

Bureau Serial No.

FSB001

Question Serial No.

0233

Examination of draft Estimates of Expenditure 2000-01
**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 26 Census & Statistics Department Subhead (No. & title) :

Programme : Programme (2) Social Statistics

Controlling Officer : Commissioner for Census & Statistics

Bureau Secretary : Secretary for Financial Services

Question :

The revised estimates for 1999-2000 are 18.5% less than the approved estimates for 1999-2000. What are the factors leading to the revision of the expenditure estimates? Is the preparatory work for the 2001 Population Census conducted according to schedule?

Asked by : The Hon NG Leung-sing

Reply :

The downward revision of 18.5%, i.e. \$21,100,000, in the cost of the Social Statistics programme is mainly due to the adoption of the following measures in respect of the work of the General Household Survey and the 2001 Population Census:

- a. Through re-organisation of work, administrative costs were reduced. Besides, some additional posts were filled later than previously planned, some were not filled and others were filled by non-civil service contract staff which cost less. These measures account for a saving of \$14,200,000;
- b. The scale of the Pre-test Survey for the 2001 Population Census was reduced whilst the test objectives were maintained. This accounts for a saving of \$4,000,000; and
- c. Overtime work was compensated as far as practicable by time-off-in-lieu instead of overtime allowance and honorarium. This measure accounts for a saving of \$2,900,000.

There is no adverse impact arising from the above measures adopted. The preparatory work for the 2001 Population Census has progressed according to schedule.

Signature

Name in block letters

FREDERICK W H HO

Post Title

Commissioner for Census & Statistics

Date

16 March 2000

Bureau Serial No.

FSB002

Question Serial No.

0241

Examination of draft Estimates of Expenditure 2000-01
CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION

Head : 26 Census and Statistics Department Subhead (No. & title) : 149 General departmental expenses

Programme :

Controlling Officer : Commissioner for Census and Statistics

Bureau Secretary : Secretary for Financial Services

Question :

Provision of \$133,671,000 under Subhead 149 General departmental expenses represents an increase of \$72,819,000 (119.7%) over the revised estimate for 1999-2000, due to additional requirements arising from the 1999-2000 Household Expenditure Survey and the 2001 Population Census. What is the breakdown of expenses in each of the respective two categories?

Asked by : Dr the Hon David K P LI, JP

Reply :

There are three main components for the Subhead 149 General departmental expenses: Departmental Proper, the 1999-2000 Household Expenditure Survey (HES) and the 2001 Population Census (01C). The increase in Subhead 149 is mainly due to additional requirements arising from the HES and the 01C. A breakdown of the departmental expenses for the two categories is as follows –

Item	HES (\$'000)	01C (\$'000)
Stores and Equipment	5	6,982
Light and Power	50	850
Temporary Staff	96	22,933
Training Expenses	0	5,274
Hire of Services & Professional Fees	8	1,160
Administration [mainly printing]	841	19,244
Transport and Travelling	35	441
Recruiting Expenses	0	50
Trading Fund Service [postage]	0	7,440
<i>Total</i>	<i>1,035</i>	<i>64,374</i>

Signature

Name in block letters FREDERICK W H HO

Post Title Commissioner for Census and
Statistics

Date 16 March 2000

Bureau Serial No.

FSB003

Question Serial No.

0258

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head: 116 Official Receiver's Office Subhead(No. & title) : 111 Hire of Services
and Professional

Fees

Programme: Official Receiver's Office

Controlling Officer : Official Receiver

Bureau Secretary : Secretary for Financial Services

Question : How much expenditure is involved in the "Administrative Panel Scheme" currently carried out by the Official Receiver's Office which contracts out some liquidation cases to the private sector and how much public fund would thus be saved?

Asked by : The Hon Tien Pei-chun

Reply : The 'Administrative Panel Scheme' referred to in the Estimates is in respect of summary liquidation cases i.e. cases with estimated realisable assets of less than \$200,000 per case. The financial provision for this scheme for the year 2000/01 is \$21.3 million. Under the scheme the private sector member firm will draw down their fees which are charged on a time cost basis in the first instance from any realised assets and any shortfall in their fees will be paid, subject to, at present, a maximum subsidy of \$60,000 per case from public funds. The Official Receiver intends to reduce the subsidy to a maximum of \$40,000 per case w.e.f. 1 April 2000.

