platforms will also keep track of the latest development in the market through their interaction with the industry.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)019

(Question Serial No. 1504)

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:

Under Subhead 000 of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned that the increase in the 2016-17 operational expenses over that of the last financial year was partly due to the consultancy study on the establishment of a risk-based capital framework for the prudential regulation of insurers. Will the Government inform this Committee of:

- a) the details of the consultancy study, including its scope, objectives and estimated expenditure; and
- b) the timetable for the completion of the consultancy study, re-engagement of the sector and introduction of the new framework?

Asked by: Hon CHAN Kin-por (Member Question No. 7)

Reply:

- a) We are carrying out the Phase II preparatory work for developing a risk-based capital (RBC) framework for the insurance industry of Hong Kong. The consultancy study will cover the formulation of detailed rules for the proposed RBC framework and implementation of Quantitative Impact Studies for difference types of insurers to ensure that the new regime is viable and practicable, and that it would not bring about instability to the insurance industry.

The estimated expenditure for the consultancy study for 2016-17 is \$3.2 million.

- b) At present, we anticipate that, after the consultant has formulated the detailed rules, Phase II consultation would be conducted in around 2017.

We anticipate that it will take at least two years to complete the tasks in Phase II (including the abovementioned public consultation). Phase III will involve setting out the new requirements in legislation and Phase IV will be the implementation phase. The new RBC regime will be rolled out in phases with a sufficiently long run-in period, so that insurance companies will have adequate time to understand the requirements thoroughly, and be able to achieve full compliance incrementally.

- End –

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1510)

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 a number of international financial institutions and professional services firms, including Accenture, the Commonwealth Bank of Australia, KPMG, Nest and Tuspark, have chosen to establish laboratories and incubation programmes in Hong Kong in recent years. This underlines Hong Kong's edge in developing Fintech. The Government will set up a dedicated team under the Invest Hong Kong (InvestHK) to organise international events and facilitate start-ups, investors and research and development institutions to establish their presence in Hong Kong. In this regard, what is the estimated expenditure and manpower involved? Will the Government consider providing more concrete assistance, such as waiving all the fees and taxes payable by overseas financial institutions and professional services firms in setting up laboratories in Hong Kong so as to attract more overseas institutions to develop Fintech in Hong Kong?

Asked by: Hon CHAN Kin-por (Member Question No. 16)

Reply:

The Government has earmarked about \$13.8 million for InvestHK's dedicated team in 2016-17 for assisting start-ups, investors and R&D institutions to establish their presence in Hong Kong and promoting Hong Kong's Fintech sector (including organising and sponsoring forums, seminars and other events; branding; advertising and general promotion). InvestHK will formally establish the team after the Budget is passed by the Legislative Council. In 2016-17, four new staff will be recruited to support its operation.

The Enterprise Support Scheme (ESS) under the Innovation and Technology Fund will provide financial support to Fintech start-ups and financial institutions, and help attract more overseas institutions to develop Fintech in Hong Kong.

The Report of the Steering Group on Financial Technologies also highlighted that financial institutions are increasingly looking for collaboration with start-ups to capitalise on the business opportunities brought about by Fintech and connect with innovative ideas that can enhance their operational efficiency. The Government will foster a vibrant Fintech ecology with promising start-ups and an excellent talent pool. Apart from establishing a dedicated team under InvestHK to assist start-ups, investors and R&D institutions to establish their presence in Hong Kong and providing financial support to Fintech start-ups and financial institutions through the ESS, other measures to promote Fintech development that were announced in the 2016-17 Budget include –

- (a) setting aside a dedicated space of 3 000 square metres in Cyberport’s Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;
- (b) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (c) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (d) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (e) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)021

(Question Serial No. 2315)

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 promotion of Fintech by the Invest Hong Kong (InvestHK), would the Government inform this Committee of the following:

- (a) It is mentioned in the 2016 Budget that the Government will set up a dedicated team under InvestHK to organise international events and facilitate start-ups, investors and research and development institutions to establish their presence in Hong Kong. What are the total estimated expenditure and manpower of the team, the work plan for 2016-17 and its estimated expenditure and timeframe? And
- (b) According to InvestHK, there are now 1 600 local start-ups, representing an increase of 50 per cent over 2014. How many of these are Fintech start-ups? What is the difference in percentage when compared with 2014?

Asked by: Hon Charles Peter MOK (Member Question No. 182)

Reply:

The Government has earmarked about \$13.8 million for InvestHK's dedicated team in 2016-17. The team will render practical assistance to local, Mainland and overseas start-ups such as directing them to appropriate contact points regarding government grants and private sector funding sources, and providing information on supporting services, e.g. co-working spaces, incubator / accelerator programmes, pitching opportunities and networking events. It will also host an annual signature Fintech event and start-up competitions, as well as work with other relevant agencies in joining Fintech events and organising roadshows in the Mainland and overseas. InvestHK will formally establish the

team after the Budget is passed by the Legislative Council. In 2016-17, four new staff will be recruited to support its operation.

With reference to information provided by operators of 40 co-working spaces, incubator and accelerator locations in Hong Kong by InvestHK, the number of start-ups engaged in Fintech in their premises was 86 in August 2015, increased by 16% from 74 in November 2014.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)022

(Question Serial No. 2319)

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 Branch will “promote the development of financial technologies (Fintech) in Hong Kong, having regard to the recommendations made by the Steering Group on Financial Technologies”. In this connection, please inform this Committee:

- (1) of the number of Fintech start-ups established in Hong Kong, the amount of investment involved and the number of university graduates in the discipline of Fintech in the past 3 years;
- (2) whether the Government has any plan for organising or sponsoring the sector to organise Fintech activities, forums and seminars in 2016-17; if yes, of the details;
- (3) whether the Government has any plan for implementing the recommendations made in the report of the Steering Group on Financial Technologies in 2016-17; if yes, of the detailed action plan, timetable, manpower and expenditure involved; and
- (4) given that some start-up entrepreneurs have reflected that our legislation and regulatory environment are the biggest challenge for promoting Fintech start-ups in Hong Kong, whether the Government has any plan to study and consult the public on the room for amending the current legislation in 2016-17; if yes, of the details and expenditure involved.

Asked by: Hon Charles Peter MOK (Member Question No. 142)

Reply:

With reference to information provided by operators of 40 co-working spaces, incubator and accelerator locations in Hong Kong by Invest Hong Kong (InvestHK), the number of

start-ups engaged in Fintech in their premises was 86 in August 2015, increased by 16% from 74 in November 2014.

The Government does not have any information on investment made on Fintech ventures in Hong Kong over the past three years.

The Fintech sector is open to talents with different skill sets and innovative ideas. For background information, the number of graduates of University Grants Committee-funded Undergraduate Level Programmes in Science, Technology, Engineering and Mathematics, Business and Management (including Finance and Investment) was 31 858 over the past three years (2012-13 to 2014-15 academic years).

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group on Financial Technologies, including –

- (a) establishing a dedicated team under InvestHK to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport's Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;
- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme (ESS) under the Innovation and Technology Fund;
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of "Blockchain" technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The ESS was set up in April 2015, and the three financial regulators have already established their respective dedicated liaison platforms for Fintech. Other measures mentioned above are expected to be rolled out within 2016-17.

The Government has earmarked about \$13.8 million for InvestHK's dedicated team in 2016-17 for assisting start-ups, investors and R&D institutions to establish their presence in Hong Kong and promoting Hong Kong's Fintech sector (including organising and sponsoring forums, seminars and other events; branding; advertising and general promotion). InvestHK will formally establish the team after the Budget is passed by the Legislative Council. In 2016-17, four new staff will be recruited to support its operation.

The Financial Services Branch (FSB) will also set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments. The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

In developing Fintech, the Government will uphold the "technology-neutrality" principle and attach importance to investor protection. The regulators' Fintech dedicated platforms will also liaise with the industry to help ensure an appropriate balance between market innovation and investors' understanding and tolerance of risks.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)023

(Question Serial No. 2320)

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 electronic cheques (e-Cheques), please advise:

- (1) the number of e-Cheques cleared by the 9 retail banks (same bank clearing/central clearing) since the introduction of e-Cheque service in December 2015;
- (2) the existing e-Government services supporting e-Cheques;
- (3) whether there are plans to finance sectors such as the financial services sector and the information and technology sector to explore and develop the use of e-Cheques and e-Payment services, e.g. e-commerce and cross-border payments; and
- (4) whether the Government has promoted the use of e-Cheques and other e-Payment services and educated the public about the points to note for using such payment methods; if yes, the details and the expenditure involved?

Asked by: Hon Charles Peter MOK (Member Question No. 146)

Reply:

- (1) According to the statistics of Hong Kong Interbank Clearing Limited, from the launch of the e-cheque service on 7 December 2015 to 29 February 2016, more than 51,000 e-cheques with an aggregate value of around HK\$1.3 billion equivalent were processed and settled.
- (2) Currently, the public can pay government bills (including general demand notes, tax demand notes, business registration fees, tax reserve certificates, stamp duties, court fees and interest on judgment debts) by e-cheque through the Government's "Pay e-Cheque" portal.

- (3) The Hong Kong Monetary Authority (HKMA) is liaising with the People's Bank of China and the Monetary Authority of Macao with a view to enabling the use of e-cheque in cross-boundary payments as soon as practicable. Also, the HKMA will continue to explore with stakeholders the application of e-cheque in the e-commerce context.
- (4) To enhance the understanding of the public on e-cheque, the HKMA and the Hong Kong Association of Banks (HKAB) have jointly developed a series of educational materials, such as announcements on television and radio, posters, and electronic brochures, etc. The relevant costs are borne by the HKMA and HKAB.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1481)

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

Subhead (No. & title): (700) General non-recurrent

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 proposes the establishment of an independent Insurance Authority and requests for a provision of \$450 million. However, funding for this item is sought from the Legislative Council (LegCo) in the context of the Appropriation Bill 2016. In this connection, would the Government inform this Committee of the following:

- (1) why only a provision of \$450 million is sought at present while earlier on in concluding the consultation on the establishment of the Insurance Authority, the Government proposed to make a provision of \$500 million to the new Insurance Authority to support its initial operation; and whether the Government will seek funding from the Finance Committee of LegCo again in case of deficiency;
- (2) the detailed breakdown of the provision;
- (3) why funding is sought from LegCo in the context of the Appropriation Bill 2016; and why it is not sought independently from the Finance Committee of LegCo?

Asked by: Hon Christopher CHEUNG Wah-fung (Member Question No. 31)

Reply:

- 1 & 2 The Independent Insurance Authority (IIA) will be financially independent of the Government, with its major sources of revenue coming from the levies on insurance premiums, authorization fees payable by insurance companies, licence fee payable by insurance intermediaries and user fees for specific services, etc. To reduce the impact on the insurance industry and policyholders, IIA will adopt an incremental approach to achieving the target level of revenue in the initial years of operation. We therefore propose to provide a lump sum provision to help IIA meet the shortfall in cost recovery in the initial years of operation.

The funding requirement of \$500 million proposed originally was worked out based on the indicative budget of the Independent Insurance Authority (IIA) prepared by the Consultant in 2010. According to the revised budget prepared by the Consultant in November 2015, IIA will face a deficit of about \$650 million in the first four years of operation. We have consulted the Legislative Council Panel on Financial Affairs on the funding proposal on 7 December 2015. Of the total \$650 million, it is expected that there will be a deficit of \$450 million in the first two years. We therefore propose to provide IIA with \$450 million in 2016-17 to help meet its operating expenses in the first two years.

3. In line with the streamlining practice which has been in place since 2015-16, we have included a commitment of \$450 million, as the first instalment of funding for IIA to meet its shortfall in the first two years, under a subhead of Head 148: Government Secretariat: Financial Services and the Treasury Bureau: (Financial Services Branch) in the 2016-17 Estimates for approval by the Legislative Council in the context of the Appropriation Bill 2016. Our current target is for IIA to take over the statutory functions of the Office of the Commissioner of Insurance by the end of 2016 and the regulation of insurance intermediaries from the three Self-Regulatory Organizations in two to three years from its establishment. Whether the target could be achieved would depend on the progress of the preparatory work. We therefore propose providing the remaining \$200 million to IIA tentatively in 2018-19, subject to a review of the progress of the aforementioned transitional work.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)025

(Question Serial No. 2829)

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 this year's Budget that the Shanghai-Hong Kong Stock Connect and the Mutual Recognition of Funds Arrangement have been implemented successfully, and the Government has discussed with relevant authorities of the Central Government the launch of the Shenzhen-Hong Kong Stock Connect and the enhancement of the Shanghai-Hong Kong Stock Connect. Subject to the announcement of the Central Government, the programme shall be implemented as soon as possible. However, no further mention is made of the plan proposed in last year's Budget, i.e. staging roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. Will the Government provide the following information:

1. Has the plan been withdrawn? If yes, what were the reasons and how much savings in expenditure were achieved by the Government as a result?
2. If the plan continues to proceed, what are its specific details, including the estimated expenditure and the provinces and cities in which the roadshows will be staged?
3. Will the roadshow plan (if any) be implemented in collaboration with Hong Kong dealers on the Mainland? If yes, will these dealers be subject to any quota or eligibility restrictions? If yes, what are the details?

Asked by: Hon Christopher CHEUNG Wah-fung (Member Question No. 46)

Reply:

We would review the plan to stage roadshows in the Mainland with the industry taking into account market situation and the progress of Shenzhen-Hong Kong Stock Connect. If we proceed with the roadshows, the expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)026

(Question Serial No. 0444)

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

Subhead (No. & title): (111) Hire of services and professional fees

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 reference to the sharp increase in the 2016-17 estimate for 'Hire of services and professional fees' and 'General departmental expenses' under Departmental Expenses, in comparison to the 2015-16 original/revised estimate, please provide detailed explanations and an estimated breakdown of the expenditures in question.

Asked by: Hon Dennis KWOK (Member Question No. 5)

Reply:

The expenditure for “Hire of services and professional fees” and “General departmental expenses” in the 2016-17 draft estimate is about \$46 million above that in the 2015-16 revised estimate. This is mainly due to the provisions for promoting development of financial technologies (about \$13.8 million), enhancing public education for and support to people in financial distress (about \$2.9 million), the consultancy study on the establishment of a risk-based capital framework for the prudential regulation of insurers (about \$3.2 million) and the consultancy study on the operating budget of the Financial Reporting Council under the new regulatory regime for listed entity auditors (about \$1.4 million), and the anticipated increase in expenses on the tenth Asian Financial Forum (about \$4.5 million), the hearing of tribunal cases on market misconduct and securities and futures appeals (about \$5.1 million), salaries for non-civil service contract staff (about \$3.9 million) and the repayment of bona vacantia receipts (about \$7.5 million).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)027

(Question Serial No. 0445)

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 Financial Institutions (Resolution) Bill is under way, and inevitably the establishment of an effective resolution regime for financial institutions in Hong Kong will incur expenses for its operation. In the \$765.5 million allocated for financial services, please specify the amount that is likely to be spent for the above purposes, and the expenditure's detailed usage.

Asked by: Hon Dennis KWOK (Member Question No. 7)

Reply:

The objective of the Financial Institutions (Resolution) Bill (the Bill) is to establish a resolution regime for systemically important financial institutions to avoid or mitigate the risks posed by their non-viability to the stability of the financial system of Hong Kong. The work in relation to the Bill is being jointly pursued by the Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority, the Securities and Futures Commission (SFC) and the Office of the Commissioner of Insurance. The Bill, once in force, will confer a range of powers (in line with those set out in the latest international standards set by the Financial Stability Board's "Key Attributes of Effective Resolution Regimes for Financial Institutions") on each of the Monetary Authority, the SFC and the Insurance Authority as resolution authorities under the Bill for those financial institutions operating under their existing purviews.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer are involved in the work in relation to the Bill and its implementation. The related expenses 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. 2454)

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 part concerning the Belt and Road Initiative in the Budget Speech, it was mentioned in paragraph 85 that the third sukuk would be issued in a timely manner. Will the SAR Government consider making a suggestion to the Central Government that 30-year bonds worth 10 billion to 100 billion be issued by the Central Government for purchase by the general public, investors and SMEs, so as to facilitate wider participation in the development of our country's Belt and Road Initiative?

Asked by: Hon James TIEN Pei-chun (Member Question No. 80)

Reply:

Since 2009, the Ministry of Finance (MoF) has issued Renminbi (RMB) sovereign bonds in Hong Kong every year. Issuance in both 2013 and 2015 included sovereign bonds of 30-year tenor for institutional investors. The annual issuance of RMB sovereign bonds in different tenors by the MoF facilitates the construction of a yield curve for the offshore Renminbi market and provides a benchmark yield for other offshore products.

With the implementation of the Belt and Road strategy, Hong Kong's status as a financing and investment centre will be strengthened and our bond market will further develop, along with diversification of relevant financial activities and products.

We note the Hon James TIEN Pei-chun's suggestion, and will continue to engage relevant Mainland authorities to further enhance the arrangements for issuance of RMB sovereign bonds in Hong Kong by the MoF. In fact, the amount of bond issuance in Hong Kong by the MoF has increased from RMB 6 billion in 2009 to RMB 28 billion in 2015, and the frequency of issuance has increased to twice a year since 2013, resulting in a more regular issuance of RMB sovereign bonds in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)029

(Question Serial No. 3243)

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 Matters Requiring Special Attention in 2016-17, the FSTB will promote the development of financial technologies (FinTech), having regard to the recommendations made by the Steering Group on Financial Technologies.

- a) What specific measures have been set out for the FSTB to implement those recommendations, and what is the timetable for implementation?
- b) How much manpower and expenditure is involved?

Asked by: Hon Kenneth LEUNG (Member Question No. 4.01)

Reply:

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group on Financial Technologies, including –

- (a) establishing a dedicated team under Invest Hong Kong (InvestHK) to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport's Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;
- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;

- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme (ESS) under the Innovation and Technology Fund;
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The ESS was set up in April 2015, and the three financial regulators have already established their respective dedicated liaison platforms for Fintech. Other measures mentioned above are expected to be rolled out within 2016-17.

The Government has earmarked about \$13.8 million for InvestHK’s dedicated team in 2016-17. InvestHK will formally establish the team after the Budget is passed by the Legislative Council. In 2016-17, four new staff will be recruited to support its operation.

The Financial Services Branch (FSB) will also set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments. The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)030

(Question Serial No. 3244)

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 his speech, the Financial Secretary mentioned that the Steering Group on Financial Technologies has examined the direction for Hong Kong's Fintech development and has recommended a number of measures for creating a conducive environment and encouraging financial institutions and professionals from around the world, and mentioned they would "actively follow up". Would the Government please answer:

- 1) What plans are there to modernise legislation to establish the proper legal framework for financial technologies to flourish?
- 2) Whether the Government has identified inadequacies in the existing laws which could deter investors in new financial technologies due to uncertainties, and whether there are plans for regulatory authorities to make the corresponding clarifications?

Asked by: Hon Kenneth LEUNG (Member Question No. 4.02)

Reply:

In developing Fintech, the Government will uphold the "technology-neutrality" principle and attach importance to investor protection. Also, the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance have already established their respective dedicated liaison platforms for Fintech to enhance communication between regulators and the Fintech community. The regulators' dedicated platforms will liaise with the industry to help ensure an appropriate balance between market innovation and investors' understanding and tolerance of risks.

Specifically, the liaison platforms are tasked to handle enquiries from the industry and provide information on related regulatory requirements to companies engaging in financial innovation to enhance the industry's understanding of the regulatory environment in Hong

Kong. The platforms will also keep track of the latest development in the market through their interaction with the industry.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)031****(Question Serial No. 3245)**

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 his speech, the Financial Secretary suggested the Government will encourage the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry. Would the Government please answer,

- 1) Whether the Government has funded any research or had participants in its incubation programmes looking into the application of Blockchain and/or Bitcoin technology? If so, please list the name of the projects with a short description of its research and results using the following table.

Name of the project/ incubatee	Project objectives	Progress results/ Achievements	Amount of investment by the Government

- 2) Will the Government table legislation specific to Blockchain technology and/or the virtual currency, Bitcoin, it derives from?

Asked by: Hon Kenneth LEUNG (Member Question No. 4.03)

Reply:

The Financial Services Branch has not funded any incubation programmes or research on the application of Blockchain or Bitcoin technology. The Cyberport will roll out its designated programme for financial technologies (Fintech) start-ups in 2016-17 and provide training to the industry through its incubation programme to promote the Blockchain technology for developing more services and products.

In developing Fintech, the Government will uphold the “technology-neutrality” principle and attach importance to investor protection. Also, the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance have already established their respective dedicated liaison platforms for Fintech to enhance communication between regulators and the Fintech community. The regulators’ dedicated platforms will liaise with the industry to help ensure an appropriate balance between market innovation and investors’ understanding and tolerance of risks.

Although Bitcoin utilises the Blockchain technology, the same technology could be applied to other aspects in financial services and should not to be confused with so called “virtual currencies” or “virtual commodities” transactions. Bitcoin is not a legal tender but a virtual “commodity”, and its price is highly volatile.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)032

(Question Serial No. 2476)

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 Steering Group on Financial Technologies (the Steering Group) which the Financial Secretary set up last year has examined the direction for Hong Kong's development of financial technologies (Fintech) jointly with the industry, research and development institutions and relevant regulatory authorities. It has recommended a number of measures for creating a conducive environment and encouraging financial institutions and professionals from around the world to drive the development and application of Fintech in Hong Kong. Will the Government please advise on the investment expenses spent/to be spent on financial technologies in the past and next 5 years? What is the progress on the work of the Steering Group? Which of the recommendations have been implemented?

Asked by: Dr Hon LAM Tai-fai (Member Question No. 4)

Reply:

The Steering Group on Financial Technologies was established in April 2015, and submitted its Report to the Financial Secretary in early February 2016. The Financial Services Branch provided secretariat support to the Steering Group with existing resources and manpower (including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist) in 2015-16.

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group, including –

- (a) establishing a dedicated team under Invest Hong Kong (InvestHK) to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport's Smart-Space

for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;

- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme (ESS) under the Innovation and Technology Fund;
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The ESS was set up in April 2015, and the three financial regulators have already established their respective dedicated liaison platforms for Fintech. Other measures mentioned above are expected to be rolled out within 2016-17.

InvestHK will formally establish the dedicated team after the Budget is passed by the Legislative Council. The Government has earmarked about \$13.8 million for the team in 2016-17, and will keep the situation under review.

The Financial Services Branch (FSB) will also set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments. The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)033

(Question Serial No. 1190)

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

Subhead (No. & title): (700) General non-recurrent

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 Item 887 "Establishment of an independent Insurance Authority" created under Subhead 700, please advise:

- (a) the details of the establishment of the Authority and the anticipated date of establishment;
- (b) the detailed use of the \$450 million commitment and the impact of the establishment of the Authority on government recurrent expenditure; and
- (c) the estimated expenditure for 2016-17 and the estimated cash flow for each of the subsequent financial years.

