

## **Legislative Council Panel on Financial Affairs**

### **Update on the operation of the Future Fund**

#### **Purpose**

This paper provides an update on the latest development of the Future Fund (FF).

#### **Establishment of FF**

2. In his Budget Speech for 2015-16, the Financial Secretary (FS) announced the decision to establish an FF for placement in longer-term investments with a view to securing higher returns for the fiscal reserves. This is part of the fiscal measures to cope with the foreseeable long-term fiscal challenges arising from an ageing population and slower economic growth.

3. The FF was eventually set up on 1 January 2016 with an initial endowment of \$219.7 billion. As from 1 July 2016, the FF also includes \$4.8 billion, being one-third of the surplus in 2015-16 as top up.

#### **Operation of FF**

4. The FF is being placed with the Exchange Fund for an initial period of ten years from 1 January 2016 to 31 December 2025. The Fund would be subject to the same investment management regime and oversight by the Exchange Fund Advisory Committee. Separately, the Hong Kong Monetary Authority (HKMA) should consult FS and the Secretary for Financial Services and the Treasury once a year on the asset allocation for FF.

5. In line with the long-term savings and investment objectives, the investment returns arising from FF during the course of the placement shall be retained by the Exchange Fund for reinvestment. Interests on the FF placement with the Exchange Fund shall be due for payment to

Government upon completion of the placement period, or on a date as directed by FS. For disclosure purposes, the balance of FF and its composite rate of return will be reported in the annual financial statements of the Exchange Fund published in April / May each year and in Government's annual accounts tabled at the Legislative Council in November each year.

6. Where Government sees a need to withdraw funding from FF to cope with the financial commitments of government services in future or in emergencies, we will seek the approval of the Legislative Council as required under the resolution on the establishment of the Land Fund or relevant legislation.

### **Way Forward**

7. The FF has only been set up for about a year. The Government will continue to monitor the operation of the FF and publish the investment performance according to the established arrangements.

**Financial Services and the Treasury Bureau  
December 2016**