The main benefit arising from the scheme is that the Official Receiver's Office does not have to increase its staffing levels to cope with the increasing number of bankruptcy and insolvency cases which can fluctuate from year to year. It can be said with certainty that without the scheme in place the Official Receiver's Office could not cope with increasing member of bankruptcy and liquidation cases without an increase in staffing levels. Without contracting out, it could lead to a delay of 3.5 months per case on average in processing insolvency cases or, an additional 34 staff of \$22.9 million would be required to handle the additional workload.

Signature: _____

Name in block letters: Eamonn O'Connell

Post Title: Ag Official Receiver

Date: March 2000

- (b) The Standing Committee will base on the subject area to be reviewed, enlist the assistance of the relevant professional bodies/ trade organisations in its study. Detailed arrangements have yet to be worked out, but it is anticipated that these bodies/organisations will include the Securities and Futures Commission, the Stock Exchange of Hong Kong, the Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries, the Hong Kong Institute of Directors and the relevant faculties of the tertiary education institutes.
- (c) The Standing Committee will commence its study in 2000-01 and it is expected that the study will take one to two years to complete. It is premature at this stage to say if the review will result in proposals for legislative amendments.
- (d) A sum of \$2 million has been earmarked for the review in the 2000-01 estimate.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3. 2000

electronic financial technology infrastructure to facilitate –

- a single clearing arrangement for securities, stock options and futures transactions, for better risk management;
- straight-through processing across financial markets, for enhanced cost-effectiveness;
- introduction of scripless securities market, for better efficiency and legal certainty; and
- development of an open, secure, robust and scalable electronic network for the securities and derivatives markets, for integration with other markets, both locally and overseas.

In the light of the Steering Committee's recommendations, actions are now being taken to implement the following “quick-wins” –

- Hong Kong Exchange and Clearing Corporation (HKEx) is to provide a new consolidated account reporting service; and
- SFC is to receive the filing of documentation from intermediaries on its intranet.

The Steering Committee also recommends that core initiatives of the financial infrastructure be implemented in two years' time, including the following -

- upgrading of the securities clearing system;
- consolidation of the clearing systems for derivatives products onto one single platform; and
- real time share registration through electronic means, etc.

SFC is now working with HKEx to finalise a concrete plan and timetable for taking forward the above recommendations. We would co-ordinate any legislative amendments required for the implementation of the improvement initiatives.

The recommendations of the Steering Committee aim at enhancing the overall competitiveness of the securities and futures markets. These recommendations would need the endorsement of HKEx and other relevant organisations before they are implemented. Funding so required would be met by HKEx and the organisations concerned. We would work closely with SFC to provide an appropriate legal and regulatory framework to facilitate implementation of the new initiatives. The additional workload would be absorbed within existing manpower provision. No additional resources would be required in the coming financial year.

Signature : _____
Name in block letters : Rafael S Y HUI
Post Title : Secretary for Financial Services
Date : 17.3.2000

Bureau Serial No.
FSB007
Question Serial No.
0481

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) :
Financial Services Bureau

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

Will the Administration inform this Council of the progress of the study of the Deposit Insurance System conducted by the Hong Kong Monetary Authority, which is overseen by the Financial Secretary assisted by the Financial Services Bureau? When is the study expected to be completed?

Asked by : Hon. Albert HO Chun-yan

Reply :

The Hong Kong Monetary Authority will commission a full consultancy study on depositor protection in Hong Kong within March 2000. The study will cover the feasibility and desirability of a deposit insurance scheme and other means of depositor protection (for example, enhancing the current priority payment scheme for small depositors). The study is expected to be completed by June 2000. The findings together with any recommended options will be subject to a full public consultation before any decision is made on this important matter.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3.2000

Bureau Serial No.
FSB008
Question Serial No.
0482

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) :
Financial Services Bureau

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

Will the Administration inform this Council of the specifics and progress of the study of the Central Credit Register?

Asked by : Hon. Albert HO Chun-yan

Reply :

The Hong Kong Monetary Authority is undergoing a study to explore the feasibility of establishing some form of a commercial credit register for the banking system of Hong Kong. The main purpose of such a register is to compile timely information on the indebtedness of banks' corporate customers and feed back this information to the banking system for credit assessment purposes. There are a number of major legal and operational issues involved in the development of such a system. In addition, the suitability of various credit register models for the local environment has to be considered, e.g. whether it should be a public sector or private sector initiative or a hybrid model involving a public sector entity to run the register using the expertise and service of a private sector company. These issues must be addressed before any steps are taken to establish an appropriate system for Hong Kong.