Asked by: Hon LEE Cheuk-yan (Member Question No. 1)

Reply:

- (a) The Insurance Companies (Amendment) Ordinance 2015 which provides for the establishment of the Independent Insurance Authority (IIA) was enacted on 10 July 2015. The policy objectives of establishing IIA are to modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policyholders, and comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the Government and industry.

IIA will take over the statutory functions of the Office of the Commissioner of Insurance (OCI) such as the prudential and conduct regulation of insurance companies, implement the statutory licensing regime and take over the regulation of insurance intermediaries from the three Self-Regulatory Organizations (SROs). The Chief Executive announced the appointment of the Chairperson and seven Non-executive Directors of IIA on 28 December 2015. Our current target is for IIA to take over

OCI's statutory functions by the end of 2016 and the regulation of insurance intermediaries from the three SROs in two to three years from its establishment. Whether the target could be achieved would depend on the progress of the preparatory work.

- (b) IIA will be financially independent of the Government, with its major sources of revenue coming from levies on insurance premiums, authorization fees payable by insurance companies, licence fee payable by insurance intermediaries and user fees for specific services, etc. To reduce the impact on the insurance industry and policyholders, IIA will adopt an incremental approach to achieving the target level of revenue in the initial years of operation. We therefore propose to provide a lump sum provision to help IIA meet the shortfall in cost recovery in the initial years of operation. According to the revised indicative budget of IIA (the revised budget) prepared by the Consultant in November 2015, IIA will face a deficit of about \$650 million in the first four years of operation. Of the total \$650 million, it is expected that there will be a deficit of \$450 million in the first two years. We therefore propose to provide IIA with \$450 million in 2016-17 to help meet its operating expenses in the first two years. The funding, which is non-recurrent in nature, will not impact on the recurrent account of the Government.
- (c) According to the revised budget, the estimated cashflow and shortfall of IIA in the initial years of operation is as follows –

	Year 1* (\$m)	Year 2 (\$m)	Year 3 (\$m)	Year 4 (\$m)	Year 5 (\$m)	Year 6 (\$m)
(A) IIA's estimated operating costs**	399.5	406.8	421.6	450.8	466.9	484.6
(B) IIA's estimated cashflow	459.1	407.2	422.3	452.3	472.8	485.5
(C) Estimated income to be recovered from the industry	186.6	230.9	292.9	374.8	474.4	596.5
(D) Estimated Surplus/Deficit = (C) - (B)	(272.5)	(176.3)	(129.4)	(77.5)	1.6	111.0
(E) Shortfall to be covered by the Government = (B) - (C)	272.5	176.3	129.4	77.5	Not Applicable	Not Applicable
Total (\$m) 655.7						

* Assuming IIA will take over OCI's statutory functions by the end of 2016, its first year of operation will commence in 2017.

** Assuming the workforce of IIA will remain unchanged at 299 staff.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1191)

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

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards Item 888 "Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector" created under Subhead 700, please advise:

- (a) the details of the programme;
- (b) the detailed use of the \$100 million commitment; and
- (c) the estimated expenditure for 2016-17 and the estimated cash flow for each of the subsequent financial years.

Asked by: Hon LEE Cheuk-yan (Member Question No. 2)

Reply:

- (a)&(b) Starting from the latter half of this year, we will implement in phases the various initiatives of the three-year Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector. Please see Annex I for the details of the Pilot Programme and the use of the \$100 million commitment.
- (c) Please see Annex II for the indicative cash flow of the Pilot Programme for Financial Years 2016-17 to 2020-21.

Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector

Details of the individual initiatives of the Pilot Programme and the itemized budget are provided below (with appropriate adjustments and refinements in the course of implementation) –

	Initiative	Estimated funding (\$ million)
<u>Insurance Sector</u>		
(a)	<u>Public education programme</u> Working with the insurance sector on publicity and outreach to promote public awareness of the wide range of career opportunities in the insurance sector and the career paths of functional jobs in the sector.	25.0
(b)	<u>Work-and-learn programme</u> Providing training allowance to trainees of the work-and-learn programme and sponsorship for overseas immersion programme. A structured work-and-learn programme would allow trainees to receive classroom training on insurance knowledge required for further progression of their careers, while acquiring hands-on work experience with earnings during the study period. On top of the annual remuneration of no less than \$120,000 paid by the participating employer during the 16-month traineeship, to enhance the attractiveness of the programme, each trainee will also receive a total training allowance of \$40,000 during the period.	7.2
(c)	<u>Internship programme</u> Providing internship places in insurance companies and insurance broker companies to university students. Internship programmes allow university students to gain	2.1

	<p>a better understanding of the operation of the insurance sector which would facilitate their consideration in deciding their future career. Out of the monthly honorarium for each student, the Government would contribute up to 75% or \$7,000 (whichever is the lower) for an internship period of up to two months, while the remaining sum as well as the cost for guidance and coaching should be contributed by the participating insurance companies and insurance broker companies.</p>	
(d)	<p><u>Professional training programme</u></p> <p>Subsidising the three Self-Regulatory Organisations (SROs), i.e. the Hong Kong Federation of Insurers¹ (HKFI), Confederation of Insurance Brokers and Professional Insurance Brokers Association, in organising high-quality training courses focusing on the functional or topical areas in insurance. The programme will provide high-end courses at an affordable cost for practitioners who wish to enhance their professional knowledge. SROs may partner with training institutes in organising the courses. We propose to set up a Vetting Committee comprising practitioners and other relevant stakeholders to consider proposals submitted by the three SROs. The SROs would charge participants a registration fee and the remaining costs for organising the courses would be reimbursed by the Government according to the actual expenses.</p>	12.0
	<i>Sub-total</i>	46.3
<u>Asset and Wealth Management Sector</u>		
(e)	<p><u>Promotion and education programme</u></p> <p>Reaching out to undergraduate students of the University Grants Committee (UGC)-funded institutions by launching various promotion and education initiatives, such as talks by industry practitioners, career seminars,</p>	5.0

¹ The Insurance Agents Registration Board is set up under the HKFI.

	job fairs, etc. This aims to draw undergraduate students' attention to the careers in the asset and wealth management sector, including the different functional roles available, from front, middle to back offices, with a view to attracting them to join the profession upon graduation.	
(f)	<p><u>Internship programme for undergraduate students</u></p> <p>Inviting local financial institutions to offer intern places related to asset and wealth management during the summer vacation. The programme will be open to local non-final year undergraduate students of the UGC-funded institutions. Internship experience would give students early exposure to the wide spectrum of career opportunities in the sector.</p> <p>Internship period for each intern will last four to eight weeks. Out of the monthly honorarium that a student would receive, the Government could contribute up to 75% or \$7,000 (whichever is the lower) for an internship period of up to eight weeks, while the remaining sum as well as the cost for guidance and coaching should be contributed by the financial institutions.</p>	3.2 ²
(g)	<p><u>Financial incentive scheme for professional training</u></p> <p>Implementing a financial incentive scheme for professional training, which aims at enhancing the competency and professionalism of the in-service practitioners within the asset and wealth management sector and assisting other practitioners within the financial services industry to acquire the knowledge and skills required for entering the asset and wealth management field. In-service practitioners of the financial services industry⁴ will be eligible for the</p>	35.0 ³

² Assuming that the Government contributes up to \$7,000 of the monthly honorarium to be paid to 225 interns for an internship period of eight weeks over the three-year period.

³ We expect that about 2 400 in-service practitioners will attend courses under the five selected programmes, which will require \$16.8 million (assuming that each practitioner will be reimbursed 80% of the course fees, up to \$7,000 per person). We also propose to reserve \$18.2 million for including more relevant training courses and other incentive schemes for professional training at a later stage over the pilot period. We hope that an additional 2 600 in-service practitioners will be benefitted (this is only a rough estimate which would be subject to change depending on the actual courses/programmes/initiatives to be included to the scheme, and the amount of reimbursement claimed by participants).

	<p>scheme. They will be reimbursed 80% of the fees upon satisfactory completion of a course under the selected programmes of the scheme. Each individual may apply for fee reimbursement for more than one course, up to a ceiling of \$7,000 per person over the three-year period.</p> <p>Courses under five selected programmes offered by two non-profit-making training institutes, namely the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Bankers, will be covered by the scheme initially. These selected programmes will cover a wide range of investment/financial products and services, as well as ethics, risk management and compliance, which will enable participants to enhance their knowledge about front, middle and back office roles of the asset and wealth management sector.</p>	
	<i>Sub-total</i>	43.2
<u>Administrative cost</u> ⁵		
	<i>Sub-total</i>	10.5
	Total	100

⁴ We propose that an applicant must be in full-time employment with a financial institution (e.g. he/she is employed by an organization licensed/registered by the Securities and Futures Commission/Hong Kong Monetary Authority), an insurer, an insurance broker company or an insurance agency, but not necessarily be in the field of asset and wealth management.

⁵ Including administrative fees to the implementation partners and contract staff cost.

The indicative cash flow requirements for the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector from 2016-17 to 2020-21 are as follows⁶ –

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Insurance Sector</u>						
(a) Public education programme	10,200	8,800	6,000	-	-	25,000
(b) Work-and-learn programme ⁷	100	2,200	2,600	2,200	100	7,200
(c) Internship programme	-	700	700	700	-	2,100
(d) Professional training programme	4,000	4,000	4,000	-	-	12,000

⁶ The cash flow requirements above are indicative only and are subject to adjustments, depending on the actual implementation of the initiatives. For example, depending on the take-up rate of training allowances in the first year, we may adjust the cash flow requirements for the professional training programmes for the subsequent years.

⁷ Given that the work-and-learn programme would take 16 months to complete, the training allowance for trainees would be provided until the third year intakes complete the course, i.e. the use of money will straddle more than the three years after the commencement of the pilot scheme.

Asset and Wealth Management Sector

(e)	Promotion and education programme	1,800	1,600	1,600	-	-	5,000
(f)	Internship Programme for undergraduate students	-	700	1,100	1,400	-	3,200
(g)	Financial incentive scheme for professional training	3,700	10,800	15,200	5,300	-	35,000

Administrative cost

	1,900	3,200	3,400	1,900	100	10,500
Total	21,700	32,000	34,600	11,500	200	100,000

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)035

(Question Serial No. 1192)

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

Subhead (No. & title): (700) General non-recurrent

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 Item 889 "Exit package for Insurance Officer Grade officers" under Subhead 700, please advise:

- (a) the details of the package, including the implementation schedule, estimated number of leavers, criteria for calculating exit compensation (if any), whether existing staff are allowed to remain in the service and whether staff unions will be consulted;
- (b) the detailed use of the \$31.2 million commitment; and
- (c) the estimated expenditure for 2016-17 and the estimated cash flow for each of the subsequent financial years.

Asked by: Hon LEE Cheuk-yan (Member Question No. 3)

Reply:

- (a) & (b) The Independent Insurance Authority (IIA) has been established. Its target is to take over OCI's statutory functions by the end of 2016 and the regulation of insurance intermediaries from the three Self-Regulatory Organizations in two to three years from its establishment. Whether the target could be achieved would depend on the progress of the preparatory work.

After the transfer of the statutory functions from OCI to IIA, the Insurance Officer (IO) grade posts, being civil service posts, will be abolished. The 47 affected IOs who are all pensionable civil servants will be compulsorily retired on the abolition of office (AOO) terms upon the hiving off of OCI. Apart from the statutory entitlements based on the terms under the Pension Benefits Ordinance (Cap. 99), we propose to provide the following non-statutory payments to the affected IOs –

- (i) a one-off ex-gratia payment of six months' last substantive monthly salary totaling about \$24 million; and
- (ii) a special lump sum payment, on a pro rata basis, of one month's last substantive monthly salary for every five years before an officer reaches his/her normal retirement age of 60, totaling about \$7.2 million.

We have consulted the relevant staff and staff union (e.g. the Insurance Officers Branch of the Hong Kong Chinese Civil Servants' Association) in formulating the exit package. We have also consulted the Legislative Council Panel on Financial Affairs on the funding requirement of \$31.2 million on 7 December 2015.

IIA will formulate its recruitment procedures and recruit staff through open recruitment. OCI's staff meeting the requirements of these openings can also apply. Though they will not be accorded priority for employment, it is believed that with their relevant experience, OCI's staff will have an edge over others in competing for jobs in IIAs.

- (c) The proposed cashflow is as follows –

Financial Year	Cashflow (million)*
2016-17	1
2017-18	30.2

* Assuming that OCI will be disbanded by the end of 2016 and all affected IOs will have accumulated up to 180 days of vacation leave by then, it is expected that most of the funding will be required in 2017-18. Depending on the progress of the preparatory work and the actual leave balance of individual IOs, we propose reserving a small part of the funding in 2016-17 in case we have to incur expenses for the exit arrangements.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2152)

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 of the estimated expenditure for the following items in 2016-17 by providing the information in table form, including the staffing establishments, ranks, salaries and related allowances as well as personnel related expenses of the political team and the directorate civil servants:

1. The Financial Services Branch and the Financial Services Division;
2. 1) The International and Mainland Affairs Division, 2) the Financial Services Development Council Secretariat and 3) the Research Office under the Financial Services Division; and
3. The Office of the Commissioner of Insurance and its divisions (the 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. 2009)

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	149.1
	Non-directorate	159	
(2.1) Financial Services Division - International and Mainland Affairs Division	Directorate	1	4.8
	Non-directorate	4	
(2.2) Financial Services Division - Financial Services Development Council Secretariat	Non-directorate	4	3.4
(2.3) Financial Services Division - Research Office	Non-directorate	2	2.5
(3) Office of the Commissioner of Insurance ^			
	Commissioner of Insurance	1	2.5
(3.1) General Business Division	Directorate	1	14.3
	Non-directorate	12	
(3.2) Long Term Business Division	Directorate	1	13.1
	Non-directorate	13	
(3.3) Enforcement Division	Directorate	1	8.2
	Non-directorate	7	

	Rank	Establishment	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
(3.4) Policy and Development Division	Directorate	1	11.7
	Non-directorate	12	
(3.5) Special Duties Team	Non-directorate	2	2.0
(3.6) Administration Unit	Non-directorate	20	6.8

^ Excluding nine vacant posts of Assistant Insurance Officer rank.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)037****(Question Serial No. 3203)**

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 stated in the Estimates that the number of directorate posts will be reduced from 18 to 17 as at 31 March 2017. What is the reason for that? What is the estimated annual expenditure involved in relation to the post to be deleted?

Asked by: Hon LEUNG Kwok-hung (Member Question No. 100)

Reply:

The relevant information is as follows –

Rank	Number	Reason for creation	Annual estimated expenditure (\$ million)
Principal Executive Officer	-1	The post is created for a period of 18 months to undertake the essential preparatory tasks for the establishment of an independent Insurance Authority. It will expire on 8.3.2017.	1.66

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)038****(Question Serial No. 3204)**

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 expected by the Bureau that there will be a net decrease of 4 posts including 2 supernumerary posts in 2016-17. What are the reasons for deletion of the posts? What are their ranks and posts?

Asked by: Hon LEUNG Kwok-hung (Member Question No. 101)

Reply:

There will be a net decrease of four posts in our Branch in 2016-17. Relevant information is as follows –

Rank	Post	Number	Reason for deletion
Principal Executive Officer	Principal Executive Officer (Preparatory Team)	-1	These posts are created for a period of 18 months to undertake the essential preparatory tasks for the establishment of an independent Insurance Authority. They will expire on 8.3.2017.
Senior Executive Officer	Senior Executive Officer (Preparatory Team)	-1	
Treasury Accountant	Treasury Accountant (Preparatory Team)	-1	
Clerical Assistant	Clerical Assistant (Preparatory Team)	-1	
Administrative Officer Staff Grade C	Principal Assistant Secretary (Financial Services) International & Mainland Affairs	-1	Turn the post from supernumerary to permanent to meet long term operational need.
		+1	

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1750)

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 estimated financial provision for the Programme of Financial Services for 2016-17 is about 233% higher than the original estimate for 2015-16, contrasting sharply with the decrease of about 27% between 2014-15 and 2015-16. What are the reasons for that? Which item accounts for the largest part of the provision for 2016-17 and what is its percentage in the total provision? To what extent will the estimated financial provision be affected by promoting the development of financial technologies and the proposed London-Hong Kong Connect as well as implementing the programme to enhance talent training for the insurance sector and the asset and wealth management sector respectively?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 1)

Reply:

The draft estimate for 2016-17 is about 233% higher than the 2015-16 original estimate. This is mainly due to the provisions for the establishment of an independent Insurance Authority (\$450 million), the exit package for the Insurance Officer Grade officers (\$1 million), the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector (\$21.7 million), and the promotion of development of financial technologies (about \$13.8 million). The provision for the establishment of an independent Insurance Authority accounts for the largest part of our provision for 2016-17, which represents approximately 59% of the total provision. There are no implications on Government resources as the London-Hong Kong Connect is planned and prepared by the Hong Kong Exchanges and Clearing Limited.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)040****(Question Serial No. 1751)**

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. Apart from iBond, most are Exchange Fund Bills or bonds issued in the name of individual statutory bodies to raise funds. In bond market development, we all know that local development lags far behind. Our nation is taking forward the Belt and Road Initiative, a strategy for long-term development, and has promulgated the Proposal on Formulating the National 13th Five-Year Plan, unleashing unlimited opportunities for the bond market. It is a pity that the Financial Secretary only mentioned about issuing the third sukuk in a timely manner in paragraph 85 of the Budget Speech, lacking any strong measures for a breakthrough in the bond market development. In this regard, will the Government introduce without delay more appropriate measures to stimulate the local bond market? Furthermore, will the Government consider developing other types of Government and public bonds? If yes, please list the reasons for according them priority.

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 2)

Reply:

In 2016-17, we will continue to implement the Government Bond Programme (GBP). When considering the types of bonds to be issued under the GBP, we will 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 a further issuance of iBond worth not more than \$10 billion and launching a two-year pilot scheme to issue Silver Bond, we will consider a further sukuk issuance when market conditions are favourable.

The Government will continue to 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 five years, debt securities issued by these statutory and other relevant bodies (such as the Hong Kong Mortgage Corporation, Airport Authority Hong Kong (AA), the Hong Kong Science and Technology Parks Corporation, etc.) amounted to about \$64.5 billion. Among these potential issuers, AA will explore the feasibility of financing through green bonds.

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 seven years reached RMB 136 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. As at the end of February 2016, the RMB debt instruments lodged with the Hong Kong Monetary Authority's financial infrastructure for clearing and custodian reached RMB 337 billion.

Through the efforts of the Government and market, the Hong Kong bond market has continued to grow. Hong Kong dollar bonds issued by non-public segment were over \$220 billion annually in the past two years. The Government and the regulators will continue to promote the advantages of our bond market to issuers and investors on the Mainland and overseas to deepen our bond market development.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)041

(Question Serial No. 1752)

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, does the Government have any other measures to dovetail with the various policy developments under CEPA, the Belt and Road Initiative and relevant co-operation frameworks? If yes, what is the estimated expenditure involved? If no, what are the reasons?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 7)

Reply:

On advancing financial co-operation with the Mainland, apart from deepening mutual access to the financial markets in Hong Kong and the Mainland and consolidating the offshore Renminbi business platform,, we will continue to seek further access of our financial services sectors to the Mainland market through the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and other regional cooperation platforms, including those of Hong Kong-Guangdong, Hong Kong-Shanghai and Hong Kong-Fujian. With the deepening of economic and financial reforms in the Mainland and the gradual establishment of free trade zones, we will continue to maintain close liaison with relevant Mainland authorities to seize the opportunities arising from Mainland's economic and financial development.

To tie in with the implementation of the Belt and Road Initiative, the Financial Secretary announced a series of initiatives in the 2016-17 Budget, including the setting up of the Infrastructure Financing Facilitation Office (IFFO) by the Hong Kong Monetary Authority (HKMA) to provide a platform for pooling the efforts of investors, banks and the financial sector to offer comprehensive financial services for various infrastructure projects. HKMA has commenced the work for establishing the IFFO and it is expected that the IFFO

will be set up within six months. Meanwhile, following the success of the two sukuk issuances by Government in the past two years, we shall seize the opportunity to issue the third sukuk, when market conditions are favourable, in a timely manner.

In addition, we will continue to discuss with the Asian Infrastructure Investment Bank (AIIB) and the Central Government specific arrangements for Hong Kong to join the AIIB as a non-sovereign state and leverage on Hong Kong's capital market, professionals and various financial products to support the operation of the AIIB.

We believe that these initiatives will facilitate Hong Kong to develop into a major financing and fund management platform and strengthen its role in financial intermediation for the Belt and Road Initiative.

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)042

(Question Serial No. 2931)

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 59 of the Budget Speech that the Government will set up a dedicated team under the Invest Hong Kong to organise international events and facilitate start-ups, investors and R&D institutions to establish their presence in Hong Kong. Will the Government inform us how many start-ups and R&D institutions are estimated to establish their presence in Hong Kong in the next 3 years? What are the estimated average annual expenses for promoting these events in the next 3 years?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 3)

Reply:

Invest Hong Kong (InvestHK) will formally establish the dedicated team after the Budget is passed by the Legislative Council. The Government has earmarked about \$13.8 million for the team in 2016-17 for assisting start-ups, investors and R&D institutions to establish their presence in Hong Kong and promoting Hong Kong's Fintech sector (including organising and sponsoring forums, seminars and other events; branding; advertising and general promotion), and will keep the situation under review.

With reference to information provided by operators of 40 co-working spaces, incubator and accelerator locations in Hong Kong by InvestHK, the number of start-ups engaged in Fintech in their premises was 86 in August 2015, increased by 16% from 74 in November 2014. While we have not set any indicator in terms of attracting Fintech start-ups, investors and R&D institutions to establish presence in Hong Kong, the Financial Services Branch (FSB) will set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments.

The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)043

(Question Serial No. 2932)

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 2016-17, the Financial Services Branch will continue to promote the development of asset management industry, including to legislate for a new open-ended fund company structure to expand Hong Kong's legal framework for investment fund vehicles. In this regard, please advise this Committee of any specific proposals for the next 3 years and the estimated expenditure involved.

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 4)

Reply:

In the coming three years, we will continue to implement various policy initiatives to develop Hong Kong as a full-fledged fund and asset management centre, in order to sharpen Hong Kong's competitiveness edge as a premier international asset management centre. The policy initiatives include:

(i) Open-ended fund companies (OFCs)

We introduced an Amendment Bill into the Legislative Council (LegCo) in January this year to introduce a new OFC structure in Hong Kong. This aims to expand Hong Kong's legal structure for investment funds and attract more funds to domicile in Hong Kong. We aim to secure passage of the Amendment Bill before summer this year. Upon the passage of the primary legislation, the Securities and Futures Commission will formulate the subsidiary legislation and OFC Code, with a view to implementing the OFC regime as soon as practicable.

