

**Information Note
for the LegCo Panel on Public Service**

**Review of the system
for declaration of investments by civil servants**

Purpose

The purpose of this note is to brief Members on the outcome of the Administration's current review of the system for declaration of investments by civil servants.

The Review

2. At the meeting of the Panel on Public Service of the Provisional Legislative Council held on 22 September 1997, we reported that the Civil Service Bureau had initiated a review on the effectiveness of existing civil service regulations and guidelines which impose reporting requirements on civil servants regarding their investments in and outside Hong Kong. Department of Justice, Independent Commission Against Corruption and the Financial Services Bureau were consulted in the review.

3. We have completed the review. The findings and conclusions are that -

- (a) the existing two systems for declaration of investments in and outside Hong Kong respectively should be amalgamated into one uniform system which should be simple and easy to understand and administer;
- (b) because of the increasing globalisation of business activities, and the ease with which local investments may be made through an investment medium registered outside Hong Kong, all investments, in and outside Hong Kong, should be made declarable interests; and
- (c) clarification is required to a number of Civil Service Regulations and guidelines on declarable interests.

Revised Declaration System

4. We propose to adopt a revised declaration system with the following key features -

- (a) posts requiring declaration are classified into two tiers. Tier I consists of 23 posts of Principal Officials and the posts of Head, Central Policy Unit and Director, Hong Kong Special Administrative Region Beijing Office. Tier II consists of those posts of administrative assistant and personal secretary in support of the Tier I posts, all other directorate posts, and non-directorate posts designated by Bureau Secretaries/Heads of Department on the basis of high risk of exposure to conflict of interest situations;
- (b) officers in Tiers I or II posts are required to report all their investments in and outside Hong Kong annually or biennially respectively. They also have to report any investment transaction equivalent to or exceeding HK\$200,000 for Tier I posts and that equivalent to or exceeding HK\$200,000 or 3 months' salary, whichever is the less, for Tier II posts. They will be required to declare occupation of their spouses;
- (c) all Tier I officers should register annually their financial interests for public inspection on request; and
- (d) officers in posts not designated are not required to make declaration arrangements. Nonetheless, all civil servants shall continue to be responsible for avoidance of conflict of interest situations and to report on individual cases as and when necessary.

A schematic outline of the proposed system is at Annex.

Guidelines for Designation of Posts

5. To assist Bureau Secretaries/Heads of Department in the designation of posts under Tier II, we have drawn up detailed guidelines on potential conflict of interest situations. We will incorporate these guidelines into our circular promulgating the implementation of the revised system for reference by the Bureau Secretaries/Heads of Department. We shall also encourage Bureau Secretaries/Heads of Department to develop supplementary guidelines in the light of their operational circumstances.

Education

6. In our review, we see the need to enhance the knowledge of existing rules on investments and conflict of interest and to sustain a high degree of vigilance among civil servants. This should be an on-going effort. In this

connection, we will continue to work closely with Bureau Secretaries and Heads of Department on the educational work through training programmes. We would join efforts with the Independent Commission Against Corruption to promote the message of Clean Government and upholding integrity of the civil service. We will also produce a guidebook on good conduct with sections dedicated to reminding officers to avoid conflict of interest, and encourage similar efforts to be made at departmental level.

Way Forward

7. The draft rules of the revised declaration system are now being circulated for consultation with the Administration and the staff side in accordance with the usual practice before implementation. It is our intention to promulgate the revised rules and regulations for implementation in October this year.

Division 4
Civil Service Bureau
August 1998

Schematic Outline of a Revised System of Declaration of Investments by Civil Servants

<u>Categories</u>	<u>Designation Authorities</u>	<u>Designation Criteria</u>	<u>Investments for Declaration (See Note)/ (Timing for Declaration)</u>	<u>Examination & Maintenance of Declaration Records</u>	<u>Other Requirements</u>
<p><u>TIER I</u></p> <p><u>Posts for Principal Officials</u></p> <p>Chief Secretary for Administration Financial Secretary Secretary for Justice Bureau Secretaries Commissioner of Police Commissioner/Independent Commission Against Corruption <i>Director of Immigration</i> <i>Commissioner of Customs and Excise</i> <i>Director of Audit</i></p> <p><u>Other posts</u></p> <p><i>Head, Central Policy Unit</i> <i>Director, Hong Kong Special Administrative Region Beijing Office</i></p>	<p>Centrally-designated</p>	<p>Key posts of the SAR Government</p>	<p>(i) All investments in and/or outside Hong Kong (annually)</p> <p>(ii) Any investment transaction in and/or outside Hong Kong equivalent to or exceeding HK\$200,000 (within 7 days of transaction).</p>	<p>Civil Service Bureau</p>	<ul style="list-style-type: none"> ● Tier I posts to register financial interests annually for public inspection. ● Declare occupation of spouses

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<p><u>TIER II</u></p> <p>Posts of administrative assistant and personal secretary in support of the Tier I posts above; all other directorate posts; and non-directorate posts in bureaux and departments to be identified and designated by their Bureau Secretaries/Heads of Department</p>	<p>Bureau Secretaries/ Heads of Department</p>	<p>Designated posts with high risk of exposure to conflict of interest situations</p>	<p>(i) All investments in and/or outside Hong Kong (biennially)</p> <p>(ii) Any investment transaction in and/or outside Hong Kong equivalent to or exceeding HK\$200,000 or 3 months' salary, whichever is the less. (within 7 days of transaction)</p>	<p>Bureau Secretaries/ Heads of Department</p>	<p>Declare occupation of spouses</p>

Note: Investments for declaration and reporting **include** any investment, shareholding or direct or indirect interest in any company or undertaking; any interest in land or buildings in Hong Kong and/or in places outside Hong Kong; securities listed on the Stock Exchange of Hong Kong; and futures and options contracts and other products traded on the Hong Kong Futures Exchange. It covers an investment which belongs to an officer and which is held in the name of his/her spouse or of any other person or agent or company acting on his/her behalf. **It excludes** unit trusts, mutual funds, life insurance policies, bank deposits (irrespective of currencies), government bills and notes and multilateral agency debt instruments, and any investment held by an officer as a trustee or for charitable purposes.