The Hong Kong Monetary Authority will conduit an in-house study in the first half of 2000 with a view to determining the feasibility of a commercial credit register in Hong Kong. Any proposals developed will be subject to detailed consultation with the banking industry and other interested parties.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3.2000

Bureau Serial No.
FSB009
Question Serial No.
0483

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) :
Financial Services Bureau

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

It is stated in the "Matters Requiring Special Attention in 2000-01" that the Administration will encourage the financial industry and parties concerned to implement a series of enhancement measures to strengthen the financial infrastructure as quickly as possible. Will the administration inform this Council of the progress and specific plan at present?

Asked by : Hon. Albert HO Chun-yan

Reply :

The Steering Committee on the Enhancement of the Financial Infrastructure (Steering Committee) appointed by the Financial Secretary and chaired by the Chairman of the Securities and Futures Commission (SFC) completed a study last October on how to improve the financial infrastructure in Hong Kong. The report has been submitted to the Financial Secretary.

The objectives of the study were to consider and recommend measures to mitigate risks, enhance efficiency, reduce costs and strengthen Hong Kong's position as an international financial centre.

The Steering Committee recommends that Hong Kong should develop an electronic financial technology infrastructure to facilitate –

- a single clearing arrangement for securities, stock options and futures transactions, for better risk management;
- straight-through processing across financial markets, for enhanced cost-effectiveness;
- introduction of scripless securities market, for better efficiency and legal certainty; and
- development of an open, secure, robust and scalable electronic network for the securities and derivatives markets, for integration with other markets, both locally and overseas.

In the light of the Steering Committee's recommendations, actions are now being taken to implement the following "quick-wins" -

- Hong Kong Exchange and Clearing Corporation (HKEx) is to provide a new consolidated account reporting service; and
- SFC is to receive the filing of documentation from intermediaries on its intranet.

The Steering Committee also recommends that core initiatives of the financial infrastructure be implemented in two years' time, including the following -

- upgrading of the securities clearing system;
- consolidation of the clearing systems for derivatives products onto one single platform; and
- real time share registration through electronic means, etc.

SFC is now working with HKEx to finalise a concrete plan and timetable for taking forward the above recommendations. We would co-ordinate any legislative amendments required for the implementation of the improvement initiatives.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3.2000

Bureau Serial No.
FSB010
Question Serial No.
0509

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) :
Financial Services Bureau

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

During 2000-01, the Financial Services Bureau will oversee the implementation of the outstanding recommendations in the Report on Financial Market Review and the 30-point Programme in relation to the securities and futures markets. What are the outstanding recommendations? What is the time-table for implementing the above recommendations?

Asked by : Hon. Jasper TSANG Yok-sing, JP

Reply :

Report on Financial Market Review (“FMR Report”)

The Financial Services Bureau (“FSB”) published the FMR Report in April 1998, in which a total of 24 recommendations were made with a view to further improving the regulatory and operation systems of the securities and futures markets. With the contribution of the Securities and Futures Commission (“SFC”), the two Exchanges and Hong Kong Securities Clearing Limited, the progress of implementation of those recommendation has so far been satisfactory. As of mid-March, 16 of the 24 recommendations have been completed or under on-going implementation. The remaining 8 items are now under implementation. These items include the proposed revision of the Financial Resources Rules which is expected to be tabled into the Legislative Council for negative vetting in April 2000. In addition, the SFC has also completed its review on the Unified Exchange Compensation Fund and the strengthening of enforcement of the Listing Rules of the Stock Exchange and the relevant legislative proposals will be pursued under the composite Securities and Futures Bill. The SFC is also working on the implementation details of the electronic Investor Resources Centre and plans to bring it into operation in the second quarter of 2000. Concerning the futures market, the migration of trading of Hang Seng Index futures contracts to the Automated Trading System is also expected to take place in the second quarter of 2000. Meanwhile, the Futures Exchange has completed its review on the methodology for setting the margin rate and aims to implement the new methodology in the near future. Separately, the Steering Committee on the Enhancement of Financial Infrastructure (“the SCEFI”) chaired by the Chairman of the SFC has, among other things, studied the proposal to establish a cross margining system. The recommendations of the SCEFI were published in October 1999 and have been referred to relevant institutions for implementation.

In addition, the FMR Report also proposed to review and introduce amendments if necessary to the disclosure requirements under the Listing Rules with a view to further improving the market transparency and strengthening investor protection. The Stock Exchange has conducted a public consultation in this regard during May to

August 1999 and is now considering the comments received.