(ii) Corporate treasury centres (CTCs)

To attract more multinational and Mainland corporations to establish CTCs in Hong Kong,

the Government has introduced the Inland Revenue (Amendment) (No. 4) Bill 2015 into LegCo to allow, under specified conditions, interest deductions under profits tax for intra-group financing business of corporations and reduce profits tax of qualifying CTCs by 50 per cent.

(iii) Mutual recognition of funds

Since the implementation of the mutual recognition of funds arrangement between the Mainland and Hong Kong in July last year, 25 Mainland funds and six Hong Kong funds have been authorized or approved for public offering in the Hong Kong market and the Mainland market respectively as of 26 February 2016. The regulators in the two places will continue to process fund applications under the arrangement in order to deepen mutual access of the Mainland and Hong Kong capital markets.

(iv) Talent training

For the long-term sustainable development of the financial services industry, we will implement a three-year pilot programme to enhance talent training for the asset and wealth management sector and the insurance sector. We hope to implement in phases the various initiatives of the pilot programme starting from the latter half of this year. We have earmarked \$100 million for the pilot programme, about half of which will be allocated to the talent training programme for the asset and wealth management sector.

The expenses for the initiatives above will be absorbed from within the existing resources. Within the Financial Services Branch, the relevant functions are mainly overseen by 1 Administrative Officer Staff Grade B1, and supported by 2 Administrative Officers Staff Grade C, 2 Senior Administrative Officers and 1 non-civil service contract staff.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)044****(Question Serial No. 2933)**

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 2016-17" under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), the Branch will oversee the establishment of the new Insurance Authority. In this connection, what is the staffing establishment of and the number of staff required by the Insurance Authority according to the Government's preliminary plan, and what will be the estimated average annual operating expenditure in 3 years from now?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 5)

Reply:

The Government has commissioned earlier a consultancy study on the establishment of the Independent Insurance Authority (IIA). According to the consultancy study, the executive arm of IIA would have a workforce of 299 staff. The estimated expenditure, cashflow and deficit are projected as follows –

	Year 1* (\$m)	Year 2 (\$m)	Year 3 (\$m)	Year 4 (\$m)	Year 5 (\$m)	Year 6 (\$m)
(A) IIA's estimated operating costs**	399.5	406.8	421.6	450.8	466.9	484.6
(B) IIA's estimated cashflow	459.1	407.2	422.3	452.3	472.8	485.5
(C) Estimated income to be recovered from the industry	186.6	230.9	292.9	374.8	474.4	596.5
(D) Estimated Surplus/Deficit = (C) - (B)	(272.5)	(176.3)	(129.4)	(77.5)	1.6	111.0
(E) Shortfall to be covered by the Government = (B) - (C)	272.5	176.3	129.4	77.5	Not Applicable	Not Applicable
Total (\$m) 655.7						

- * Assuming IIA will take over OCI's statutory functions by the end of 2016, its first year of operation will commence in 2017.
- ** Assuming the workforce of IIA will remain unchanged at 299 staff.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)045****(Question Serial No. 2934)**

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 4 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 mediators and arbitrators at present. Also, what is the estimated amount of financial resources to be deployed by the Government in the coming 3 years to conduct training courses and continuing professional training workshops for mediators and arbitrators?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 6)

Reply:

Since its commencement of operation in June 2012 to the end of 2015, the number of applications for mediation accepted by the Financial Dispute Resolution Centre (FDRC) and the number of cases settled are set out below –

Year	Number of applications for mediation accepted	Number of mediation cases closed	Number of cases settled
2012	14	9	7
2013	29	25	19
2014	33	32	30
2015	21	16	15
Cumulative figure	97	82	71

Out of the 82 mediation cases closed, 71 cases were settled, representing a success rate of over 85%.

As at the end of 2015, there were 64 mediators and 14 arbitrators on the FDRC Lists of Mediators and Arbitrators.

The FDRC has reserved a sum of \$93,000 for 2016 for organizing training courses and continuing professional training workshops for FDRC mediators, arbitrators and FDRC Case Officers (FDRC Case Officers are required to fulfil the relevant training requirements to administer the Financial Dispute Resolution Scheme and/or to become mediators). The FDRC has yet to forecast the relevant expenditure for 2017 and 2018 at this stage.

- End –

CONTROLLING OFFICER'S REPLY

FSTB(FS)046

(Question Serial No. 2935)

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:

Green financial business investing in environmental projects is gaining attention in the global market. The development of green finance is also proposed in the Proposal on Formulating the National 13th Five-Year Plan. The Mainland's financial institutions are actively promoting relevant financing products such as green bonds to raise capital for environmental projects with a long payback period, such as renewable energy technology and waste treatment. In this connection, will the Government strengthen its efforts to publicise our competitive capital market and encourage the participation of the sector? What specific plans does the Government have for the coming 3 years and what is the estimated expenditure involved?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 8)

Reply:

As an international financial centre, Hong Kong has a sound legal and regulatory system, a deep and liquid capital market, robust financial infrastructure, and possesses a wealth of financial intermediaries and talent. In addition, the Inland Revenue Ordinance provides for profits tax concession for qualifying debt instruments. The Government and regulatory authorities will continue to keep in view the global development in green finance. When undertaking marketing initiatives, we will strengthen efforts to promote our competitive capital market, highlight our edge in developing green financial products, and encourage the participation of the financial sector. The manpower and expenses involved in the above initiative will be absorbed from within our existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)047

(Question Serial No. 2936)

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 2015, Hong Kong ranked first globally in terms of funds raised through initial public offerings, which amounted to \$260 billion, representing an increase of 12% over 2014. Given the size and increasing complexity of the securities market, the Government needs to constantly review the relevant regulatory regimes and frameworks and enhance market efficiency and quality to reinforce Hong Kong's status as the premier capital formation centre. In this connection, what specific plans does the Government have to consolidate Hong Kong's strengths in the coming 3 years and what is the estimated expenditure involved?

Asked by: Hon Martin LIAO Cheung-kong (Member Question No. 10)

Reply:

As mentioned in the Budget, given the size and complexity of the securities market, we need to constantly review the relevant regulatory regimes, streamline procedures and enhance market efficiency and quality to reinforce Hong Kong's status as the premier capital formation centre. The Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited will conduct shortly a joint public consultation exercise on enhancing the regulatory structure in respect of listing matters. Details of the proposals will be provided in the consultation paper.

It is an ongoing task of the Financial Services Branch to formulate policies and measures to facilitate the development of our financial market. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3290)

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 set out the following information in table form:

- (1) The expenditure incurred by the Financial Services and the Treasury Bureau (Financial Services Branch) on publicity on the Internet/social media in 2015-16, the manpower involved and the percentage this item accounts for in the total expenditure. Please provide a breakdown by publicity channel.
- (2) The means to be adopted by the Branch to assess the effectiveness and value for money of the above initiatives.
- (3) The estimated expenditure to be incurred by the Branch on the above initiatives in 2016-17 and the manpower to be involved.

Asked by: Hon Michael TIEN Puk-sun (Member Question No. 52)

Reply:

The Financial Services Branch did not incur any expenditure on publicity on the Internet/social media in 2015-16. At present, no provision is made for such item in the coming year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)049

(Question Serial No. 1498)

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 estimated recurrent expenditure for 2016-17 is around \$74.40 million or 34% higher than the actual expenditure for 2014-15. Out of such estimated expenditure, departmental expenses increase by about \$59.69 million or 71%.

1. What are the items that incur an increase in expenditure of over \$10 million? What are the specific plans to promote the development of financial technologies (Fintech), having regard to the recommendations made by the Steering Group on Financial Technologies? What is the role of the industry in this respect?
2. How many resources will be devoted to legislating for the regulation of Fintech in the new financial year? If none, what are the reasons?
3. Which Fintech-related initiatives will make use of the resources of the Innovation and Technology Bureau? If none, what are the reasons?
4. How many additional resources will be used to support the Financial Services Development Council (FSDC) in the coming year? Have the Government and the FSDC made any specific arrangements for conducting specific studies on forward-looking issues such as the role of Hong Kong's financial industry in the Asian Infrastructure Investment Bank? If yes, what are the specific work arrangements? If not, what are the reasons?

Asked by: Hon NG Leung-sing (Member Question No. 17)

Reply:

(1), (2) & (3)

“Promotion of development of financial technologies” is the initiative that will incur an increase in departmental expenses of \$10 million or above in 2016-17.

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group on Financial Technologies, including –

- (a) establishing a dedicated team under Invest Hong Kong to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport’s Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;
- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme under the Innovation and Technology Fund (ITF);
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The Government encourages existing financial institutions to proactively pursue the application of Fintech as well as provide industry domain knowledge, collaboration opportunities and mentorship to start-ups and talents to support the implementation of measures above. The Government will continue to liaise with the industry to keep abreast of the dynamic Fintech landscape and monitor any emerging opportunities and challenges on the international and local horizons. The three financial regulators have already established their respective dedicated liaison platforms for Fintech to communicate with the Fintech sector, handle enquiries from the industry and provide information on related

regulatory requirements to companies engaging in financial innovation to enhance the industry's understanding of the regulatory environment in Hong Kong.

Moreover, the Financial Services Branch (FSB) will set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments. The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

The Innovation and Technology Bureau will promote Fintech and other innovative technologies together with relevant departments and organisations including Innovation and Technology Commission, Cyberport and Hong Kong Applied Science and Technology Research Institute through various schemes and projects (including Cyberport's dedicated space for Fintech, designated incubation programme, Fintech training camps and the ITF etc.).

(4)

The budget of the FSDC in 2016-17 is higher than the estimated expenditure in 2015-16 by \$2.4 million. This is mainly due to an increase of about \$1.75 million in the expenditure on promotional and research activities. The FSDC has been maintaining close contact with the Government and the industry with a view to exploring strategic development of Hong Kong's financial services industry. It is actively studying forward-looking issues such as green finance and will make proposals to the Government on implementation plans and measures as appropriate.

Meanwhile, the Government will continue our active discussion with the Asian Infrastructure Investment Bank (AIIB) and the Central Government on Hong Kong's participation in AIIB as a non-sovereign territory. We shall also continue to support the work of AIIB, and seek to leverage our expertise to service AIIB in capital markets financing, asset management and dispute resolution.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)050

(Question Serial No. 1499)

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:

“... Last year, [I] proposed to allocate \$100 million to take forward a three-year pilot programme. Starting from the latter half of this year, we shall provide financial subsidies to practitioners to attend training courses to enhance their professional knowledge and competency. To attract more new blood to the financial services industry, we shall also offer university students internship opportunities to enhance their understanding of the job nature and career prospects of the sectors.”

1. How many practitioners are expected to benefit from the subsidies of the above pilot programme this year? What is the approximate amount of subsidies involved in the first year? What contents are included in the training courses? What are the major providers of the training courses?
2. How many financial institutions are currently willing to offer university students internship opportunities? What are the difficulties and challenges in inviting financial institutions to take part in the programme?

Asked by: Hon NG Leung-sing (Member Question No. 18)

Reply:

1. Insurance Sector

Under the proposal, we will subsidise the three Self-Regulatory Organisations (SROs), i.e. the Hong Kong Federation of Insurers¹ (HKFI), Confederation of Insurance

¹ The Insurance Agents Registration Board is set up under the HKFI.

Brokers and Professional Insurance Brokers Association in organising high-quality training courses focusing on the functional or topical areas in insurance. SROs may partner with training institutes in organising the courses. The cost per training course can vary a lot depending on the scale, the qualification of the speakers and mode of delivery. The industry has thus advised that it is difficult to provide an estimate on the number of courses/beneficiaries at this stage. A Steering Committee, comprising representatives from the Government, industry associations, academia, and the relevant stakeholders will be set up to advise on the implementation plans and budgets, monitor the operation and progress of various initiatives, as well as review the implementation of the pilot programme and make recommendations. Under the Steering Committee, a Vetting Committee will also be set up to consider proposals submitted by the three SROs. The estimated expenditure under the professional training programme for Financial Year 2016-17 is \$4 million. The figure is only rough estimation, which would be subject to the actual number of training programme and amount of subsidies applied for by the SROs.

Asset and Wealth Management Sector

In-service practitioners of the financial services industry will be eligible for joining the financial incentive scheme for professional training under the Pilot Programme. Participating practitioners will be reimbursed 80% of the fees upon satisfactory completion of a course under the selected programmes of the scheme. Each individual may apply for fee reimbursement for more than one course, up to a ceiling of \$7,000 per person over the three-year period. Courses under five selected programmes offered by two non-profit-making training institutes, namely the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Bankers, will be covered by the scheme initially. These selected programmes will cover a wide range of investment/financial products and services, as well as ethics, risk management and compliance, which will enable participants to enhance their knowledge about front, middle and back office roles of the asset and wealth management sector. A Steering Committee, comprising representatives from the Government, industry associations, academia, and the relevant stakeholders will be set up to advise on the implementation plans and budgets, monitor the operation and progress of various initiatives, as well as review the implementation of the pilot programme and make recommendations. For Financial Year 2016-17, we estimate that about 800 practitioners will enrol for the selected courses concerned, and the estimated expenditure is \$3.7 million. These figures are only rough estimation, which would be subject to the actual number of participants and the amount of reimbursement claimed by participants.

2. We understand from our consultation with the financial services industry on enhancing talent training that an internship programme to give students early exposure to the relevant sectors is generally welcomed. During the three-year Pilot Programme, we will invite financial institutions to offer 150 and 225-450² internship places for the insurance sector and the asset and wealth management sector respectively. We will

² For the asset and wealth management sector, we estimate that the number of internship places will be in the range of 225 to 450, depending on the duration of the internship period (ranging from four to eight weeks).

liaise with the financial institutions in the implementation of the internship programme and look forward to the industry's active participation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)051

(Question Serial No. 1500)

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 Scheme for Cross-boundary Study Tour for Post-secondary Financial Talents, which we jointly launched with Shanghai in 2012, enables Hong Kong students to understand... the financial markets in the Mainland.”

1. What is the average amount of sponsorship for each student participating in the above programme? Is there any plan to invite sponsorship from the business sector? If so, what are the specific plans? If not, what are the reasons?
2. What constructive comments have the participating students made on the programme? Have their comments been accepted for the enhancement of the programme?

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

Reply:

The Scheme for Cross-border Study Tour for Post-secondary Financial Talents (the Scheme) was first jointly launched in 2012 by the Financial Services and the Treasury Bureau and the Shanghai Municipal Government Financial Services Office under the Memorandum of Understanding Concerning Advancing Hong Kong-Shanghai Financial Co-operation signed in 2010. Regarding the Scheme in 2015, the average amount of government sponsorship to each participating Hong Kong student was around \$9,400, with attachment and exchange opportunities provided by participating financial institutions.

Before completion of the Scheme each year, students and mentors of participating financial institutions are invited to provide feedback, with a view to improving the arrangements of the Scheme in the following year. Students participating in the Scheme over the past years indicated that the Scheme had equipped them with solid experience in their career development in the financial services sector. Some participants suggested extending the

attachment period at financial institutions in Shanghai, so as to further enhance their understanding of the business culture and operation of financial institutions in the Mainland. We are considering their suggestions and will actively explore its feasibility with the participating financial institutions.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1054)

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 community, there is widespread anti-MPF sentiment among the people. Online discussion forums are also overwhelmed with negative comments.

In “hearing people’s voices” through Facebook, can the Financial Secretary take the initiative to consult people about the discontent with the MPF system and consider whether the MPF system should be abolished, so as to let Hong Kong people know that their grave discontent with the MPF system is taken seriously by the Financial Secretary? If yes, what actions will he take?

Asked by: Hon Paul TSE Wai-chun (Member Question No. 5)

Reply:

The Financial Secretary set up a Facebook account in February 2015 to provide more channels to hear public views, and to facilitate the general public to better understand the Budget as well as Government’s work. We will not conduct policy consultation through the account.

The Mandatory Provident Fund System is an important pillar of the retirement protection system in Hong Kong. The Government will continue to strengthen this pillar by introducing reform measures to improve the System. The Financial Services and the Treasury Bureau will consult the public on reform measures.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1078)

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 does the Government monitor the operation of the Mandatory Provident Fund Schemes Authority and the Mandatory Provident Fund System? How much expenditure and manpower will be/has been involved in the monitoring work in the coming financial year and over the past 5 financial years?

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

Reply:

The Mandatory Provident Fund Schemes Authority (MPFA), set up in accordance with the Mandatory Provident Fund Schemes Ordinance (MPFSO), is responsible for the regulation and supervision of the operation of the Mandatory Provident Fund System. The Secretary for Financial Services and the Treasury has been appointed by the Chief Executive under the MPFSO as a non-executive director of the MPFA to participate in the MPFA's decision-making process. In addition, the Financial Secretary is also empowered under the MPFSO to approve important documents of the MPFA, such as the Annual Report (including the Financial Statements) and the annual Corporate Plan.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade B, 1 Administrative Officer Staff Grade C, 1 Senior Administrative Officer and 1 Administrative Officer assist in the above work. The relevant expenses involved were and will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)054

(Question Serial No. 1080)

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 mentioned time and again that the Government would explore how Hong Kong's development policies should tie in with the national Belt and Road Initiative, and proposed to establish an office to facilitate the financing of infrastructure projects, support the work of the Asian Infrastructure Investment Bank (AIIB) and seek to leverage our expertise to service the AIIB in capital markets financing. However, giving the impression as being too vague and far-flung, such proposals are difficult to convince the people how the Belt and Road Initiative can benefit Hong Kong.

The late Mr CHO Yan-chiu often told us to "seize the opportunity". In the light of the following favourable situations and conditions for development, I suggest that the Secretary seeks the Central Government's permission for Hong Kong to issue a Renminbi (RMB) bond for the Belt and Road Initiative – namely ONE BOND.

The favourable situations and conditions for development are:

1. Funds amounting to thousands of billion dollars are required by the Belt and Road countries in their infrastructure projects.
2. Our nation is pressing ahead with the internationalisation of the RMB.
3. The RMB funds in Hong Kong have accumulated to over a thousand billion in value.

4. iBOND and SILVER BOND are inadequate for furthering the development of the local bond market.
5. ONE BOND paid in RMB will help Hong Kong establish its leading position in the RMB bond market in Asia.
6. ONE BOND is expected to generate 4%-5% long-term steady returns for local and overseas investors.

Under the above favourable conditions and the development trends of Hong Kong and the Mainland, will the Secretary make a prompt decision and “seize the opportunity” by proposing to the Central Government the launch of ONE BOND to expand the service spectrum of Hong Kong’s financial sector and benefit both Hong Kong and the Mainland? If yes, what will be the arrangement? If not, what are the reasons?

Asked by: Hon Paul TSE Wai-chun (Member Question No. 46)

Reply:

We note the suggestion raised by the Hon Paul TSE Wai-chun. Apart from having a vibrant bond market, Hong Kong is the world’s leading initial public offerings (IP”) market, an active banking centre and Asia’s premier private equity centre. In addition, Hong Kong has robust financial infrastructure and regulatory systems, and possesses a wealth of financial intermediaries and talent. Public and private institutions can effectively raise funds via diversified channels, such as IPO, post-IPO activities, equity financing, bond issuance (general bonds, dim sum bonds, Islamic bonds, etc.) and syndicated loans, for infrastructure and other projects along the Belt and Road economies.

With the implementation of the Belt and Road Initiative, we believe that Hong Kong’s status as a financing and investment centre will be strengthened and that our bond market will further develop, along with diversification of relevant financial activities and products. In carrying out marketing initiatives, we will focus on promoting the comparative advantages enjoyed by our competitive capital market in tapping opportunities arising from the Belt and Road Initiative, and encouraging market players to make good use of Hong Kong’s financing and fund management platforms to provide comprehensive financial services to economies along the Belt and Road. We will also continue to encourage the Asian Infrastructure Investment Bank (AIIB) to leverage on Hong Kong’s capital markets, professionals and wealth of financial products to meet its financing needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)055

(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:

Has the Financial Services Bureau taken part in the process of deciding the office location, rental expenditure and staff remuneration package (especially those of the management level) of the Mandatory Provident Fund Schemes Authority. If yes, what are the details? If no, what are the reasons?

Asked by: Hon Paul TSE Wai-chun (Member Question No. 24)

Reply:

The Secretary for Financial Services and the Treasury has been appointed by the Chief Executive under the Mandatory Provident Fund Schemes Ordinance (MPFSO) as one of the non-executive directors of the Mandatory Provident Fund Schemes Authority (MPFA), and through participation in the Management Board, he is involved in the MPFA's decision-making process including administrative matters. In addition, the Financial Secretary is empowered under the MPFSO to approve important documents of the MPFA, such as the Annual Report (including the Financial Statements) and the annual Corporate Plan.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)056

(Question Serial No. 2893)

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 replying to my question raised in the Legislative Council on 3 February 2016, the Secretary for Financial Services and the Treasury (SFST) refused to answer/disclose the total amount of management fees received by fund managers from the Mandatory Provident Fund (MPF) contributions in the past 15 years by saying that “the Mandatory Provident Fund Schemes Authority (MPFA) does not have the breakdown of fees for services provided or expenses incurred by the approved trustees and investment managers”. The reply of the SFST gives rise to public suspicion of the Government’s ineffective monitoring and serious dereliction of duty.

Regarding the monitoring of the operation of the MPF schemes, has the SFST reserved manpower for 2016-17 financial year to re-compile the statistics of or re-calculate the total amount of management fees received by fund managers since the implementation of the MPF policy (an academic has estimated that the management fees amount to between \$70 billion and \$100 billion)? If yes, what are the details of the reserved manpower? If no, what are the reasons? Will the Government take the public views seriously by providing additional manpower immediately or tasking the MPFA to submit the information of fund management fees as soon as possible?

Asked by: Hon Paul TSE Wai-chun (Member Question No. 45)

Reply:

The Mandatory Provident Fund (MPF) System is a privately managed retirement system. Major service providers are approved trustees, custodians, scheme administrators and investment managers. MPF fees and charges incurred are deducted from the assets of the constituent funds (CFs) in which the accrued benefits of scheme members are invested.

The Mandatory Provident Fund Schemes Authority does not have the breakdown of fees for services provided or expenses incurred by the approved trustees and investment managers, but the “fee comparison platform” on its website lists out the Fund Expense Ratio of each of the CF for scheme members’ reference.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2215)

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 Financial Secretary has mentioned in the Budget Speech that “the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Office of the Commissioner of Insurance will set up Fintech dedicated platforms”. In this connection, will the Government advise this Committee of:

- (a) the estimated expenditure on the initiative for 2016-17;
- (b) the number and ranks of officials responsible for the initiative;
- (c) the specific work plans of setting up Fintech dedicated platforms; and
- (d) the progress or schedule for the initiative in 2016-17?

Asked by: Hon SIN Chung-kai (Member Question No. 63)

Reply:

The respective dedicated liaison platforms under the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance have already been launched. The platforms (each comprising three or four officers) are respectively led by a Division Head, Senior Director or Assistant Commissioner. The regulators will absorb the operating cost and manpower required with their own resources.

In terms of operations, the liaison platforms are tasked to communicate with the Fintech sector, handle enquiries from the industry and provide information on related regulatory requirements to companies engaging in financial innovation to enhance the industry's understanding of the regulatory environment in Hong Kong. The platforms will also keep track of the latest development in the market through their interaction with the industry.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)058

(Question Serial No. 2927)

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 Mandatory Provident Fund ("MPF") 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 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 of 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;
- (c) the amounts of claims for payment of accrued benefits on the ground of "terminal illness" since 1 August 2015;
- (d) the number of scheme members withdrawing MPF accrued benefits by instalments and the amounts involved since 1 February 2016; and
- (e) the anticipated implementation date of the proposed default investment arrangements, as well as the envisaged staffing and financial implications of such implementation.

Asked by: Hon SIN Chung-kai (Member Question No. 3)

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 :

(\$m)

Year	Contributions Received	Benefits Paid
2011	41,745	8,871
2012	47,694	11,516
2013	53,641	14,937
2014	59,676	18,527
2015	66,929	21,448

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

(\$m)

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)
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
2015	5,556	3,528	172	1	505	3,354	13,116

- (c)&(d) The Legislative Council (LegCo) passed the Mandatory Provident Fund Schemes (Amendment) Ordinance 2015 on 21 January 2015. The amendments related to withdrawal of accrued benefits on the ground of terminal illness have come into operation from 1 August 2015, while those related to withdrawal of accrued benefits by instalments on the ground of attaining the retirement age of 65 or early retirement come into operation from 1 February 2016. Taking into account the time required by the MPFA to update the guidelines in respect of withdrawal of accrued benefits and by approved trustees to update their procedural guidelines, systems and forms, approved trustees will be able to provide the first batch of statistical information related to the above withdrawal grounds in May 2016.

- (e) LegCo will resume the Second Reading Debate on the Mandatory Provident Fund Schemes (Amendment) Bill 2015. Subject to the scrutiny by LegCo, our plan is to implement the Default Investment Strategy from 31 December 2016. Within the Financial Services Branch, 1 Administrative Officer Staff Grade B, 1

Administrative Officer Staff Grade C and 1 Senior Administrative Officer assist in handling the relevant task. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

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

Note 2: The MPFA only keeps the breakdown of the accrued benefits paid in respect of offsetting SP and LSP in 2014 and 2015, which are \$1,656 million and \$1,351 million for 2014 and \$1,780 million and \$1,575 million for 2015 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

(Question Serial No. 3137)

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 recent years, many financial institutions and intermediaries promote loans at “low interest rates”. However, transparency on fees and other information is low, leading many members of the public into “intermediary traps”. It is stated under the Programme that the Financial Services Branch will “examine the existing regulatory arrangements of money lenders and related intermediaries to enhance protection for borrowers, and review the relevant provisions in the existing Money Lenders Ordinance (Cap. 163) when necessary”. In this regard, will the Government advise this Committee:

- (a) of the estimated expenditure on this matter for 2016-17;
- (b) of the number and ranks of officials responsible for the Bill;
- (c) whether there is any plan to include all money lending operators and related financial intermediaries under the regulation of the Hong Kong Monetary Authority so as to enhance protection for borrowers and consumers;
- (d) whether a licensing and regulatory regime for financial intermediaries will be set up and whether a licensee operating the business will be specified as a “fit and proper person”; and
- (e) how law enforcement is to be stepped up to investigate whether intermediaries and money lenders are involved in collusion; and of the manpower and estimated expenditure involved?

Asked by: Hon SIN Chung-kai (Member Question No. 78)

Reply:

We are liaising closely with the Police on its enforcement experience. We will update the Legislative Council Panel on Financial Affairs on the regulatory and related arrangements to tackle malpractices by financial intermediaries for money lending in April 2016. Within the Financial Services Branch, 1 Administrative Officer Staff Grade B oversees the relevant

subject and is supported by 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer.

As regards stepping up public education, we have earmarked \$2.9 million for rolling out public education activities in 2016-17 which will include publishing of an information leaflet and posters, distribution channels will include money lenders and the Public Enquiry Service Centres of Home Affairs Department; the posters will also be sent to all Owners' Corporations in Hong Kong; placing panel advertisements at MTR stations and bus stops; broadcasting announcements of public interest (API) on television and radio; the API will also be displayed at the lobbies of public housing estates. Our objective is to raise public awareness of the risks involved in applying for loans from money lenders through financial intermediaries and the importance of proper debt management.

The Police have all along taken enforcement actions against illegal activities of financial intermediaries for money lending, including actions arising from the enforcement of legislative provisions of various relevant Ordinances having regard to the circumstances of different cases. In this connection, the Organised Crime and Triad Bureau and Regional crime investigation units have mounted a number of operations to target such illegal activities and malpractices. The expenditure of the Police's enforcement action mentioned above falls under the Programme of "Prevention and Detection of Crime" and specific breakdown of the expenditure in this respect is not available.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3257)

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 financial provision for the Programme "Financial Services", the estimate for 2016-17 is 211.3% higher than the revised estimate for 2015-16 (or 233.1% higher than the original estimate for 2015-16), and covers, inter alia, the exit package for the Insurance Officer Grade officers. In this connection, will the Government inform this Committee of:

- (a) the numbers of the existing civil servants and contract staff of the Office of the Commissioner of Insurance;
- (b) the numbers of transferees and leavers as a result of the establishment of the Insurance Authority;
- (c) the estimated expenditure for the initiative in 2016-17;
- (d) the number and ranks of the officials taking up the initiative;
- (e) the specific work plans of such officials; and
- (f) the progress or timetable for the initiative in 2016-17?

Asked by: Hon SIN Chung-kai (Member Question No. 84)

Reply:

- (a) At present, there are 152 staff members in the Office of the Commissioner of Insurance (OCI), including 70 civil servants (the Commissioner of Insurance (CoI) (Administrative Officer Staff Grade B1), 48 Insurance Officers (IOs) and 21 officers of the general grades) and 82 non-civil service contract (NCSC) staff.

- (b) After the transfer of the statutory functions from OCI to the independent Insurance Authority (IIA), OCI will be disbanded and the civil service posts of IOs will be abolished. Of the total 48 IOs, one will retire in mid-2016 and the remaining 47 are eligible for compulsory retirement on abolition of office (AOO) terms. CoI and officers of the general grades will be redeployed to other Government bureaux/departments as in normal posting arrangements. As for the NCSC staff, their contracts will be mutually resolved or terminated.
- (c) If the 47 affected IOs opt for compulsory retirement on AOO terms, they will be offered statutory entitlement based on the terms under the Pension Benefits Ordinance (Cap. 99), including an enhanced lump sum pension gratuity and an enhanced monthly pension. On top of the statutory entitlement, we propose to provide the following non-statutory payments amounting to \$31.2 million to the affected IOs. The Legislative Council Panel on Financial Affairs was consulted on the proposal on 7 December 2015 –
 - (i) a one-off ex-gratia payment of six months' last substantive monthly salary totaling about \$24 million; and
 - (ii) a special lump sum payment, on a pro rata basis, of one month's last substantive monthly salary for every five years before an officer reaches his/her normal retirement age of 60, totaling about \$7.2 million.

It is expected that the funding, if approved, will be incurred mainly in 2017-18. The estimated requirement for 2016-17 is about \$1 million.

- (d) A Special Duties Team has been established under OCI, comprising 1 Chief Executive Officer, 1 Executive Officer I and 1 NCSC staff, to assist in handling matters on staff redeployment/exit arrangements and the administrative arrangements during the transitional period.
- (e)&(f) At present, the target of IIA is to take over OCI's statutory functions by the end of 2016 and the regulation of insurance intermediaries from the three Self-Regulatory Organizations in two to three years from its establishment. In 2016-17, the Special Duties Team of OCI is mainly tasked to ensure the staff redeployment/exit arrangements and the administrative arrangements during the transitional period are properly handled to tie in with the preparatory work underway for the establishment of IIA.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)061

(Question Serial No. 2288)

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:

On legislating for the introduction of a highly standardised and fee-controlled Default Investment Strategy as the default investment arrangement of each Mandatory Provident Fund scheme, please advise this Committee:

- (a) of the manpower and expenditure involved in legislating for the Default Investment Strategy;
- (b) whether consideration will be given to conducting "a review once every year" after the introduction of the Default Investment Strategy.

Asked by: Hon TANG Ka-piu (Member Question No. 35)

Reply:

- (a) Within the Financial Services Branch, 1 Administrative Officer Staff Grade B, 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer assist in handling the relevant task. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.
- (b) Subject to passage of the Bill by the Legislative Council, the DIS will be implemented before the end of 2016. At present, without knowing the eventual participation rate of the DIS and in the absence of any experience on its actual operation, we consider it too early to determine the appropriate timing and frequency of such review. Having said that, we plan to conduct the first review within three years after the implementation of the DIS to explore the scope of reducing the 0.75% fee cap.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)062

(Question Serial No. 0320)

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 Steering Group on Financial Technologies set up last year has examined the direction for Hong Kong's Fintech development jointly with the industry, research and development institutions and relevant regulatory authorities, and has recommended a number of measures. In this regard, will the Government advise this Committee of:

1. the members of the Group and the sectors they represent in tabular form;
2. all the recommendations put forward by the Group in tabular form;
3. the recommendations under implementation and their progress?

Asked by: Hon WONG Kwok-hing (Member Question No. 25)

Reply:

Membership of the Steering Group on Financial Technologies and its recommendations are at Annex.

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group, including –

- (a) establishing a dedicated team under Invest Hong Kong to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport's Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;

- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech community;
- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme (ESS) under the Innovation and Technology Fund;
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The ESS was set up in April 2015, and the three financial regulators have already established their respective dedicated liaison platforms for Fintech. Other measures mentioned above are expected to be rolled out within 2016-17.

A. Membership of the Steering Group

Member	Sector
Professor K C Chan (Chairman) Mr Andrew Wong Ho-yuen Mr James Henry Lau Jr Ms Annie Choi Dr Simon Galpin	Government
Mr Raymond Cheng Dr Louis Cheung Mr Teddy Lui Ms Shelly Painter Mr Sushil Saluja Mr Zhang Lei	Industry
Mr Herman Lam Professor Tam Kar-yan Dr Tong Fuk-kay Franklin Mr Simon Wong	Academic, Research and Development Institutions
Ms Bénédicte Nolens Mr Peter Pang	Regulatory Authorities

B. Recommendations of the Steering Group

Parameter	Recommendations
Promotion	Formulating a vision on Hong Kong's development in Fintech and organising an annual premier Fintech event and competitions
Facilitation	Establishing an office to provide targeted assistance to start-ups, setting up Fintech-themed programme, attracting accelerator programmes and innovation laboratories, and positioning Hong Kong as a hub for applying and setting standards for cutting-edge Fintech technologies
Regulations	Establishing dedicated contact points at financial regulators
Funding	Improving dissemination of information on funding sources
Talents	Encouraging young talents to consider entering the Fintech sector and enhancing dissemination of information on immigration policy

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)063

(Question Serial No. 0882)

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 2016-17, the Financial Services Branch will continue to advance financial co-operation with the Mainland by reinforcing the offshore Renminbi business platform, deepening the mutual access between financial markets in Hong Kong and the Mainland, pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks, and supporting efforts to promote Hong Kong's participation in the Belt and Road Initiative. What are the progress and effectiveness of these measures? What are the details of measures that will continue to be implemented in the coming year?

Asked by: Hon WONG Ting-kwong (Member Question No. 34)

Reply:

On advancing financial co-operation with the Mainland, the progress and achievements made in the past year and the work plan for the coming year are as follow:

Offshore Renminbi (RMB) business in Hong Kong

In the financial year 2015-16, Hong Kong maintained its status as the global offshore RMB business hub. RMB trade settlement handled by banks in Hong Kong amounted to RMB6,833.1 billion in 2015, with a year-on-year increase of 9 per cent. RMB lending business continued to expand, with the outstanding loan amount reaching RMB297.4 billion as at end of 2015, increased by 58 per cent over that as at end of 2014. In 2015, the average daily turnover on Hong Kong's RMB Real Time Gross Settlement (RTGS) system amounted to RMB947 billion, representing a 29 per cent increase over 2014.

Hong Kong is also the world's largest offshore RMB investment product market. It offers a wide range of products, including listed and unlisted investment funds, insurance products, currency futures, real estate investment trusts, shares and derivative products.

In the financial year 2016-17, capitalising on the opportunities brought by the country's 13th Five-year Plan and the Belt and Road Initiative, we will continue to engage relevant Mainland authorities on the policy front to consolidate Hong Kong's role as the global RMB business hub, through facilitating the cross-border use and circulation of RMB funds; strengthening our market infrastructure and financial platforms; facilitating and promoting offshore RMB business and product innovation and diversification; strengthening our RMB business links with overseas markets; and promoting our offshore RMB business platform through seminars and roadshows overseas.

Mutual access between financial markets in Hong Kong and the Mainland

Since the implementation of the mutual recognition of funds arrangement between the Mainland and Hong Kong in July last year, 25 Mainland funds and six Hong Kong funds have been authorized or approved for public offering in the Hong Kong market and the Mainland market respectively as of end February 2016. The regulators in the two places will continue to process fund applications under the arrangement in order to enhance mutual access to the Mainland and Hong Kong capital markets.

We have discussed with relevant authorities of the Central Government the launch of the Shenzhen-Hong Kong Stock Connect and the enhancement of the Shanghai-Hong Kong Stock Connect. We are all set with preparatory work and, subject to the announcement of the Central Government, will implement the programme as soon as possible.

The Mainland and Hong Kong Closer Economic Partnership Arrangement

Under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), the Agreement on Trade in Services signed in November 2015 will be implemented on 1 June this year. It has further deepened the financial co-operation between the two places, including the application of "participation in one and holding of one" principle to the number of joint venture securities, securities investment advisory or futures companies that are allowed to be invested in through shareholding acquisition by Hong Kong-funded financial institutions; and allowing Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in the Mainland, by fulfilling the same criteria as setting up wholly-owned insurance agency companies in Guangdong (including Shenzhen) at present.

Financial cooperation under other frameworks

Cross-border RMB business between Hong Kong and Guangdong continued to develop. The pilot scheme on cross-border RMB lending was extended to Nansha and Hengqin in July 2015 following its launch in Qianhai in 2013. In the coming year, both sides will strive to seek approval from the Central Authorities for introducing pilot schemes in Guangdong Province to open up more areas of financial services to Hong Kong financial institutions and service providers, including expanding the cross-border RMB financing and

investment businesses between the two places, advancing the development of the Qualified Domestic Individual Investor initiative, lowering the threshold for Hong Kong securities and insurance companies entering into the Mainland market, increasing the shareholding percentage of Hong Kong partners in joint venture companies and expanding their business scope gradually.

Regarding the financial co-operation with Shanghai, the sixth Working Meeting of Hong Kong-Shanghai Financial Co-operation was held in Hong Kong on 1 March 2016. Representatives of the two places exchanged views on issues of mutual concern, including the progress made in respect of financial services in the China (Shanghai) Pilot Free Trade Zone; the co-operation in cross-border RMB business, securities, futures and insurance industries; initiatives on the exchange of financial talents and the development of financial technology.

In the financial year 2016-17, we will continue to seek further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms, including those of 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, we will continue to maintain close liaison with relevant Mainland authorities to seize the opportunities arising from Mainland's economic and financial development.

Supporting efforts to promote Hong Kong's participation in the Belt and Road Initiative

As a leading international financial centre, Hong Kong is able to provide diversified financial services to enterprises within the Belt and Road economies or Mainland enterprises that seek to "go global".

To further develop and enhance Hong Kong's role as the global offshore RMB business hub, and to provide a variety of RMB services to projects along the Belt and Road, the Government has incorporated elements of the Belt and Road Initiative into its discussion with the industry and marketing initiatives on promoting Hong Kong's RMB business platforms.

The success of the two sukuk issuances by Government in the past two years has demonstrated the ability of our financial market to support the launch of Islamic financial products and meet their financing needs. We shall seize the opportunity to issue the third sukuk, when market conditions are favourable, in a timely manner.

To develop Hong Kong into a major financing and fund management platform and strengthen its role in financial intermediation for the Belt and Road Initiative, the Financial Secretary announced in the 2016-17 Budget that the Hong Kong Monetary Authority (HKMA) will establish the Infrastructure Financing Facilitation Office (IFFO) to provide a platform for pooling the efforts of investors, banks and the financial sector to offer comprehensive financial services for various infrastructure projects. HKMA has commenced the work for establishing the IFFO and it is expected that the IFFO will be set up within six months.

In 2016-17, we will continue to discuss with the Asian Infrastructure Investment Bank (AIIB) and the Central Government specific arrangements for Hong Kong to join the AIIB as a non-sovereign state and leverage on Hong Kong's capital market, professionals and various financial products to support the operation of the AIIB.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)064

(Question Serial No. 0883)

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 2016-17, the Financial Services Branch will continue to promote the development of the bond market. Please advise on the specific plans and the enhancement measures as compared with last year. What are the estimated manpower and expenditure involved?

Asked by: Hon WONG Ting-kwong (Member Question No. 35)

Reply:

In 2016-17, we will continue to implement the Government Bond Programme (GBP). When considering the types of bonds to be issued under the GBP, we will 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 a further issuance of iBond worth not more than \$10 billion and launching a two-year pilot scheme to issue Silver Bond, we will consider a further sukuk issuance when market conditions are favourable. In addition, the Government and the regulators will continue to promote the advantages of our bond market to issuers and investors on the Mainland and overseas, including our edge to develop green financial products, to deepen our bond market development.

The manpower and expenses involved in the above initiatives will be absorbed from within existing resources, whilst the expenses relating to the GBP will be borne by the Bond Fund. We do not have a separate expenses breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)065

(Question Serial No. 0884)

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 2016-17, the Financial Services Branch will promote the development of financial technologies in Hong Kong, having regard to the recommendations made by the Steering Group on Financial Technologies. What recommendations will be adopted? What is the plan for such promotion work and the estimated manpower and expenditure involved?

Asked by: Hon WONG Ting-kwong (Member Question No. 36)

Reply:

In his 2016-17 Budget, the Financial Secretary announced a range of measures for early implementation of the recommendations of the Steering Group on Financial Technologies (Fintech), including –

- (a) establishing a dedicated team under Invest Hong Kong (InvestHK) to organise international events and assist start-ups, investors and R&D institutions to establish their presence in Hong Kong;
- (b) setting aside a dedicated space of 3 000 square metres in Cyberport's Smart-Space for Fintech activities and rolling out a designated incubation programme for 150 Fintech start-ups over the next five years;
- (c) arranging for 300 university students, through Cyberport, to join Fintech training camps in overseas universities to gain more in-depth understanding of career prospects in the sector;
- (d) establishing dedicated platforms at the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Office of the Commissioner of Insurance to enhance communication between regulators and the Fintech

community;

- (e) providing financial support to Fintech start-ups and financial institutions through the Enterprise Support Scheme (ESS) under the Innovation and Technology Fund;
- (f) setting up, by the HKMA in partnership with other stakeholders, a three-pronged cyber security programme that comprises a cyber intelligence-sharing platform, the conduct of risk assessment and professional certification; and
- (g) encouraging the industry and relevant organisations to explore the application of “Blockchain” technology in the financial services industry, with a view to developing its potential to reduce suspicious transactions and bring down transaction costs.

The ESS was set up in April 2015, and the three financial regulators have already established their respective dedicated liaison platforms for Fintech. Other measures mentioned above are expected to be rolled out within 2016-17.

The Government has earmarked about \$13.8 million for InvestHK’s dedicated team in 2016-17. InvestHK will formally establish the team after the Budget is passed by the Legislative Council. In 2016-17, four new staff will be recruited to support its operation.

The Financial Services Branch (FSB) will also set up an internal coordination group with relevant parties to monitor the progress of Fintech-related initiatives, facilitate the smooth implementation of measures to promote the development of the sector, and keep track of the latest market developments. The related expenditure will be absorbed by FSB with existing resources and manpower, including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)066

(Question Serial No. 0885)

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 his Budget Speech, the Financial Secretary said the Government will continue active discussion with the Asian Infrastructure Investment Bank (AIIB) and the Central Government on Hong Kong's participation in AIIB as a non-sovereign territory, and continue to support the work of AIIB, and seek to leverage our expertise to service AIIB in capital markets financing, asset management and dispute resolution. What progress has been made in the discussion on participation in and the strive for servicing AIIB? How confident is the Government in achieving success in this regard?

Asked by: Hon WONG Ting-kwong (Member Question No. 39)

Reply:

We have been actively discussing with the Asian Infrastructure Investment Bank (AIIB) and the Central Government the specific arrangements for Hong Kong to join the AIIB as a non-sovereign territory, and have received positive responses. We will also continue to discuss with the AIIB to leverage on Hong Kong's capital market, professionals and various financial products to support the operation of the AIIB.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)067

(Question Serial No. 0886)

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:

Has the Government worked with the Mainland to review the effectiveness of the implementation of the Shanghai-Hong Kong Stock Connect and the Mutual Recognition of Funds? If so, what are the review findings? When will the decision to implement the Shenzhen-Hong Kong Stock Connect and enhance the Shanghai-Hong Kong Stock Connect be expected to be announced?

Asked by: Hon WONG Ting-kwong (Member Question No. 40)

Reply:

Shanghai-Hong Kong Stock Connect

Since its launch, the Shanghai-Hong Kong Stock Connect (including order routing and matching, trade confirmation and reconciliation, clearing and settlement as well as risk management) has been operating smoothly. The 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 they can provide 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, the Shanghai-Hong Kong Stock Connect and other cross-border investment schemes will help reinforce and enhance Hong Kong's position as a premier international financial centre and offshore RMB business centre.

We have discussed with relevant authorities of the Central Government the launch of the Shenzhen-Hong Kong Stock Connect and the enhancement of the Shanghai-Hong Kong

Stock Connect. We are all set with preparatory work and, subject to the announcement of the Central Government, shall implement the programme as soon as possible.