The 30-Point Programme

Regarding the 30-Point Programme which was introduced in September 1998 with a view to further strengthening the discipline and transparency of the securities and futures markets, 22 of the proposed measures have been completed or under on-going implementation. The remaining 8 measures are being implemented, including, as noted above, the migration of trading of Hang Seng Index futures contracts to the Automated Trading System which is expected to take place in the second quarter of 2000. The legislative proposals to criminalise unreported short selling and the providing of false information to the SFC and the front-line market operators have been introduced into the Legislative Council on 5 January and 15 March 2000 respectively. We have also proposed measures to strengthen the transparency of stock lending and borrowing activities in the context of the short selling Bill. In addition, in its Report published in October 1999, the SCEFI has also made recommendations on the development of a scripless securities market in Hong Kong, which are now under implementation. Meanwhile, Hong Kong Securities Clearing Limited has been making an effort to encourage investor participation in the Central Clearing and Settlement System ("the CCASS") and will continue efforts in this respect in order to achieve the objective of full investor participation in the longer run. The proposal to enable the Chief Executive to give directions to the market operators under emergency situations will be considered under the composite Securities and Futures Bill.

It has also been proposed in the 30-Point Programme to study the regulation of share registrars. The FSB, together with the SFC and the Stock Exchange, completed the study in 1999. In anticipation that the operation modality of share registration industry will be significantly altered after implementation of the SCEFI recommendations, we believe there is no compelling need to introduce a new regulatory regime for the time being. Separately, the proposal to lower the threshold for super margin rate for large open positions will be referred to the newly established Hong Kong Exchanges and Clearing Limited for further consideration in the context of its overall review and enhancement of its risk management system.

We will continue to work closely with the relevant organisations to complete the implementation of the remaining recommendations as soon as possible to further improve the regulatory and operation systems of the securities and futures markets in Hong Kong.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3.2000

Bureau Serial No.
FSB011
Question Serial No.
0510

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) :
Financial Services Bureau

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

What measures and resources are in place to ensure that the requirements of the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF) are met?

Asked by : Hon. Jasper TSANG Yok-sing, JP

Reply :

After Hong Kong's subscription to the IMF's SDDS in 1997, a series of actions were taken in accordance with a time table agreed with the IMF to fill the gaps in a few areas in which the official statistics of Hong Kong previously fell short of the SDDS requirement. Work undertaken in the past few years includes the setting up of a system to compile a Balance of Payments account and enhancements to the frequency and timeliness of some statistical series. By the end of 1999, all requirements were fully met on time. There is therefore no need to allocate any additional resources to this area in the 2000-01 financial year.

Details about the method of data compilation and dissemination arrangement are published on the electronic bulletin board of the IMF on the Internet. Designated persons in the government are responsible for ensuring that the actual dissemination standards adopted are absolutely consistent with those shown on the board. Monitoring procedures at various management levels are also in place.

Signature : _____

Name in block letters : _____ Rafael S Y HUI

Post Title : _____ Secretary for Financial Services

Date : _____ 17.3.2000

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) :
Financial Services Bureau

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

As regards 'the matters requiring special attention in 2000-01',

- (a) how much will it cost to reform the regulatory framework for the securities and futures markets?
- (b) what specific work arrangements will be carried out to oversee the implementation of the Mandatory Provident Fund system? How much will they cost?

Asked by : The Hon. Fung Chi-kin

Reply :

- (a) We have earmarked \$12.8m for meeting additional staffing and operational requirement for reforming the regulatory framework for the securities and futures markets. We will reassess the overall resource requirement for the implementation of the Bill after the public consultation exercise.
- (b) The *Mandatory Provident Fund Schemes Ordinance* provides that the Mandatory Provident Fund Schemes Authority (MPFA) shall be responsible for the implementation of Mandatory Provident Fund (MPF) System, including compliance with the Ordinance. The MPFA embarked on licensing work, including the granting of approval for trustees and MPF investment products, in August 1999. It began to receive applications for MPF exemption from January 2000. It is expected that industry schemes will be set up in April. Vetting of the first batch of pooled investment funds applications and occupational retirement schemes exemption applications is expected to be completed by the end of July. The MPF System is scheduled for full implementation in December. The MPFA is currently conducting another review of the progress of the preparatory work so as to reconfirm the date for the full implementation of the MPF system.