Mutual Recognition of Funds

Since the implementation of the mutual recognition of funds (MRF) arrangement between the Mainland and Hong Kong in July last year, 25 Mainland funds and six Hong Kong funds have been authorized or approved for public offering in the Hong Kong market and the Mainland market respectively as of end February 2016. The Securities and Futures Commission is closely monitoring the development of the MRF arrangement, and will maintain close dialogue with the China Securities Regulatory Commission and review the arrangement as appropriate.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)068

(Question Serial No. 0887)

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, green financial business is gaining attention in the global market. Has the Government made reference to the experience overseas in developing such business? Does the Government have any specific plan to further promote our strength in developing green financial products so as to encourage the participation of the industry? What are the manpower and financial resources expected to be allocated in this regard?

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

Reply:

As an international financial centre, Hong Kong has a sound legal and regulatory system, a deep and liquid capital market, robust financial infrastructure, and possesses a wealth of financial intermediaries and talent. In addition, the Inland Revenue Ordinance provides for profits tax concession for qualifying debt instruments. The Government and regulatory authorities will continue to keep in view the global development in green finance. When undertaking marketing initiatives, we will strengthen efforts to promote our competitive capital market, highlight our edge in developing green financial products, and encourage the participation of the financial sector. The manpower and expenses involved in the above initiative will be absorbed from within our existing resources.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)069****(Question Serial No. 0451)**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:

Concerning the manpower situation of the construction industry and the supplementary labour scheme, will the Administration inform this Council:

- a) average daily wages of workers engaged in Public Sector Construction Projects as reported by main contractors

Trade	2/2013 (\$/day)	2/2014 (\$/day)	2/2015 (\$/day)	2/2016 (\$/day)
Concretor				
Bricklayer				
Drainlayer				
Mason				
Bar bender and fixer				
Metal worker				
General welder				
Structural steel erector				
Structural steel welder				
Rigger/metal formwork erector				
Carpenter (formwork)				
Joiner				
Plumber				
Construction plant mechanic				
Plant & equipment operator (load shifting)				
Truck driver				
Rock-breaking driller				
Asphalter (road construction)				
Bamboo scaffolder				

Diver				
Plasterer				
Glazier				
Painter and decorator				
Leveller				
Marble worker				
Electrical fitter (incl. electrician)				
Mechanical fitter				
Refrigeration/airconditioning/ventilation mechanic				
Fire services mechanic				
Lift and escalator mechanic				
Building services maintenance mechanic				
Cable jointer (power)				
General workers and labourers				

b) overall manpower situation of construction trades

Trade	No of active workers in (2013/2014/2015)	No of workers actually required (2013/2014/2015)	(No. of applications received for labour importation / number of labourers involved)	(No of applications approved / number of labourers involved)
Concretor				
Bricklayer				
Drainlayer				
Mason				
Bar bender and fixer				
Metal worker				
General welder				
Structural steel erector				
Structural steel welder				
Rigger/metal formwork erector				
Carpenter (formwork)				
Joiner				
Plumber				
Construction plant mechanic				
Plant & equipment operator (load shifting)				
Truck driver				

Rock-breaking driller				
Asphalter (road construction)				
Bamboo scaffolder				
Diver				
Plasterer				
Glazier				
Painter and decorator				
Leveller				
Marble worker				
Electrical fitter (incl. electrician)				
Mechanical fitter				
Refrigeration/airconditioning/ventilation mechanic				
Fire services mechanic				
Lift and escalator mechanic				
Building services maintenance mechanic				
Cable jointer (power)				
General workers and labourers				

Asked by: Hon Abraham SHEK Lai-him (Member Question No. 15)

Reply:

- (a) The relevant statistics are at Annex 1.
- (b) The number of registered skilled/semi-skilled workers in individual trades in the past three years is available on the Construction Industry Council's website (<http://cwr.hkcic.org/information/total.asp>). The Government does not have figures on active workers for individual trades.

For individual works projects in the construction industry, there may be higher demand for skilled workers of certain trades at different stages of construction works. The manpower requirements for individual trades thus vary with the progress of construction works which is also affected by various factors. We do not have figures on workers actually required for individual trades.

The number of imported workers applied for and approved under the Supplementary Labour Scheme provided by the Labour Department is at Annex 2.

Average daily wages of workers engaged in public sector construction projects
as reported by main contractors

Trade	(HK\$/day)		
	February 2013	February 2014	February 2015
Concretor	1,346.8	1,509.0	1,871.7
Bricklayer	946.5	958.4	1,209.1
Drainlayer	1,149.5	1,158.2	1,409.6
Mason	1,011.8	1,207.7	1,261.0
Bar bender and fixer	1,484.4	1,621.5	1,870.7
Metal worker	928.4	978.4	1,098.1
General welder	1,052.5	1,234.1	1,306.6
Structural steel erector	1,324.8	*1,419.0	1,500.0
Structural steel welder	1,297.3	1,448.4	1,427.3
Rigger/metal formwork erector	1,111.0	1,451.8	1,481.6
Carpenter (formwork)	1,392.6	1,595.5	1,883.8
Joiner	964.1	938.9	1,062.4
Plumber	970.8	971.0	1,142.7
Construction plant mechanic	1,042.8	1,105.9	1,136.8
Plant & equipment operator (load shifting)	897.5	948.2	1,061.5
Truck driver	725.4	752.4	791.9
Rock-breaking driller	1,135.1	1,484.1	1,480.5
Asphalter (road construction)	743.8	801.6	872.2
Bamboo scaffolder	1,296.6	1,487.0	1,640.5
Diver	1,964.7	2,224.7	2,185.4
Plasterer	1,071.3	1,046.1	1,260.5
Glazier	1,072.1	917.1	1,405.6
Painter and decorator	882.2	852.2	996.8
Leveller	1,040.0	1,143.8	1,367.4
Marble worker	1,245.1	1,020.8	1,175.2
Electrical fitter (incl. electrician)	783.5	844.6	935.8
Mechanical fitter	729.3	741.1	801.3
Refrigeration/air-conditioning/ ventilation mechanic	694.2	703.9	794.5
Fire services mechanic	783.7	842.1	1,137.3

Trade	February 2013	February 2014	February 2015
Lift and escalator mechanic	659.0	665.7	738.1
Building services maintenance mechanic	828.4	686.5	708.0
Cable jointer (power)	*1,266.7	1,010.0	1,010.0
General workers and labourers	701.2	753.0	867.4

Notes: The average daily wages are compiled based on the information obtained from the self-administered “Monthly Return of Site Labour Deployment and Wage Rates for Construction Works” (GF527) completed by main contractors of public sector construction projects. As private sector construction projects are not covered, they cannot represent the overall wage situation of site workers in the construction industry.

Figures for February 2016 will be available on 29 April 2016.

- * Figure refers to the average daily wage for the month preceding the reference month as no worker of the trade concerned was employed by public sector construction projects in the reference month.

Number of imported workers applied for and approved
under the Supplementary Labour Scheme

Trade	Number of imported workers applied for under the Supplementary Labour Scheme *			Number of imported workers approved under the Supplementary Labour Scheme *		
	2013	2014	2015	2013	2014	2015
Concretor	2	47	70	26	0	11
Bricklayer	0	20	40	0	0	17
Drainlayer	0	0	0	0	0	0
Mason	0	0	0	0	0	0
Bar bender and fixer	0	162	200	0	0	103
Metal worker	30	80	30	0	0	0
General welder	0	77	65	0	5	53
Structural steel erector	0	0	0	0	0	0
Structural steel welder	0	39	80	0	0	4
Rigger/metal formwork erector	0	122	110	0	1	30
Carpenter (formwork)	0	250	70	0	0	56
Joiner	7	0	0	0	3	0
Plumber	0	0	50	0	0	0
Construction plant mechanic	0	5	0	0	0	0
Plant & equipment operator (load shifting)	0	0	0	0	0	0
Truck driver	0	0	0	0	0	0
Rock-breaking driller	0	0	0	0	0	0
Asphalter (road construction)	0	0	0	0	0	0
Bamboo scaffolder	0	0	30	0	0	0
Diver	0	0	0	0	0	0
Plasterer	0	51	50	0	0	25
Glazier	0	0	0	0	0	0
Painter and decorator	0	79	15	0	0	0
Leveller	0	33	20	0	0	3
Marble worker	0	0	0	0	0	0
Electrical fitter (incl. electrician)	0	28	0	16	0	13
Mechanical fitter	0	0	0	0	0	0
Refrigeration/air-conditioning/ventilation mechanic	0	0	0	0	0	0

Trade	Number of imported workers applied for under the Supplementary Labour Scheme *			Number of imported workers approved under the Supplementary Labour Scheme *		
	2013	2014	2015	2013	2014	2015
Fire services mechanic	0	0	0	0	0	0
Lift and escalator mechanic	0	40	20	0	0	37
Building services maintenance mechanic	0	0	0	0	0	0
Cable jointer (power)	0	0	0	0	0	0
General workers and labourers	80	40	0	0	0	0

* Applications received towards year-end may be approved in the following year. Thus, the number of imported workers approved each year does not necessarily reflect fully the approval results of the labour importation applications in the year.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0136)

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 Programme (2), the department plans to carry out a territory-wide population by-census in 2016. Will data topics, such as number of residents living in subdivided units, usable area of the units as well as rental per square feet, be added to the by-census? If yes, what are the target sample size, additional manpower requirement and relevant costs involved? And what is the timetable for the expected completion of the by-census and the release of results?

Asked by: Hon Alice MAK Mei-kuen (Member Question No. 2)

Reply:

Four new data topics will be included in the 2016 Population By-census, namely (i) subdivided units, (ii) floor area of accommodation, (iii) ability to read/write languages, and (iv) hours of work. The Census and Statistics Department will make use of the information collected from the sampled cases of subdivided units to compile related statistics, including the floor area and rental of this kind of units, as well as the number of households and persons residing in this kind of units and their socio-economic characteristics.

The 2016 Population By-census will select a sample of about one-tenth of households in Hong Kong for enumeration, involving about 300 000 quarters which include subdivided units. Additional manpower requirement and the relevant expenditure figures pertaining to individual data topics for the 2016 Population By-census are not available. The results of the 2016 Population By-census will be released by phases from early 2017, with statistics on subdivided units expected to be available in the latter half of 2017.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)071****(Question Serial No. 2852)**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 provide the respective numbers of households and residential units by types of quarters (public rental housing, Home Ownership Scheme flat, private domestic flat, small house, village house, etc.) each year for the past 4 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 216)Reply:

The Census and Statistics Department (C&SD) does not have statistics on domestic households and occupied quarters by type of quarters for the past four years. C&SD will collect these statistics during the 2016 Population By-census (16BC), and the results of the 16BC will be released by phases from early 2017. The relevant statistics gathered from the 2011 Population Census are as follows –

Type of quarters	Number of occupied quarters	Number of domestic households ⁽¹⁾
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 ⁽²⁾	14 425	8 396
Temporary quarters ⁽³⁾	18 580	18 911
Total	2 381 125	2 368 796

- Notes :
- (1) Excluding households living in collective living quarters.
 - (2) Including quarters in non-residential buildings and collective living quarters (such as elderly homes, hotels and student dormitories).
 - (3) Including occupied board vessels.

C&SD does not have statistics related to small house.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)072

(Question Serial No. 2853)

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 provide the respective numbers of households and residential units concerning small houses each year for the past 4 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 218)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)073

(Question Serial No. 2854)

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 provide the respective numbers of households and residential units concerning small houses by 18 Districts each year for the past 4 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 219)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2387)

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 has indicated that the 2016 Population By-census will be conducted in mid-2016 to obtain up-to-date benchmark information on the demographic and socio-economic characteristics of the Hong Kong population and on its geographical distribution. In relation to the above, can the Department advise the required manpower, duration as well as estimated expenditure involved?

Asked by: Hon James TIEN Pei-chun (Member Question No. 39)

Reply:

For undertaking the various tasks of the 2016 Population By-census (16BC), 54 time-limited civil service posts have been created in the Census and Statistics Department (C&SD). C&SD also employs a varying number of Non-Civil Service Contract (NCSC) staff at different stages of the 16BC. During the peak period from June to August 2016, a total of 106 NCSC staff members will be employed. In addition, about 6 400 temporary field workers will be employed to undertake the data collection work of the 16BC from late June to early August 2016.

The preparatory work for the 16BC commenced in April 2014 and the data collection work will be conducted from 30 June 2016 to 2 August 2016. The results of the 16BC will be released by phases starting from early 2017.

The estimated expenditure for the 16BC is \$256.6 million.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)075****(Question Serial No. 0219)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: (2) Social Statistics, (4) General Statistical Services, (5) Price/Industry/Service Statistics, (6) Labour StatisticsControlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide the details for the surveys of various types conducted by contracting-out mode for the past three years.

Survey Items	Survey Scale	Contract Costs	Survey Period

Asked by: Hon Jeffrey LAM Kin-fung (Member Question No. 3)Reply:

Surveys conducted by contracting-out mode by the Census and Statistics Department in the past three years (i.e. 2013-14, 2014-15 and 2015-16) are as follows:

Survey Items	Survey Scale (Sample Size)	Contract Costs* (HK\$ million)	Survey Period (Fieldwork Period)
2013-14			
Thematic Household Survey on Crime and Its Victims in Hong Kong and Personal Computer and Internet Penetration	About 20 000 households	4.98	January to July 2013
Thematic Household Survey on Time Use Pattern and Hong	About 10 000 households	2.58	September to December 2013

Survey Items	Survey Scale (Sample Size)	Contract Costs* (HK\$ million)	Survey Period (Fieldwork Period)
Kong Residents Travelling Frequently and Regularly to the Mainland of China			
Thematic Household Survey on Health-related Issues	About 10 000 households	2.25	March to August 2014
2014-15			
Thematic Household Survey on Information Technology Usage and Penetration	About 10 000 households	2.77	June to August 2014
Thematic Household Survey on Housing Conditions	(i) For estimating the number of sub-divided units: about 2 300 buildings (ii) For collecting information on households living in sub-divided units: about 5 000 households	1.40	June to November 2014
Survey on Households with School Children of South Asian Ethnicities	About 2 800 households	0.85	October 2014 to June 2015
2015-16			
Thematic Household Survey on Smoking Pattern, Use of Language and Personal Computer and Internet Penetration	About 10 000 households	3.00	May to August 2015
Thematic Household Survey on Housing Conditions	(i) For estimating the number of sub-divided units: about 2 100 buildings	1.35	May to September 2015

Survey Items	Survey Scale (Sample Size)	Contract Costs* (HK\$ million)	Survey Period (Fieldwork Period)
	(ii) For collecting information on households living in sub-divided units: about 1 000 households		
Thematic Household Survey on Use of New Media and Enforcement of Maintenance Orders	About 10 000 households	2.25	October 2015 to January 2016

* Contract costs rounded to the nearest HK\$0.01 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)076

(Question Serial No. 0671)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (6) Labour Statistics

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise the following:

- (1) 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?
- (2) As regards "Matters Requiring Special Attention in 2016-17", the Department will continue to upkeep the Hong Kong Standard Industrial Classification. What are the details, objectives and costs involved?

Asked by: Hon Jeffrey LAM Kin-fung (Member Question No. 2)

Reply:

- (1) The Census & Statistics Department (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 2016-17 for Programme (6) – Labour Statistics, which amounts to \$82.2 million.
- (2) The Hong Kong Standard Industrial Classification (HSIC) is a standard statistical classification framework for compilation, analysis and dissemination of industry statistics in Hong Kong. Modelling on the "International Standard Industrial Classification of All Economic Activities" published by the United Nations Statistics Division (UNSD), the HSIC is devised and maintained by C&SD for classifying local establishments into relevant industry classes based on the nature of their major economic activities. C&SD will continue to upkeep the HSIC by keeping track of the work of the UNSD in related areas and changes in industrial structure of the local

economy, so as to ensure that the HSIC can meet international standards as well as suitably reflect our emergent economic activities.

The relevant expenses of the above functions will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)077****(Question Serial No. 0759)**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 years 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16, the numbers of children for households with income less than 60% of the median household income:

	Numbers of children for households with income less than 60% of the median household income
2011/12	
2012/13	
2013/14	
2014/15	
2015/16	

Asked by: Hon LEUNG Yiu-chung (Member Question No. 21)Reply:

Based on data obtained from the General Household Survey conducted by the Census and Statistics Department, the number of persons aged below 18 residing in households with monthly household income* less than 60% of median monthly household income of the corresponding household size* for 2011 to 2014 is as follows –

Year	Number of persons aged below 18
2011	353 400
2012	333 400
2013	319 300
2014	311 300

The corresponding figure for 2015 will be available in the second quarter of 2016.

* Excluding foreign domestic helpers

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)078

(Question Serial No. 2802)

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:

As regards "*Matters Requiring Special Attention in 2016-17*", please advise the following:

(1) Paragraph 20 mentions "...implementing two strategic IT projects to set up two department-wide data capturing systems to enhance efficiency in data collection". What are the details, implementation progress and effectiveness of the "*two strategic IT projects*" thus far? And what is the estimated expenditure in financial year 2016-17 for the "*two strategic IT projects*"; and

(2) Paragraph 21 mentions "...use modern technologies in the dissemination of statistical information and enhance its website to facilitate users in obtaining statistical information in a convenient manner". What is "*modern technologies*" specifically referring to? What are the specific indicators for measuring "*to facilitate users in obtaining statistical information in a convenient manner*"? And what is the estimated expenditure for implementing the above in financial year 2016-17?

Asked by: Hon Mrs Regina IP LAU Suk-yee (Member Question No. 37)

Reply:

- (1) The 2 department-wide data capturing systems of the Census and Statistics Department (C&SD) are:
 - a. Computer-assisted Telephone Interviewing System: The contract for this project was issued in June 2014, with system analysis and design completed in November 2014. System development is in progress and is expected to be completed in 2016-17. The estimated expenditure in 2016-17 is \$5.27 million.
 - b. Online Questionnaire System: The contract for this project was issued in May 2015, with system analysis and design completed in December 2015.

System development is in progress and is expected to be completed in 2016-17. The estimated expenditure in 2016-17 is \$3.55 million.

- (2) C&SD is applying modern technologies to release tables in statistical publications in machine readable (CSV, XLS or XML) statistical datasets progressively. This can facilitate convenient re-use of data and development of new applications. C&SD will measure usage of these datasets by monitoring the download figures of machine readable format files on C&SD's website. The estimated expenditure for the above in 2016-17 is \$50,000.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)079

(Question Serial No. 2836)

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:

The significant increase in the expenditures of the Official Receiver's Office in the coming year by nearly 20% is mainly due to the filling of vacancies, salary increments for staff, provision for possible return of interest in respect of some liquidation cases and the full-year effect of renting storage spaces which commenced in the second half of 2015-16. In this regard, would the Government please provide the detailed breakdown of the above items? What is the estimated number of cases involving the return of interest and the total amount involved?

Asked by: Hon Christopher CHEUNG Wah-fung (Member Question No. 55)

Reply:

The increased estimated expenditure of the Official Receiver's Office in 2016-17 is mainly due to the increase in provision for filling of vacancies and salary increments for staff by \$4.4 million, the need for provision of \$19.2 million for possible return of interest in respect of two liquidation cases and increased provision of \$5.8 million to meet with the full-year effect of renting storage spaces which commenced in the second half of 2015-16.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)080****(Question Serial No. 0351)**

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:

It is mentioned in paragraph 137 of the Budget Speech that “Government will launch a pilot scheme to issue Silver Bond this year and next year, targeting at Hong Kong residents aged 65 or above, with a maturity of three years for the first issuance”. Will the Government inform this Committee: of the details of the issuance of Silver Bond; whether a cap of no more than HK\$10 billion will be set for the issuance, as in the case of iBond; whether the Government has drawn on the experience of previous issuances of iBond to make improvement in this new round of issuance; and of its measures and strategies for promoting other types of diversified bonds?

Asked by: Ir Dr Hon LO Wai-kwok (Member Question No. 6)

Reply:

The purpose of issuing Silver Bond under the Government Bond Programme (GBP) is to encourage the market to develop more financial products appropriate for investment after retirement and further promote savings by citizens for retirement. The Hong Kong Monetary Authority (HKMA) will finalise the features, issue size and implementation arrangements for the first issuance of Silver Bond in the next few months. According to our preliminary plan, the interest determination mechanism of Silver Bond will be similar to that of iBond. The coupon rate floor (or the fixed rate) will be set at 2% to provide steady returns to investors. To ensure that Silver Bond are held by senior citizens, only subscriptions made by Hong Kong identity card holders aged 65 or above will be accepted, and no secondary market will be established for Silver Bond. The HKMA will announce the details of the issuance in due course.

In 2016-17, we will continue to implement the GBP. When considering the types of bonds to be issued under the GBP, we will 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 a further issuance of iBond worth not more than \$10 billion and launching a two-year pilot scheme to issue Silver Bond, we will consider a further sukuk issuance when market conditions are favourable. In addition, the Government and the regulators will continue to promote the advantages of our bond market to issuers and investors on the Mainland and overseas, including our edge to develop green financial products, to deepen our bond market development.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)081

(Question Serial No. 7196)

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 105 of the Budget that the Government “will strengthen our efforts to publicise our competitive capital market and highlight our edge in developing green financial products. AA will also explore the feasibility of financing through green bonds.”

1. What are the approach and activities that the Government will use to publicise Hong Kong's edge in developing green financial products? What are the expenditure and manpower resources involved in the coming year?
2. What are the items to be used by the Airport Authority Hong Kong (AA) for exploring the feasibility of financing through green bonds? When will the results of the relevant study be available?

Asked by: Hon CHAN Kam-lam (Member Question No. 4)

Reply:

As an international financial centre, Hong Kong has a sound legal and regulatory system, a deep and liquid capital market, robust financial infrastructure, and possesses a wealth of financial intermediaries and talent. In addition, the Inland Revenue Ordinance provides for profits tax concession for qualifying debt instruments. The Government and regulatory authorities will continue to keep in view the global development in green finance. When undertaking marketing initiatives, we will strengthen efforts to promote our competitive capital market, highlight our edge in developing green financial products, and encourage the participation of the financial sector. The manpower and expenses involved in the above initiative will be absorbed from within our existing resources.

Green and sustainability is a core value of Hong Kong International Airport (HKIA). From airport design and construction, to its operations and continuing development (including the Three-Runway System Project), HKIA strives to conduct its business in an environmentally-friendly manner. The Airport Authority Hong Kong and its financial advisors will conduct a feasibility study on how to raise funds (including through green bonds) to finance green projects with environmental benefits (for example, green buildings, energy efficient systems, etc.). The study is expected to commence in 2016.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 5275)

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:

Would the Government inform this Committee of the following:

- (1) How many additional civil service Information Technology (IT) posts were applied by the Financial Services and the Treasury Bureau (Financial Services Branch) from the Civil Service Bureau (CSB) over the past 3 years? How many of these posts applied were approved by the CSB (please list by department, year and post title)?
- (2) What were the justifications of the CSB if application requests of such IT posts were revised or rejected?

Asked by: Hon Charles Peter MOK (Member Question No. 49)

Reply:

- (1) In the past three years, there has not been any increase in the civil service posts of information technology (IT) staff in the Financial Services Branch.
- (2) The Government's guiding principles for considering the creation of additional civil service posts are as follows: when the operational need is fully justified; and the work involved cannot be handled by streamlining the procedures, re-organisation, re-deployment of existing staff or any other means. The above principles are applicable across all the civil service grades, including the IT grades. Manpower in the IT grades will be increased as and when it is fully justified on the grounds of maintaining effective operation and addressing the manpower needs arising from new and improved services.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)083****(Question Serial No. 5290)**

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 respect of the public relations expenditure of government departments, please inform this Committee of the following:

(1) the total expenditure of the Financial Services and the Treasury Bureau (Financial Services Branch) for publishing advertisements, sponsored content or advertorials in newspapers registered under the Registration of Local Newspapers Ordinance in the past year as well as the relevant details:

Date of publish (Day/Month/Year)	Status (one-off/ ongoing/done) (as at 29 February 2016)	Government or public organisation (including policy bureau/ department/ public organisation/ government advisory body)	Name and purpose of advertisement	Name of media organisation and newspaper	Frequency (as at 29 February 2016)	Expenditure (as at 29 February 2016)

(2) the expenditure of the Financial Services and the Treasury Bureau (Financial Services Branch) for sponsoring local free-to-air television stations, paid television stations and radio stations to provide information and produce programmes or materials in the past year as well as the relevant details:

Date of broadcast (Day/Month/Year)	Status (one-off/ ongoing/ done) (as at 29 February 2016)	Government or public organisation (including policy bureau/ department/ public organisation/ government advisory body)	Name and purpose of advertisement	Media organisation	Frequency (as at 29 February 2016)	Expenditure (as at 29 February 2016)

(3) the media organisations which published or broadcast advertisements/sponsored content of the Financial Services and the Treasury Bureau (Financial Services Branch) in the past 3 years, as well as the frequency and the total expenditure involved (in descending order of amount spent):

Name of media organisation	Frequency	Total expenditure (\$)

(4) the websites/network platforms on which the Financial Services and the Treasury Bureau (Financial Services Branch) published online advertisements/sponsored content in the past 3 years, as well as the frequency, the duration (days) and the total expenditure involved (tabulated in descending order of amount spent):

Website/ network platform	Content of advertisement	Frequency	Duration (days)	Hit rate, frequency of exposure and number of viewers	Total expenditure (\$)

Asked by: Hon Charles Peter MOK (Member Question No. 64)

Reply:

(1) & (2): In the past year, Financial Services Branch had not incurred such expenses.

(3) & (4): In the past three years, Financial Services Branch had not incurred such expenses.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)084****(Question Serial No. 5311)**

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:

(1) Please tabulate the details concerning the social media platforms set up and run by the Financial Services and the Treasury Bureau (Financial Services Branch) and agencies under its commission (including outsourced contractors or consultants) in 2015-16 (as at 29 February 2016).

Commence- ment date (month / year)	Status (updating in progress/ ceased updating)	Bureau/ agencies under its commission	Name	Social media platforms	Purpose of establish-me nt and contents	No. of "likes"/ subscribers / average monthly visits	Regular compilation of summary of comments and follow-up (yes/no)	Average no. of posts per day and average no. of interactions per post (total no. of "likes", comments and shares)	Ranks and no. of officers responsible for running the platforms	Expenditure for setting up the platforms and daily operational expenses

(2) Please provide the number of deleted messages and blocked accounts on the above social media platforms.

Asked by: Hon Charles Peter MOK (Member Question No. 85)

Reply:

(1) & (2):
Financial Services Branch had not set up nor operated any social media platform in 2015-16.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)085****(Question Serial No. 5729)**

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:

(1) Please provide, in table form, the number of requests for information under the Code on Access to Information received by the Financial Services and the Treasury Bureau (Financial Services Branch) and its subvented organisations in 2015-16 as well as the relevant details:

Bureau/ Department/ Organisation	Number of requests received	Information involved (items)	Number of requests being handled	Number of requests in which all information was provided	Number of requests in which some information was provided	Average number of days taken to handle the requests (working days)

(2) the 3 pieces of information most frequently requested by the public and the number of such requests;

(3) the 5 requests for information which took the longest time to handle, the number of days taken to handle such requests and the reasons; and

(4) the content of the requests refused, the reasons for the refusal and the number of requests for reviews lodged by the public.

Asked by: Hon Charles Peter MOK (Member Question No. 163)

Reply:

(1)

Bureau/ Department/ Organisation	Number of requests received	Information involved (items)	Number of requests being handled	Number of requests in which all information was provided	Number of requests in which some information was provided	Average number of days taken to handle the requests (working days)
Office of the Commissioner of Insurance	3	Please see (2) for details	0	3	0	Please see (3) for details

(2) The information requested is as follows:

- Information on authorized insurers (one request)
- List of authorized insurers, insurance brokers and approved bodies of insurance brokers (one request)
- The Code of Practice for the Administration of Agents (one request)

(3) All information requests were processed and completed within 10 days.

(4) No request has been refused and we have not received any request for review.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)086****(Question Serial No. 5606)**

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 120 of the Budget Speech that manpower shortage in the financial services industry is particularly pronounced in the insurance sector and the asset and wealth management sector. Last year, the Government proposed to allocate \$100 million to take forward a 3-year pilot programme. Starting from the latter half of this year, financial subsidies will be provided to practitioners to attend training courses to enhance their professional knowledge and competency. To attract more new blood to the financial services industry, internship opportunities will also be offered to university students to enhance their understanding of the job nature and career prospects of the sectors. In this connection, please inform this Committee of the content of the funded programmes and the funding distribution.

Year of the pilot programme	Anticipated number of beneficiaries	Training providers (Please specify)	Training fees	Number of internship places	Internship providers (Please specify)	Internship expenditure incurred	Other expenses
2015-16							
2016-17							
2017-18							
					Total:		

Asked by: Hon CHEUNG Kwok-che (Member Question No. 771)

Reply:

Under the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector, those initiatives targeting at students include the Work-and-learn Programme and the Internship Programme for undergraduate students,

which will be implemented starting 2016-17 and 2017-18 respectively. The content of the initiatives and the funding distribution are as follows –

Year of the pilot programme	Anticipated number of beneficiaries	Training providers (Please specify)	Training fees	Number of internship places	Internship providers (Please specify)	Internship expenditure incurred (\$'000)	Other expenses
2015-16	-						
Insurance Sector – Work-and-learn programme ¹							
2016-17	15	Vocational Training Council	-	15	Insurance companies and insurance broker companies	100	-
2017-18	45		-	45		2,200	-
2018-19	45		-	45		2,600	-
2019-20	15		-	15		2,200	-
2020-21	-		-	-		100	-
Insurance Sector – Internship programme for undergraduate students ²							
2016-17	-	Insurance companies and insurance broker companies	-	-	Insurance companies and insurance broker companies	-	-
2017-18	50		-	50		700	-
2018-19	50		-	50		700	-
2019-20	50		-	50		700	-
Asset and Wealth Management Sector – Internship programme for undergraduate students ³							
2016-17	-	Local financial institutions	-	-	Local financial institutions	-	-
2017-18	45 ⁴		-	45		700	-
2018-19	80 ⁴		-	80		1,100	-
2019-20	100 ⁴		-	100		1,400	-
						Total:	12,500

- End -

¹ Providing training allowance to trainees of the work-and-learn programme and sponsorship for overseas immersion programme. A structured work-and-learn programme would allow trainees to receive classroom training on insurance knowledge required for further progression of their careers, while acquiring hands-on work experience with earnings during the study period. On top of the annual remuneration of no less than \$120,000 paid by the participating employer during the 16-month traineeship, to enhance the attractiveness of the programme, each trainee will also receive a total training allowance of \$40,000 during the period. Given that the work-and-learn programme would take 16 months to complete, the training allowance for trainees would be provided until the third year intakes complete the course, i.e. the use of money will straddle more than the three years after the commencement of the pilot scheme.

² Providing internship places in insurance companies and insurance broker companies to university students. Out of the monthly honorarium for each student, the Government would contribute up to 75% or \$7,000 (whichever is the lower) for an internship period of up to two months, while the remaining sum as well as the cost for guidance and coaching should be contributed by the participating insurance companies and insurance broker companies.

³ We will invite local financial institutions to offer intern places related to asset and wealth management during the summer vacation. Internship period for each intern will last four to eight weeks. Out of the monthly honorarium that a student would receive, the Government could contribute up to 75% or \$7,000 (whichever is the lower) for an internship period of up to eight weeks, while the remaining sum as well as the cost for guidance and coaching should be contributed by the financial institutions. Depending on the duration of the internship period (ranging from four to eight weeks), we estimate that the number of students joining the internship programme will be in the range of 225 to 450.

⁴ Assuming that the Government contributes up to \$7,000 of the monthly honorarium to be paid to 225 interns for an internship period of eight weeks over the three-year period.

CONTROLLING OFFICER'S REPLY**FSTB(FS)087****(Question Serial No. 6866)**

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

a. Please provide details of the public policy studies and strategic public policy studies commissioned with funds allocated from 2011-16.

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 study (under planning/in progress/completed (completion month and year))	The Administration's follow-ups to 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. Regarding the consultancy studies commissioned by the Financial Services and the Treasury Bureau (Financial Services Branch) and the departments under its purview for the purpose of formulating and assessing policies, are there any such projects for which funds have been reserved in 2016-17? If yes, what are the 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 study (under planning/in progress/completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, have they been made public? If yes, through what channels? If no, why?

Asked by: Hon CHEUNG Kwok-che (Member Question No. 1095)

Reply:

- (a) Information on consultancy studies commissioned on public policy and strategic public policy for which funds had been allocated in 2011-16:

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 study (under planning/in progress/ completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, 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 consulted the public 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' right to information</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 introduce legislation on	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/ quotation/ others (please specify))	Title, content and objective of project	Consultancy fee (\$)	Start date	Progress of study (under planning/in progress/ completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, have they been made public? If yes, through what channels? If no, why?
		under a trust, and study whether Hong Kong should legislate on this issue.				beneficiaries' right to information in Hong Kong.	
Ernst & Young Advisory Services Limited	Quotation	<p>Consultancy Study on Investment-Linked Assurance Schemes (ILAS).</p> <p>The Study aims to research on the regulatory requirements in relation to ILAS products and the distribution of such products in other jurisdictions.</p>	300,000	8 Nov 2011	Completed (March 2013)	The study findings are for internal reference.	The study findings are for internal reference.
Professor Ho Kam Shuen	Quotation	<p>Effect of forced heirship rules on trusts</p> <p>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.</p>	165,000	31 May 2012	Completed (December 2012)	<p>The study concludes that such a statutory change could help reassure potential settlers that the validity of their Hong Kong lifetime trusts will be protected from forced heirship rules. In light of comments from respondents to the public consultation on Detailed Legislative Proposals on Trust Law Reform and the</p>	<p>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.</p> <p>We have amended the Trustee Ordinance (Cap.29) through the Trust Law (Amendment) Ordinance 2013</p>

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 study (under planning/in progress/completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, have they been made public? If yes, through what channels? If no, why?
						study findings, we have included a new provision against forced heirship rules with reference to section 90 of Singapore Trustees Act.	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 (Phase I).</p> <p>The Study aims to formulate proposals for developing a risk-based capital framework for the insurance industry of Hong Kong.</p>	5.6 million	21 June 2012	Completed (March 2015)	We consulted the public on the proposed RBC Framework from September to December 2014, and issued the consultation conclusions in September 2015.	The consultancy findings have been incorporated in the public consultation document and consultation conclusions issued.

(b) Details of projects for which funds have been reserved for conducting consultancy studies in 2016-17:

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 study (under planning/in progress/completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, have they been made public? If yes, through what channels? If no, why?
To be determined	Quotation	Consultancy Study on the Operating	To be determined	To be determined	Under planning	Not applicable	Not applicable

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 study (under planning/in progress/completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, have they been made public? If yes, through what channels? If no, why?
		<p>Budget of the Financial Reporting Council (FRC) under the Proposed Regulatory Regime for Listed Entity Auditors.</p> <p>The Study aims to advise on the budgetary requirements for operation of the FRC after the planned expansion of its regulatory ambit under the proposed regulatory regime for listed entity auditors.</p>					
To be determined	Tendering	<p>Consultancy Study on RBC Framework for Insurance Business in Hong Kong (Phase II).</p> <p>The Study aims to develop detailed rules and carry out Quantitative Impact Study of the</p>	To be determined	To be determined	Under planning	Not applicable	Not applicable

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 study (under planning/in progress/completed (completion month and year))	The Administration's follow-ups to the study report and their progress (if any)	For completed studies, have they been made public? If yes, through what channels? If no, why?
		RBC framework as proposed in Phase I of the consultancy study.					

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)088

(Question Serial No. 4640)

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 2016-17, 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 2015-16? What was the expenditure involved?
- (2) What is the specific work plan for 2016-17? What is the estimated expenditure involved?

Asked by: Hon James TIEN Pei-chun (Member Question No. 73)

Reply:

On advancing financial co-operation with the Mainland, the progress and achievements made in 2015-16 and the work plan for 2016-17 are as follow:

Offshore Renminbi (RMB) business in Hong Kong

In the financial year 2015-16, Hong Kong maintained its status as the global offshore RMB business hub. RMB trade settlement handled by banks in Hong Kong amounted to RMB6,833.1 billion in 2015, with a year-on-year increase of 9 per cent. RMB lending business continued to expand, with the outstanding loan amount reaching RMB297.4 billion as at end of 2015, increased by 58 per cent over that as at end of 2014. In 2015, the

average daily turnover on Hong Kong's RMB Real Time Gross Settlement (RTGS) system amounted to RMB947 billion, representing a 29 per cent increase over 2014.

Hong Kong is also the world's largest offshore RMB investment product market. It offers a wide range of products, including listed and unlisted investment funds, insurance products, currency futures, real estate investment trusts, shares and derivative products.

In the financial year 2016-17, capitalising on the opportunities brought by the country's 13th Five-year Plan and the Belt and Road Initiative, we will continue to engage relevant Mainland authorities on the policy front to consolidate Hong Kong's role as the global RMB business hub, through facilitating the cross-border use and circulation of RMB funds; strengthening our market infrastructure and financial platforms; facilitating and promoting offshore RMB business and product innovation and diversification; strengthening our RMB business links with overseas markets; and promoting our offshore RMB business platform through seminars and roadshows overseas.

Mutual access between financial markets in Hong Kong and the Mainland

Since the implementation of the mutual recognition of funds arrangement between the Mainland and Hong Kong in July last year, 25 Mainland funds and six Hong Kong funds have been authorized or approved for public offering in the Hong Kong market and the Mainland market respectively as of end-February 2016. The regulators in the two places will continue to process fund applications under the arrangement in order to enhance mutual access to the Mainland and Hong Kong capital markets.

We have discussed with relevant authorities of the Central Government the launch of the Shenzhen-Hong Kong Stock Connect and the enhancement of the Shanghai-Hong Kong Stock Connect. We are all set with preparatory work and, subject to the announcement of the Central Government, will implement the programme as soon as possible.

The Mainland and Hong Kong Closer Economic Partnership Arrangement

Under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), the Agreement on Trade in Services signed in November 2015 will be implemented on 1 June this year. It has further deepened the financial co-operation between the two places, including the application of "participation in one and holding of one" principle to the number of joint venture securities, securities investment advisory or futures companies that are allowed to be invested in through shareholding acquisition by Hong Kong-funded financial institutions; and allowing Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in the Mainland, by fulfilling the same criteria as setting up wholly-owned insurance agency companies in Guangdong (including Shenzhen) at present.

Financial cooperation under other frameworks

Cross-border RMB business between Hong Kong and Guangdong continued to develop. The pilot scheme on cross-border RMB lending was extended to Nansha and Hengqin in July 2015 following its launch in Qianhai in 2013. In the coming year, both sides will

strive to seek approval from the Central Authorities for introducing pilot schemes in Guangdong Province to open up more areas of financial services to Hong Kong financial institutions and service providers, including expanding the cross-border RMB financing and investment businesses between the two places, advancing the development of the Qualified Domestic Individual Investor initiative, lowering the threshold for Hong Kong securities and insurance companies entering into the Mainland market, increasing the shareholding percentage of Hong Kong partners in joint venture companies and expanding their business scope gradually.

Regarding the financial co-operation with Shanghai, the sixth Working Meeting of Hong Kong-Shanghai Financial Co-operation was held in Hong Kong on 1 March 2016. Representatives of the two places exchanged views on issues of mutual concern, including the progress made in respect of financial services in the China (Shanghai) Pilot Free Trade Zone; the co-operation in cross-border RMB business, securities, futures and insurance industries; initiatives on the exchange of financial talents and the development of financial technology.

In the financial year 2016-17, we will continue to seek further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms, including those of Hong Kong-Guangdong, Hong Kong-Shanghai and Hong Kong-Fujian. With the deepening of economic and financial reforms in the Mainland and the gradual establishment of free trade zones, we will continue to maintain close liaison with relevant Mainland authorities to seize 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

(Question Serial No. 4641)

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 2016-17, 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 2015-16? What was the expenditure involved?
- (2) What is the specific work plan for 2016-17? What is the estimated expenditure involved?

Asked by: Hon James TIEN Pei-chun (Member Question No. 74)

Reply:

To introduce a new open-ended fund company (OFC) structure in Hong Kong, we introduced an Amendment Bill into the Legislative Council in January this year, and aim to secure its passage before summer this year. Upon the passage of the primary legislation, the Securities and Futures Commission will formulate the subsidiary legislation and OFC Code, with a view to implementing the OFC regime as soon as practicable.

Also, we amended the Inland Revenue Ordinance last year to extend the profits tax exemption for offshore funds to private equity funds. The relevant Amendment Ordinance took effect on 17 July 2015.

The expenses for 2015-16 and 2016-17 for the initiatives above are/will be absorbed from within the existing resources. Within the Financial Services Branch, the relevant functions are mainly overseen by 1 Administrative Officer Staff Grade B1, and supported by 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 4017)

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, will the Government advise this Committee of:

- (1) the number of complaints involving or suspected to be involving CIS received in the past 5 years and, among them, the number involved property (including local and non-local property) as the investment asset;
- (2) the way the authorities handles the complaints, the criteria for prosecution and the percentage of successful prosecution;
- (3) the manpower details and the estimated expenditure involved in the investigation of these complaints in 2016-17; and
- (4) the plan, if any, in 2016-17 to enhance the regulation of selling CIS-related investment products, in particular those involving property as the subject matter of investment, as well as the establishment and estimated expenditure involved?

Asked by: Hon James TO Kun-sun (Member Question No. 73)

Reply:

- (1) In the past five years, the Securities and Futures Commission (SFC) received about 80 complaints involving alleged collective investment schemes (CIS), of which over 50 involved real estate projects. The SFC does not have a breakdown for complaint figures relating to local and non-local real estate.

- (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 reasonably suspect a contravention. The relevant contravention may arise if a person has advertised or marketed the CIS to the public without obtaining authorization from the SFC beforehand. When deciding whether to take action, the SFC will take into account all relevant factors and circumstances of a case, including whether there is evidence of detriment to the investing public. Currently, one case which the SFC alleged involves a CIS is being prosecuted in the District Court.
- (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. The SFC will continue to work with the Investor Education Centre on issuing further investor education materials on CIS, including materials on CIS involving real estate. Regarding the manpower resources and estimated expenditure involved, they have already been included in the SFC Budget for the Financial Year 2016-17. The SFC does not have a breakdown of the expenses.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)091

(Question Serial No. 4018)

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 noted that the Branch will “continue to oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) in respect of the financial sectors, and participate actively in the Financial Action Task Force”. In this regard, please inform this Committee of :

- (a) the Bureau's estimated expenditure for the work for 2016-17;
- (b) the number and rank of officials to be tasked with the work;
- (c) the projects are included in the specific work plan; and
- (d) the progress or schedule for 2016-17.

Asked by: Hon TO Kun-sun, James (Member Question No. 83)

Reply:

For 2016-17, the Financial Services and the Treasury Bureau will continue to take the lead in coordinating efforts of concerned departments and regulatory bodies to combat money laundering and terrorist financing activities. This includes, in particular, conducting a risk assessment and reviewing the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, to ensure that Hong Kong can meet the latest international standards promulgated by the Financial Action Task Force (FATF). We will seek continuous improvements in the effectiveness of our anti-money laundering and counter-terrorist financing measures through strengthening publicity and education. In addition, we will continue to represent Hong Kong, China at FATF's meetings. Within the Financial Services Branch, 1 Administrative Officer Staff Grade B1 oversees the relevant functions and is supported by 1 Administrative Officer Staff Grade C, 1 Senior

Administrative Officer and 1 Superintendent of Police. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 4019)

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 changes in the expenditure incurred in financial services, please provide this Committee with the following:

- (a) the reasons for the substantial increase of 211.3% of the estimate for 2016-17 when compared with that for 2015-16;
- (b) the expenditure spent for assisting the Financial Secretary in overseeing the relevant regulatory authorities, i.e. the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the Financial Reporting Council; and
- (c) a breakdown of the expenditure involved in (b).

Asked by: Hon James TO Kun-sun (Member Question No. 74)

Reply:

(a)
The draft estimate for 2016-17 is 211.3% above the 2015-16 revised estimate. This is mainly due to the provisions for the establishment of an independent Insurance Authority (\$450 million), the exit package for the Insurance Officer Grade officers (\$1 million), the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector (\$21.7 million), and the promotion of development of financial technologies (about \$13.8 million).

(b) & (c)
The expenses involved 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. 4020)

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 aim to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, will the Government advise this Committee of:

- (a) the estimated expenditure of the Office of the Commissioner of Insurance (OCI) for 2016-17 in this respect;
- (b) the number of officials responsible for the work of the OCI, and their ranks;
- (c) the items included in the OCI's work plan; and
- (d) the progress or schedule for 2016-17?

Asked by: Hon James TO Kun-sun (Member Question No. 76)

Reply:

- (a) The relevant item is related to different aspects of work of the Office of the Commissioner of Insurance (OCI) and the expenditure of the entire department. We do not have a breakdown for this item.
- (b) As at 10 March 2016, there are 152 civil servants and full-time non-civil service contract staff in OCI, including 5 directorate/acting directorate officers and 147 non-directorate officers.
- (c) & (d)

OCI is responsible for implementing the Insurance Companies Ordinance (“the Ordinance”), protecting policyholders by carrying out prudential regulation of insurers and

ensuring their compliance with the solvency requirements, as well as conducting on-site inspection to supervise insurers' compliance with the Ordinance. With respect to anti-money laundering, OCI keeps up its supervision of insurance institutions' compliance with the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance. To strengthen international cooperation in insurance regulation, OCI actively participates in the work of the International Association of Insurance Supervisors and supervisory colleges of large insurance groups. OCI also keeps close liaison with relevant Mainland authorities with a view to promoting the industry's opportunities of participating in the Mainland market.

Apart from the above, OCI will focus on implementing the following initiatives in 2016-17:

- (i) to assist the Financial Services and the Treasury Bureau (FSTB) to carry out preparatory work for the transition from the existing insurance regulatory regime to the new one;
- (ii) to assist FSTB to carry out legislative work for the establishment of a Policyholders' Protection Fund; and
- (iii) to carry out the Phase II preparatory work for developing a risk-based capital framework for the insurance industry of Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 7191)

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 aim to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, please inform this Committee of:

(a) the number and ranks of officials responsible for the work of the Securities and Futures Commission; and

(b) the progress or schedule for 2016-17.

Asked by: Hon James TO Kun-sun (Member Question No. 75)

Reply:

To ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets, the Financial Services and the Treasury Bureau will, in conjunction with the Securities and Futures Commission, take forward the following work in 2016-17–

- continue to implement the over-the-counter derivatives regulatory regime in phases; and
- expand the scope of short position reporting to cover all securities that can be short sold.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade B1 oversees the relevant functions and is supported by 1 Administrative Officer Staff Grade C, 1 Senior Administrative Officer and 1 Administrative Officer.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)095

(Question Serial No. 7192)

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 aim to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, please inform this Committee of:

(a) the number and ranks of officials responsible for the work of the Hong Kong Monetary Authority; and

(b) the progress or schedule for 2016-17.

Asked by: Hon James TO Kun-sun (Member Question No. 77)

Reply:

To ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets, the Financial Services and the Treasury Bureau will, in conjunction with the Hong Kong Monetary Authority, take forward the following work in 2016-17–

- continue to strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- legislate for the establishment of an effective resolution regime for financial institutions in Hong Kong; and
- continue to oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance in respect of the financial sectors, and participate actively in the Financial Action Task Force.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade B1 oversees the relevant functions and is mainly supported by 2 Administrative Officers Staff Grade C, 2 Senior Administrative Officers, 1 Administrative Officer and 1 Superintendent of Police.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)096

(Question Serial No. 7193)

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 aim to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, please inform this Committee of:

- (a) the number and ranks of officials responsible for the work of the Mandatory Provident Fund Schemes Authority; and
- (b) the progress or schedule for 2016-17.

Asked by: Hon James TO Kun-sun (Member Question No. 78)

Reply:

To ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets, the Financial Services and the Treasury Bureau will, in conjunction with the Mandatory Provident Fund Schemes Authority, continue to oversee the implementation of the Mandatory Provident Fund Schemes Ordinance in 2016-17, and will continue to refine policies and legislations related to the Mandatory Provident Fund (MPF) System. Specifically, the Legislative Council will resume second reading debates on the 2015 Mandatory Provident Fund Schemes (Amendment) Bill 2015 (the Bill). The Bill seeks to introduce a highly standardised and fee-controlled Default Investment Strategy as the default investment arrangement of each MPF scheme.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade B oversees the relevant functions and is supported by 1 Administrative Officer Staff Grade C, 1 Senior Administrative Officer and 1 Administrative Officer.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 7194)

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 aim to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, please inform this Committee of:

(a) the number and ranks of officials responsible for the work of the Financial Reporting Council; and

(b) the progress or schedule for 2016-17.

Asked by: Hon James TO Kun-sun (Member Question No. 79)

Reply:

To ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets, the Financial Services and the Treasury Bureau will take forward the following work in 2016-17 –

- prepare an amendment bill for improving the regulatory regime for listed entity auditors and expanding the regulatory ambit of the Financial Reporting Council under the proposed new regime;
- introduce the amendment bill into the Legislative Council in the 2016-17 legislative session; and
- continue to engage relevant stakeholders as we work out the details of the new regulatory regime.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade B oversees the relevant functions and is supported by 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 7195)

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 aim to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, please inform this Committee of:

- (a) the number and ranks of officials responsible for the work of the Insurance Authority; and
- (b) the progress or schedule for 2016-17.

Asked by: Hon James TO Kun-sun (Member Question No. 80)

Reply:

To ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets, the Financial Services and the Treasury Bureau will, in conjunction with the Office of the Commissioner of Insurance and the independent Insurance Authority, take forward the following work in 2016-17–

- carry out preparatory work for the transition from the existing insurance regulatory regime to the new one to continue to modernise the insurance regulatory framework ;
- prepare legislation for the establishment of a Policyholders’ Protection Fund to better protect policyholders’ interests in the event of the insolvency of an insurer; and
- continue to engage the industry to formulate a risk-based capital framework for prudential regulation of insurers.

Within the Financial Services Branch, 1 Administrative Officer Staff Grade B oversees the relevant functions and is supported by 1 Administrative Officer Staff Grade C, 1 Senior

Administrative Officer, 1 Administrative Officer, 1 Statistician and 1 Senior Executive Officer.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)099****(Question Serial No. 4428)**

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 total estimated provision for the Financial Services Branch this year is \$519.6 million (211.3%) higher than the revised estimate last year. This is mainly due to the non-recurrent provisions for the establishment of an independent Insurance Authority, the exit package for the Insurance Officer Grade officers, and the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector. The total estimated provision for these 3 items is \$581 million. The funding of each of them is sought on a commitment basis.

Please inform me in tabular form, if the above 3 commitments are approved, of the years of the commitments, annual estimated expenditure, major use of the estimated provision as well as funding sources after the commitments are used up.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 102)

Reply:

The required information is provided as follows -

(a) Establishment of the Independent Insurance Authority (IIA)

Years of commitments	2016-17	
Annual estimated expenditure	<u>Financial year</u> 2016-17	<u>(\$ million)</u> 450
Major use of the estimated provisions	To provide IIA with the first instalment of funding of \$450 million to help meet its operating expenses in the first two years. If approved, the funding will be allocated to IIA on a lump sum basis.	

Funding sources after the commitments are used up	To seek approval for the second instalment of funding (i.e. the remaining \$200 million), to be allocated to IIA tentatively in 2018-19, to help meet its operating expenses in the next few years, subject to a review of the progress on the establishment of IIA.
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(b) Exit Package for the Insurance Officer Grade Officers (IOs)

Years of commitments	2016-17 to 2017-18	
Annual estimated expenditure	<u>Financial year</u>	<u>(\$ million)</u>
	2016-17	1
	2017-18	30.2
Major use of the estimated provisions	To fund the exit package for IOs to be retired compulsorily on the abolition of office terms.	
Funding sources after the commitments are used up	N.A.	

(c) The Three-Year Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector (Pilot Programme)

Years of commitments	From 2016-17 to 2020-21 ¹	
Annual estimated expenditure	<u>Financial year</u>	<u>(\$ million)</u> ²
	2016-17	21.7
	2017-18	32.0
	2018-19	34.6
	2019-20	11.5
	2020-21	0.2
Major use of the estimated provisions	In general, various initiatives under the Pilot Programme include: (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 and on-the-job training opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.	
Funding sources after the commitments are used up	N.A. ³	

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- 1 Given that the work-and-learn programme would take 16 months to complete, the training allowance for trainees would be provided until the third year intakes have completed the course, i.e. the use of money will straddle more than three years after the commencement of the pilot scheme.
 - 2 The cash flow requirements above are indicative only and are subject to adjustments, depending on the actual implementation of the initiatives.
 - 3 We will launch the Pilot Programme for three years and then review its effectiveness before considering whether to continue or expand the programme.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)100

(Question Serial No. 4431)

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 support provided by the Government to the Steering Group on Financial Technologies set up last year, please advise the following:

- (1) the staff size and establishment;
- (2) the departmental expenditure; and
- (3) the number of meetings held last year.

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

Reply:

The expenditure relating to the Steering Group on Financial Technologies was absorbed by the Financial Services Branch with existing resources and manpower (including 1 Administrative Officer Staff Grade C, 1 Senior Economist and 1 Economist). The Steering Group was established in April 2015, and had met five times in 2015-16 before submitting its Report to the Financial Secretary in early February 2016.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)101

(Question Serial No. 4463)

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 Asian Infrastructure Investment Bank (AIIB) was officially launched in January this year. Please advise:

1. What is the amount of capital contribution that the HKSAR Government will make to the AIIB?
2. From which account will the amount of contribution be made?
3. What are the manpower, establishment and estimated annual expenditure involved for the Government's participation in the activities of the AIIB?

Asked by: Hon LEUNG Kwok-hung (Member Question No. 138)

Reply:

We will continue to discuss with the Asian Infrastructure Investment Bank (AIIB) and the Central Government the specific arrangements for Hong Kong to join the AIIB. Only after the details about our participation are finalised will we be in a position to have an estimate of the expected financial resources to be allocated. We will seek funding from the Legislative Council before Hong Kong joins the AIIB. The Financial Services Branch will deploy existing resources and manpower (including 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer) to take forward work related to our participation in the AIIB.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)102****(Question Serial No. 4464)**

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:

Consumer protection is an important consideration in Fintech development. The Payment Systems and Stored Value Facilities Ordinance, which came into effect last year, has enhanced consumer protection. However, what progress has been made in the regulation of such Fintech investment as equity crowdfunding and peer-to-peer (P2P) lending? It is because Fintech poses risks to retail investors in, for instance, foreign countries and the Mainland where engagement in and withdrawal from online operations cannot be regulated and gains of investors go unprotected. On the other hand, Fintech companies consider regulation by law the first and foremost obstacle. The Government cannot neglect investor protection when promoting Fintech development.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 140)

Reply:

In developing Fintech, the Government will uphold the “technology-neutrality” principle and attach importance to investor protection. Also, the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance have already established their respective dedicated liaison platforms for Fintech to enhance communication between regulators and the Fintech community. The regulators’ dedicated platforms will liaise with the industry to help ensure an appropriate balance between market innovation and investors’ understanding and tolerance of risks.

Specifically, the liaison platforms are tasked to handle enquiries from the industry and provide information on related regulatory requirements to companies engaging in financial innovation to enhance the industry’s understanding of the regulatory environment in Hong Kong. The platforms will also keep track of the latest development in the market through their interaction with the industry.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)103****(Question Serial No. 5689)**

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:

Last year's estimates for the salaries and departmental expenses of the Office of the Commissioner of Insurance (OCI) accounted for 72% and 62% of the respective estimates under the Financial Services Branch. Please compare OCI's expenditure for last year and the estimates for the future independent Insurance Authority in respect of the following items in tabular form:

1. operating expenses;
2. staff establishment and the amount of salaries and fringe benefits for all staff (both civil servants and non-civil service contract staff);
3. number of directorate staff and their salary points, salaries and fringe benefits; and
4. the percentage shares of the above items in the respective estimates of expenditure under the Financial Services Branch.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 379)

Reply:

1-3

Office of the Commissioner of Insurance (OCI)	Independent Insurance Authority(IIA)
Operating expenses	
<ul style="list-style-type: none"> ▪ Operating expenses of last year: \$106.26 million 	<ul style="list-style-type: none"> ▪ The Government has commissioned earlier a consultancy study on the establishment of the Independent Insurance Authority (IIA). According to the consultancy report, the

Office of the Commissioner of Insurance (OCI)	Independent Insurance Authority (IIA)												
	<p>operating expenses of IIA in the initial years would be as follows *:</p> <p style="text-align: center;">(\$ million)</p> <table> <tr><td>Year 1**</td><td>399.5</td></tr> <tr><td>Year 2</td><td>406.8</td></tr> <tr><td>Year 3</td><td>421.6</td></tr> <tr><td>Year 4</td><td>450.8</td></tr> <tr><td>Year 5</td><td>466.9</td></tr> <tr><td>Year 6</td><td>484.6</td></tr> </table> <p>* Assuming the workforce of IIA will remain unchanged at 299 staff.</p> <p>** Assuming IIA will take over OCI's statutory functions by the end of 2016, its first year of operation will commence in 2017.</p>	Year 1**	399.5	Year 2	406.8	Year 3	421.6	Year 4	450.8	Year 5	466.9	Year 6	484.6
Year 1**	399.5												
Year 2	406.8												
Year 3	421.6												
Year 4	450.8												
Year 5	466.9												
Year 6	484.6												
Staff establishment and the amount of salaries and fringe benefits for all staff (civil servants and NCSC staff)													
<ul style="list-style-type: none"> There are 152 civil servants and full-time non-civil service contract (NCSC) staff. Salaries and fringe benefits for all staff (civil servants and NCSC staff) of last year: \$96.74 million #. 	<ul style="list-style-type: none"> According to the consultancy study, the executive arm of IIA would be made up of a workforce of 299 professional and administrative staff. IIA will employ its own staff. According to the Insurance Companies (Amendment) Ordinance 2015, IIA may employ persons for the remuneration and allowances, and on the terms and conditions, that IIA determines. IIA will generally adopt a market-driven approach in determining the staff remuneration package at all levels. 												
Number of directorate staff and their salary points, salaries and fringe benefits													
<ul style="list-style-type: none"> There are five directorate officers, including 1 Administrative Officer Staff Grade B1 officer, 1 Assistant Commissioner of Insurance and 3 Acting Assistant Commissioner of Insurance. Salaries and fringe benefits for directorate officers of last year: \$9.19 million#. 	<ul style="list-style-type: none"> IIA will have five Divisions, namely, the Long Term Business Division, General Business Division, Policy and Development Division, Market Conduct Division and the Corporate Services Division. Each division will be led by a director. A Chief Executive Officer will oversee the operation of IIA. IIA will adopt a market-driven approach in determining the staff remuneration package at all levels. 												

Office of the Commissioner of Insurance (OCI)	Independent Insurance Authority(IIA)

The provision on 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.

4. The percentage shares of the above expenses in the respective expenditure items under the recurrent account of the Financial Services Branch (FSB) are calculated as follows :

Expenditure Item	OCI's expenditure of last year (\$ million)	Percentage shares in the respective recurrent expenditure items of FSB
Operating expenses	106.26	49%
Salaries and fringe benefits for all staff #	96.74	55%
Salaries and fringe benefits for directorate officers #	9.19	29%

IIA is a statutory body independent of the Government both financially and operationally. We propose to provide IIA with a lump sum of \$450 million in 2016-17 to help meet its operating expenses in the first two years. The commitment, which is non-recurrent in nature, will not be included under the recurrent account of FSB.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)104

(Question Serial No. 5690)

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 have increased by 22.1% from \$83.18 million to \$101 million this year. The growth is 3 times the 7.1% increase recorded last year. What are the reasons for that? Last year, the Bureau replied that the increase was mainly due to the projected increase in expenditure on salaries for non-civil service contract staff arising from filling of vacancies and salary increase. Does the same reason apply this year? If so, please advise us of the number of non-civil service contract staff. Has the number increased over last year? What are the reasons?

Asked by: Hon LEUNG Kwok-hung (Member Question No. 381)

Reply:

The expenditure for "General departmental expenses" in the 2016-17 draft estimate is 22.1% above that in the 2015-16 revised estimate. This is mainly due to the provision for promoting development of financial technologies, and the anticipated increase in salaries for non-civil service contract staff and the repayment of bona vacantia receipts. The projected number of NCSC staff in 2016-17 is 86 which is the same as 2015-16.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)105

(Question Serial No. 5691)

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 would like to inquire about the operational expenses and staffing of the Financial Services Development Council (FSDC). 5 officers from the Government and 3 from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission assist in the work of FSDC. I request the Government to 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 in support of FSDC.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 382)

Reply:

Apart from the expenditure on salaries for the civil servants (about \$3.4 million per annum) of the Financial Services Development Council (FSDC) Secretariat, the expenditure of the FSDC was around \$4.1 million in 2015-16, and is budgeted at \$6.5 million in 2016-17. The resources are mainly for enhancing the promotion of Hong Kong's financial services industry and research activities and are met by the Financial Services Branch (FSB).

As for staffing, the secretariat of the FSDC is currently supported by 4 executive/clerical staff deployed from the FSB, 3 professional staff seconded respectively from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission and 1 professional staff on government contract terms recruited from the market. 1 additional short-term staff on government contract terms will also be recruited in 2016-17. The expenditure on government staff is met from resources of the FSB and, for the seconded staff, the relevant organisations.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)106****(Question Serial No. 5692)**

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 estimated provision under *Subhead 000 Operational expenses* for this year is \$46,893,000 (19.1%) higher than the revised estimate for 2015–16. This is mainly due to the provision for promoting development of financial technologies. Will the Director of Bureau inform me of the total amount of provision for such development? Please also tabulate the purposes for which the estimated provision under the above Subhead is spent, their estimated expenditures and percentage shares of the provision.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 388)

Reply:

Estimated expenditure of major items is as follows –

Purpose	Estimated expenditure (\$ million)	Percentage shares of the provision under <i>Subhead 000 Operational expenses</i>
Personal emoluments and personnel related expenses for civil servants	149.1	50.9
Salaries for non-civil service contract staff	52.0	17.8
Repayment of bona vacantia receipts	25.0	8.5
Promotion of development of financial technologies	13.8	4.7

Purpose	Estimated expenditure (\$ million)	Percentage shares of the provision under <i>Subhead 000 Operational expenses</i>
Hearing of tribunal cases on market misconduct and securities and futures appeals	9.9	3.4
Operating cost for the Money Lender Registry	7.5	2.6
Organisation of the tenth Asian Financial Forum	5.0	1.7

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)107

(Question Serial No. 5693)

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 Bureau's reply to me last year, the increase in the estimated expenditure for "Hire of services and professional fees" in the previous year was mainly due to the Financial Services Development Council (FSDC). This year, the estimated expenditure for the same item has increased by nearly 1.9 times, from about \$14.61 million last year to \$42.20 million. Will the Bureau inform me of the reasons for such a hefty increase? The estimated expenditure of FSDC in the previous year was \$4.7 million. Will the Bureau tabulate this year's estimated provision for FSDC, its percentage to the estimated expenditure for "hire of services and professional fees", other purposes for which the remaining estimated expenditure is to be incurred and their percentage shares of such expenditure?

Asked by: Hon LEUNG Kwok-hung (Member Question No. 390)

Reply:

The expenditure for "Hire of services and professional fees" in the 2016-17 draft estimate is about \$27.6 million above that in the 2015-16 revised estimate. This is mainly due to the provisions for promoting development of financial technologies (about \$9.2 million), enhancing public education for and support to people in financial distress (about \$2.9 million), the consultancy study on the establishment of a risk-based capital framework for the prudential regulation of insurers (about \$3.2 million) and the consultancy study on the operating budget of the Financial Reporting Council under the new regulatory regime for listed entity auditors (about \$1.4 million), and the anticipated increase in expenses on the tenth Asian Financial Forum (about \$4.5 million) and the hearing of tribunal cases on market misconduct and securities and futures appeals (about \$5.1 million).

Apart from the expenditure on salaries for the civil servants (about \$3.4 million) of the Financial Services Development Council (FSDC) Secretariat, the budget of the FSDC in

2016-17 is \$6.5 million (see table below for the breakdown), of which \$3.1 million is for “Hire of services and professional fees” representing about 7% of the total estimated expenditure for the relevant item.

Expenditure Item	Estimated expenditure (\$ million)		
	Hire of services and professional fees	General departmental expenses	Total
Promotional events	1.3	0.2	1.5
Other initiatives (e.g. research, workshops and industry engagement)	1.4	1.8	3.2
Office accommodation for Secretariat staff, administrative support and miscellaneous	0.4	1.4	1.8
Total	3.1	3.4	6.5

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)108

(Question Serial No. 5056)

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 mentioned in paragraph 148 of the 2015-16 Budget Speech that he had “asked all policy bureaux... to achieve more efficient use of resources through re-engineering and re-prioritising” and “launched the ‘0-1-1’ envelope savings programme to reduce operating expenditure by a total of two per cent over the next three financial years. Resources saved will be re-allocated for new services.” Please inform this Committee of the implementation of the “0-1-1” envelope savings programme by the Financial Services and the Treasury Bureau in 2015-16 and 2016-17, the services affected by the programme and details of the expenditure involved.

Asked by: Hon SIN Chung-kai (Member Question No. 87)

Reply:

To implement the “0-1-1” envelope savings programme, the Financial Services Branch (FSB) will achieve more efficient use of existing resources through re-engineering and re-prioritisation, to ensure the provision of existing services and to meet new service needs. However, to cope with the new tasks, the estimated recurrent expenditure of FSB in 2016-17 will be about 19.1% (about \$46.9 million) over the 2015-16 revised estimate.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)109

(Question Serial No. 7178)

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 that the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance will set up Fintech dedicated platforms to liaise with the industry to ensure that the market will balance between market demand and investors' understanding and tolerance of risk when introducing innovative financial products and services. What are the details of such platforms? When will they be launched? What is the expenditure involved?

Asked by: Hon WONG Ting-kwong (Member Question No. 37)

Reply:

The respective dedicated liaison platforms under the Hong Kong Monetary Authority, the Securities and Futures Commission and the Office of the Commissioner of Insurance have already been launched. The regulators will absorb the operating cost and manpower required with their own resources.

In terms of operations, the liaison platforms are tasked to communicate with the Fintech sector, handle enquiries from the industry and provide information on related regulatory requirements to companies engaging in financial innovation to enhance the industry's understanding of the regulatory environment in Hong Kong. The platforms will also keep track of the latest development in the market through their interaction with the industry.

- End -

CONTROLLING OFFICER'S REPLY**(Question Serial No. 5469)**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:

According to Programme (2), Census and Statistics Department organises the Thematic Household Survey ("THS") series to meet the statistical data requirements of bureaux and departments under a contracting-out mode. Please provide the following:

1. Tabulate the details relating to the THS conducted in the past 5 years, including the themes and costs involved.
2. The details of the 2016 Population By-census to be conducted by the Department in mid-2016 including the staff to be recruited and estimated expenditure involved. List out the timetable of the survey arrangements.
3. Does the Department have any plans to include persons with different sexual orientation, gender identity and mental disorders 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. 228)Reply:

1. The THS conducted by the Census and Statistics Department (C&SD) in the past 5 years (i.e. 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16) are as follows –

Survey Title/Theme	Contract Costs* (HK\$ million)
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 the Financial Situation in Old Age, Utilisation of Child Health and Family Planning Services Provided by	2.33

Survey Title/Theme	Contract Costs* (HK\$ million)
Maternal and Child Health Centres, Use of Language in Hong Kong and Personal Computer and Internet Penetration	
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
2015-16	
THS on Smoking Pattern, Use of Language and Personal Computer and Internet Penetration	3.00
THS on Housing Conditions	1.35
THS on Use of New Media and Enforcement of Maintenance Orders	2.25

* Contract costs are rounded to the nearest HK\$0.01 million.

- For undertaking the various tasks of the 2016 Population By-census (16BC), 54 time-limited civil service posts have been created in C&SD. C&SD also employs a varying number of Non-Civil Service Contract (NCSC) staff at different stages of the 16BC. During the peak period from June to August 2016, a total of 106 NCSC staff members will be employed. In addition, about 6 400 temporary field workers will be employed to undertake the data collection work of the 16BC from late June to early August 2016. The estimated expenditure for the 16BC is \$256.6 million.

The preparatory work for the 16BC commenced in April 2014 and the data collection work will be conducted from 30 June 2016 to 2 August 2016. The results of the 16BC will be released by phases starting from early 2017.

- C&SD has no plan to conduct statistical surveys on sexual orientation and gender identity, because a considerable number of respondents may not be willing to provide accurate information pertaining to these subjects, rendering it difficult to ensure the reliability of the data collected. As regards information on persons with mental disorders, C&SD has in late 2014 published the “Social data Collected via the General Household Survey: Special Topics Report – Report No. 62”, reporting the results of a statistical survey on persons with disabilities and chronic diseases (including mental illness/mood disorder).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)111

(Question Serial No. 4360)

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 list out the number of households with monthly household income less than the average Comprehensive Social Security Assistance payment for households of the corresponding size each year for the past 5 years.

Asked by: Hon CHEUNG Kwok-che (Member Question No. 164)

Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the number of households with monthly household income* less than the average Comprehensive Social Security Assistance payment of the corresponding household size* for 2011 to 2014 is as follows –

Year	Number of households
2011	378 000
2012	387 100
2013	378 700
2014	408 800

The corresponding figure for 2015 will be available in end-2016.

* Excluding foreign domestic helpers

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)112****(Question Serial No. 3656)**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:

1. Annually and monthly nominal wage index from 1997 to 2015.
2. Annually and monthly real wage index from 1997 to 2015.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 210)Reply:

The nominal wage index and real wage index from 2011 to 2015 are as follows –

Year	Month/Annual	Nominal wage index	Real wage index
2011	3	166.9	113.4
	6	173.4	116.2
	9	177.2	127.1
	12	178.3	117.9
	Annual	174.1	118.7
2012	3	180.3	117.5
	6	182.1	118.2
	9	185.6	127.7
	12	187.5	118.9
	Annual	183.9	120.6

Year	Month/Annual	Nominal wage index	Real wage index
2013	3	188.8	118.3
	6	191.6	118.9
	9	194.6	127.4
	12	195.2	118.7
	Annual	192.6	120.7
2014	3	196.7	118.2
	6	200.3	119.7
	9	202.3	117.9
	12	203.3	115.7
	Annual	200.7	117.8
2015	3	204.8	115.5
	6	209.4	119.9
	9	211.3	120.6
	12	211.9	117.3
	Annual	209.4	118.3

Notes : The nominal wage index and real wage index are compiled based on wage data obtained from the Labour Earnings Survey. The Census and Statistics Department only compiles monthly wage indices for March, June, September and December, as well as annual wage indices.

Wage includes basic wage and other regular and guaranteed allowances and bonuses.

The real wage indices are obtained by deflating the nominal wage indices by the Consumer Price Index (A).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)113

(Question Serial No. 3660)

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 provide the respective numbers of households and residential units concerning village houses each year for the past 5 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 220)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)114

(Question Serial No. 3661)

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 provide the respective numbers of households and residential units concerning village houses by 18 Districts each year for the past 5 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 221)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)115

(Question Serial No. 3669)

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:

Has the Department conducted any territory-wide survey on the per capita area of domestic units for the past 10 years? If yes, what are the results? What is the per capita living area of Hong Kong?

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 247)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)116

(Question Serial No. 3670)

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 provide the respective numbers of units with mortgage payment by mortgage level (primary mortgage, second mortgage, tertiary mortgage...) in the territory for the past 5 years (and the latest information).

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 249)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)117

(Question Serial No. 3671)

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 provide the respective numbers of domestic units with mortgage payment by mortgage level (primary mortgage, second mortgage, tertiary mortgage...) in the territory for the past 5 years (and the latest information).

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 250)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)118

(Question Serial No. 3697)

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:

Has the government departments received any complaints from ethnic minorities on the non-provision of timely service due to language barrier for the past 3 years? If yes, what are the numbers of complaints received by each department? If no, what are the reasons?

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 335)

Reply:

The Census and Statistics Department (C&SD) has not received any complaints from ethnic minorities on non-provision of timely service due to language barrier for the past three years. C&SD does not have the relevant information concerning other bureaux/departments.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)119

(Question Serial No. 3698)

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:

Has the government departments received any complaints from ethnic minorities on the non-provision of timely service due to language barrier for the past 3 years? If yes, what are the numbers of complaints received by each department? If no, what are the reasons?

In respect of the above, how do the government departments follow up on and handle these complaints?

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 337)

Reply:

The Census and Statistics Department (C&SD) has not received any complaints from ethnic minorities on non-provision of timely service due to language barrier for the past three years. C&SD does not have the relevant information concerning other bureaux/departments.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)120

(Question Serial No. 3726)

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:

Has the government or Central Policy Unit conducted any survey on the value of the capital assets of Hong Kong people for the past 10 years? If yes, what are the results? Please list out the numbers of families and persons by the value of capital assets (\$0 – \$50,000 ; \$50,000 – \$100,000 ; \$100,000 – \$200,000 ; \$200,000 – \$500,000 ; \$500,000 – \$1,000,000 ; \$1,000,000 – \$2,000,000 ; \$2,000,000 – \$5,000,000).

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 465)

Reply:

Neither the Census and Statistics Department nor the Central Policy Unit has the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)121****(Question Serial No. 5974)**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 provide the residential area, percentage of area to the residential land, and numbers of households, household members as well as the respective units by residential unit type (private domestic units, public rental housing, Home Ownership Scheme flat, village house, etc.) for the past 4 years.

Residential unit type	Residential area	Percentage of area to the residential land	Number of households	Number of household members	Number of residential units
Private domestic units					
Public rental housing					
Home Ownership Scheme flat					
Village houses					
Total					

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 248)Reply:

The Census and Statistics Department (C&SD) does not have statistics on domestic households, population in domestic households and occupied quarters by type of quarters for the past four years. C&SD will collect these statistics during the 2016 Population

By-census, the results of which will be released by phases from early 2017. The relevant statistics gathered from the 2011 Population Census are as follows –

Type of quarters	Number of occupied quarters	Number of domestic households ⁽¹⁾	Population in domestic households ⁽¹⁾
Permanent housing			
Public rental housing units	722 161	720 892	2 074 578
Subsidised sale flats	379 002	377 615	1 194 296
Private residential flats	1 077 123	1 073 788	3 033 917
Villas / bungalows / modern village houses	125 669	124 975	392 115
Simple stone structures / traditional village houses	22 472	22 681	61 237
Staff quarters	21 693	21 538	72 778
Non-domestic quarters ⁽²⁾	14 425	8 396	15 350
Temporary quarters ⁽³⁾	18 580	18 911	47 388
Total	2 381 125	2 368 796	6 891 659

- Notes :
- (1) Excluding households living in collective living quarters.
 - (2) Including quarters in non-residential buildings and collective living quarters (such as elderly homes, hotels and student dormitories).
 - (3) Including occupied board vessels.

C&SD does not have statistics on residential area and percentage of area to residential land.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)122

(Question Serial No. 6443)

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. Median rent to income ratio of households living in sub-divided units by decile group of monthly household income in 2013 and 2014

2. Median rent to income ratio of households living in sub-divided units by decile group of per capita monthly household income in 2013 and 2014

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 205)

Reply:

Based on data obtained from the Thematic Household Survey on Housing Conditions (Survey) conducted by the Census and Statistics Department (C&SD) in 2014, figures on median rent-to-income ratio of households living in sub-divided units (SDUs) by (1) decile group of monthly household income for 2014 and (2) decile group of per capita monthly household income for 2014 are at Annex 1 and Annex 2 respectively.

C&SD does not have the relevant figures for 2013 since C&SD did not conduct the Survey that year.

Median rent-to-income ratio of households* living in SDUs^ by decile group of monthly household income in 2014

Decile group of monthly household income	Median rent-to-income ratio (%)
1 st (lowest)	90.0
2 nd	52.2
3 rd	44.4
4 th	35.6
5 th	33.8
6 th	26.7
7 th	26.2
8 th	24.6
9 th	20.3
10 th (highest)	14.9
Overall	30.8

Notes : * Excluding households whose units were provided by employers, households in rent-free units, households without income, and households which refused to provide information on monthly household income.

^ Referring to SDUs in private domestic / composite buildings (excluding village houses) aged 25 and above in Hong Kong.

Median rent-to-income ratio of households* living in SDUs^ by decile group of per capita monthly household income in 2014

Decile group of per capita monthly household income	Median rent-to-income ratio (%)
1 st (lowest)	64.3
2 nd	48.9
3 rd	34.9
4 th	33.3
5 th	29.5
6 th	29.1
7 th	25.5
8 th	28.9
9 th	24.4
10 th (highest)	18.2
Overall	30.8

Notes : * Excluding households whose units were provided by employers, households in rent-free units, households without income, and households which refused to provide information on monthly household income.

^ Referring to SDUs in private domestic / composite buildings (excluding village houses) aged 25 and above in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)123****(Question Serial No. 6444)**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:

The number of households living in subdivided units by the number of facilities (fresh water supply, independent toilet, windows, independent electricity meter or kitchen cooking area) households lacking in the units in 2013 and 2014

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 206)Reply:

Based on data obtained from the Thematic Household Survey on Housing Conditions (Survey) conducted by the Census and Statistics Department (C&SD) in 2014, the number of households living in sub-divided units (SDUs) and lacking facilities, viz. fresh water supply, independent toilet, windows, independent electricity meter or kitchen / cooking area are as follows –

Facility [#] lacking in the SDUs [^]	No. of households [*]
Fresh water supply	4 700
Independent toilet	5 500
Windows	5 900
Independent electricity meter	8 000
Kitchen / cooking area	25 300

Notes: [^] Referring to SDUs in private domestic / composite buildings (excluding village houses) aged 25 and above in Hong Kong.

[#] Referring to facilities in the SDUs at the time of enumeration. Households might lack more than one of the facilities concerned.

^{*} The total number of households living in SDUs was 85 500.

C&SD does not have the relevant figures for 2013 since C&SD did not conduct the Survey that year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)124

(Question Serial No. 6445)

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 number of households with household income less than half of median household income of corresponding household size living in subdivided units by the number of facilities (fresh water supply, independent toilet, windows, independent electricity meter or kitchen cooking area) households lacking in the units in 2013 and 2014

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 207)

Reply:

Owing to sample size constraint, the Thematic Household Survey on Housing Conditions (Survey) conducted by the Census and Statistics Department (C&SD) in 2014 cannot provide reliable data for compiling the requested statistics.

C&SD does not have the relevant figures for 2013 since C&SD did not conduct the Survey that year.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)125****(Question Serial No. 6446)**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:

1. Median rent to income ratio of households living in sub-divided units with household income less than median household income by household size
2. The number of households living in sub-divided units with household income less than half of median household income of corresponding household size by reason for living in the unit

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 208)Reply:

1. Based on data obtained from the Thematic Household Survey on Housing Conditions (Survey) conducted by the Census and Statistics Department in 2014, figures on median rent-to-income ratio of households living in sub-divided units (SDUs) with household income less than the median household income by household size are as follows –

Household size	Median rent-to-income ratio of households [*] living in SDUs [^] with household income less than the median household income (%)
1	48.3
2	41.1
3	40.0
4	40.0
≥ 5	40.0
Overall	40.9

Note : ^{*} Excluding households whose units were provided by employers, households in rent-free units, households without income, and households which refused to provide information on monthly household income.

[^] Referring to SDUs in private domestic / composite buildings (excluding village houses) aged 25 and above in Hong Kong.

2. Owing to sample size constraint, the Survey cannot provide reliable data for compiling the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)126****(Question Serial No. 6447)**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:

1. Median household income of households (excluding foreign domestic helpers) from 2009 to 2015.
2. Median household income of households of corresponding household size (excluding foreign domestic helpers) by the size of households from 2009 to 2015.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 211)Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the median monthly household income* by household size* for 2010 to 2014 is as follows –

Household size (excluding foreign domestic helpers)	Median monthly household income (HK\$) (excluding foreign domestic helpers)				
	2010	2011	2012	2013	2014
1	6,600	7,000	7,500	7,600	8,000
2	14,000	15,000	16,000	17,000	17,900
3	20,000	21,500	23,500	25,400	26,800
4	24,000	26,000	28,900	31,000	33,000
5	25,000	27,500	30,000	33,000	34,900
6+	27,500	30,000	32,200	35,300	38,500
Overall	18,000	19,600	20,500	22,200	23,100

The corresponding figures for 2015 will be available in the second quarter of 2016.

* Excluding foreign domestic helpers

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)127****(Question Serial No. 6448)**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 provide the respective numbers of households and domestic units each year for the past 5 years by 18 Districts.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 217)Reply:

According to the results of the 2011 Population Census, statistics on domestic households and occupied quarters by District Council districts are as follows –

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
Tai Po	94 481	94 904
Sha Tin	207 094	208 813

District Council District	Domestic Households	Occupied Quarters
Sai Kung	138 209	139 506
Islands	47 611	48 123
Total	2 368 362	2 380 686

The Census and Statistics Department (C&SD) does not have the relevant statistics for 2012 to 2015. C&SD will collect the above statistics during the 2016 Population By-census, the results of which will be released by phases from early 2017.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)128

(Question Serial No. 6449)

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 provide the respective numbers of households and residential units in rooftop houses for the past 5 years by 18 Districts.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 222)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)129

(Question Serial No. 6451)

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 provide the average ratios of monthly repayment to monthly income of the applicants among the newly approved applications for residential mortgage for the past 5 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 252)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)130

(Question Serial No. 6452)

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 provide the ratios of annual repayment to income among the newly approved applications for residential mortgage for the past 5 years.

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 253)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)131****(Question Serial No. 6780)**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 family size the rental-to-income ratios for tenants of private housing units 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: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 392)Reply:

According to the results of the 2011 Population Census, statistics on the monthly domestic household rent to income ratio for households living in rental accommodation in private permanent housing by household size are as follows –

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.

The Census and Statistics Department (C&SD) does not have the relevant statistics for 2012 to 2015. C&SD will collect the above statistics during the 2016 Population By-census, the results of which will be released by phases from early 2017.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)132****(Question Serial No. 6781)**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 rent-to-income ratios for tenants of private housing units 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: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 393)Reply:

According to the results of the 2011 Population Census, statistics on the monthly domestic household rent to income ratio for households living in rental accommodation in private permanent housing by geographical region are as follows –

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.

The Census and Statistics Department (C&SD) does not have the relevant statistics for 2012 to 2015. C&SD will collect the above statistics during the 2016 Population By-census, the results of which will be released by phases from early 2017.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)133

(Question Serial No. 6786)

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 family size the rental-to-income ratios for tenants of private housing units with an area less than 40 square metres 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: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 398)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)134

(Question Serial No. 6787)

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 rental-to-income ratios for tenants of private housing units with an area less than 40 square metres 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: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 399)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)135****(Question Serial No. 6894)**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 (CSSA) households with monthly household income less than the CSSA level in Hong Kong and the total number of persons therein.

Asked by: Hon Fernando CHEUNG Chiu-hung (Member Question No. 456)Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the number of non-CSSA households and persons therein with monthly household income* less than the average CSSA payment of the corresponding household size* for 2011 to 2014 are as follows –

Year	Non-CSSA households	
	No. of households	No. of persons
2011	237 900	554 900
2012	246 400	564 600
2013	241 000	515 800
2014	267 500	563 200

The corresponding figures for 2015 will be available in end-2016.

* Excluding foreign domestic helpers

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 4899)

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:

Will the Department increase the manpower and financial provision in 2016-17 to enhance the accuracy of data verification of the General Household Survey? What are the details, estimated expenditure and manpower involved?

Asked by: Dr Hon KWOK Ka-ki (Member Question No. 71)

Reply:

Since 2013-14, the Census and Statistics Department (C&SD) has deployed additional manpower from existing resources to strengthen data verification of the General Household Survey. C&SD will continue to implement the same verification system in 2016-17 to ensure accuracy of the data.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 5052)

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:

The Financial Secretary mentioned in paragraph 148 of the 2015-16 Budget Speech “... *asked all policy bureaux in the middle of last year to achieve more efficient use of resources through re-engineering and re-prioritising. I have also launched the "0-1-1" envelope savings programme to reduce operating expenditure by a total of two per cent over the next three financial years. Resources saved will be re-allocated for new services.*” Please advise how the Department would implement the "0-1-1" envelope savings programme in the financial years 2015-16 and 2016-17? What are the details of the affected services and costs involved?

Asked by: Hon SIN Chung-kai (Member Question No. 27)

Reply:

To implement the “0-1-1” envelope savings programme, the Census and Statistics Department (C&SD) will achieve more efficient use of existing resources through re-engineering and re-prioritisation, to ensure the provision of high quality statistical services and to meet new service needs. However, to cope with the new tasks, the estimated recurrent expenditure of C&SD in 2016-17 will be about 16.6% (about \$109.28 million) over the 2015-16 revised estimate.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)138****(Question Serial No.: 5425)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Control and EnforcementControlling Officer: Commissioner of Customs and Excise (Roy TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

As a frontline enforcement agency, the Customs and Excise Department performs the regulatory functions of Money Service Operators (MSOs) under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance by licensing and supervising MSOs as well as taking enforcement action against Unlicensed Money Service Operators. Will the Government inform this Committee of the numbers of cases of suspected money laundering/terrorist financing and persons prosecuted for these offences in the past 3 years?

Asked by: Hon CHAN Chi-chuen (Member Question No.: 184)Reply:

The numbers of cases involving money laundering/terrorist financing (*Note 1*) detected by the Customs and Excise Department (C&ED) and persons prosecuted for these offences in the past three years were as follows:

	2013	2014	2015
Number of cases	1	2	3
Number of persons prosecuted (<i>Note 2</i>)	0	0	13

(*Note 1*) – They were all money laundering cases

(*Note 2*) – The figure denotes the number of persons successfully prosecuted by C&ED in that year. The persons prosecuted were not necessarily involved in cases detected in the same year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)139

(Question Serial No. 5925)

Head: (31) Customs and Excise Department

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

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise (Roy TANG)

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: Dr Hon KWOK Ka-ki (Member Question No. 136)

Reply:

The number of money laundering cases detected by the Customs and Excise Department and the number of persons involved in the past five years were as follows:

	2011	2012	2013	2014	2015
No. of cases	2	2	1	2	3
No. of persons involved	1	25	6	5	7

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 5063)

Head: (116) Official Receiver's Office

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Official Receiver (Ms Teresa S W Wong)

Director of Bureau: Not Specified

Question:

As mentioned by the Financial Secretary in paragraph 148 of the 2015-16 Budget Speech, “(I) asked all policy bureaux to achieve more efficient use of resources through re-engineering and re-prioritising. I have also launched the “0-1-1” envelope savings programme to reduce operating expenditure by a total of two per cent over the next three financial years. Resources saved will be re-allocated for new services.” Please advise this Committee on the implementation of the “0-1-1” envelope savings programme by the Official Receiver’s Office in 2015-16 and 2016-17, as well as details of the affected services and the expenditures involved.

Asked by: Hon SIN Chung-kai (Member Question No. 94)

Reply:

To implement the “0-1-1” envelope savings programme, the Official Receiver’s Office (ORO) will achieve more efficient use of existing resources through re-engineering and re-prioritisation, to ensure effective administration of matters relating to compulsory liquidation of companies and individual bankruptcies, and to meet new service needs. However, to cope with the new tasks, the estimated recurrent expenditure of ORO in 2016-17 will be 19.9% (about \$31.664 million) over the 2015-16 revised estimate.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)141

(Question Serial No. 6453)

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:

1. Paragraph 137 of the Budget Speech mentioned that the Government will issue iBond (Silver Bond) in the coming two years, targeting at senior citizens with substantial assets. Are there any supporting data and information for this initiative? How can grass-root elderly people benefit from this initiative?

Asked by: Dr Hon Fernando CHEUNG Chiu-hung (Member Question No. 256)

Reply:

The purpose of establishing the Bond Fund and implementing the Government Bond Programme (GBP) is to promote the further and sustainable development of the bond market in Hong Kong in order to provide more diversified investment products and financing channels and consolidate Hong Kong's status as an international financial centre. When considering the type of bonds to be issued under the GBP, we will 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, we understand that many of our senior citizens are looking for investment products with steady returns. To encourage the market to develop more financial products appropriate for investment after retirement and further promote savings by citizens for retirement, the budget proposes launching a pilot scheme to issue Silver Bond this year and next year, targeting at Hong Kong residents aged 65 or above. The initiative could have a demonstrative effect to the market. The Hong Kong Monetary Authority will announce the details in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)142

(Question Serial No. 5687)

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:

(1) How does the launch of the Silver Bond improve the livelihood of the elderly?

Asked by: Hon LEUNG Kwok-hung (Member Question No. 374)

Reply:

The purpose of establishing the Bond Fund and implementing the Government Bond Programme (GBP) is to promote the further and sustainable development of the bond market in Hong Kong in order to provide more diversified investment products and financing channels and consolidate Hong Kong's status as an international financial centre. When considering the type of bonds to be issued under the GBP, we will 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, we understand that many of our senior citizens are looking for investment products with steady returns. To encourage the market to develop more financial products appropriate for investment after retirement and further promote savings by citizens for retirement, the budget proposes launching a pilot scheme to issue Silver Bond this year and next year, targeting at Hong Kong residents aged 65 or above. The initiative could have a demonstrative effect to the market. The Hong Kong Monetary Authority will announce the details in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)143

(Question Serial No. 7234)

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:

It is mentioned in paragraph 137 of the Budget Speech that the sector is encouraged “to tap into the immense potential of this silver market”. However, this is only limited to the investment products in the silver market. In face of the ageing trend in population, how would the Government promote the local silver market and economy? What are the measures and estimates for this in the coming year?

Asked by: Hon WONG Kwok-kin (Member Question No. 51)

Reply:

We understand that many of our senior citizens are looking for investment products with steady returns. To encourage the market to develop more financial products appropriate for investment after retirement and further promote savings by citizens for retirement, the budget proposes launching a pilot scheme to issue Silver Bond this year and next year, targeting at Hong Kong residents aged 65 or above. The initiative could have a demonstrative effect to the market. The Hong Kong Monetary Authority will announce the details in due course.

- End -