As regards expenditure, the Finance Committee of the Legislative Council approved in 1998 a grant of \$5b for setting up the MPFA and supporting its operating cost. The operation of the MPFA is funded by various fees and returns on investment made with the said grant. The total expenditure of the MPFA for 2000-2001 is estimated at \$330m.

At the policy level, part of the responsibilities of a Deputy Secretary, a Principal Assistant Secretary and an Assistant Secretary in the Financial Services Bureau is to oversee the implementation of the MPF System. This involves policy and legislative matters relating to the System, and housekeeping of the MPFA.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3.2000

Bureau Serial No.

FSB017

Question Serial No.

0563

Examination of draft Estimates of Expenditure 2000-01
**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 26 Census & Statistics Department

Subhead (No. & title) :

Programme : Programme (4) : General Statistical Services

Controlling Officer : Commissioner for Census & Statistics

Bureau Secretary : Secretary for Financial Services

Question :

- (a) It is mentioned in paragraph 20 that, to assist the Government in formulating policies and to facilitate the general public in having a better understanding of public affairs, the Census and Statistics Department endeavours to ensure that statistical services provided comply with the needs of users. Does the Department have any plan for compiling more relevant statistics? If yes, what is the Department's plan for compilation of new statistics in the coming three years?
- (b) It is mentioned in paragraph 21 that the Census and Statistics Department endeavours to promote statistical literacy among the general public. What efforts have been made by the Department in this aspect? What is the budget involved for these activities?

Asked by : The Hon Jasper TSANG Yok-sing, JP

Reply :

- (a) The Census and Statistics Department always aims at compiling more relevant statistics to meet the needs arising from social and economic development of Hong Kong. In the coming 3 years, the Department will establish statistical systems for undertaking major developments in some important areas of economic statistics. These include electronic commerce, information technology, producer price index for service industries and quarterly production-based GDP statistics. As regards important social issues, information will be collected from time to time through the "General Household Survey" and the "Omnibus Household Survey" series to respond to the prevalent social and economic situation. The topics which are currently or will be shortly covered include "Persons with disabilities" and "Employment concerns and training needs".

- (b) The work undertaken by the Department in enhancing statistical literacy include the following : (1) widely distributing leaflets and pamphlets on statistics; (2) compiling a teaching kit "Living with Statistics" for secondary school teachers; (3) organizing talks on statistics for students of secondary schools and tertiary institutes; (4) establishing columns in local newspapers and collaborating with radio stations to introduce, in an easily understood way, basic statistical concepts and commonly used statistics; (5) co-organizing evening courses with tertiary institutes for members of the public, particularly those working in the industrial and commercial sectors, for their acquisition of a better understanding of official statistics in Hong Kong; and (6) organizing talks on statistics for media workers with a view to helping them make press reports related to statistical matters properly.

The above work is planned and coordinated by senior professional staff and is carried out by professional officers in various branches of the Department as part of their day-to-day duties. As such activities are assimilated into their daily schedules and integrated with their work, additional allocation of resources and public funds are not involved, except for some minor expenses related to printing of materials which are minimal.

Signature	_____
Name in block letters	FREDERICK W H HO
Post Title	Commissioner for Census & Statistics
Date	16 March 2000

Bureau Serial No.

FSB018

Question Serial No.

0564

Examination of draft Estimates of Expenditure 2000-01
**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 26 Census & Statistics Department Subhead(No. & title) : 002 Allowances

Programme :

Controlling Officer : Commissioner for Census & Statistics

Bureau Secretary : Secretary for Financial Services

Question :

- a. Provision under Subhead 002 represents an increase of 14% which is mainly due to additional requirements of overtime allowance and honoraria for the 2001 Population Census. Please provide concisely the breakdown of this provision.
- b. What mechanism will be used to ensure that the allowances and honoraria will be granted properly?

Asked by : The Hon Jasper TSANG Yok-sing JP

Reply :

- a. The additional requirements of honoraria and overtime allowance for the 2001 Population Census are \$4,949,000, which is made up of \$2,790,000 for honoraria and \$2,159,000 for overtime allowance. As the latter amount is offset by reduction in corresponding allowance in the rest of the department, an additional provision of only \$2,790,000 over the 1999-2000 revised estimate is required for Subhead 002 (i.e. increase of 14%).
- b. Relevant Civil Service Regulations on the eligibility, procedures and approving authority will be strictly adhered to in respect of the payment of honoraria and overtime allowance. In practice, prior approval from section heads based on strict need should be obtained before any paid overtime work is undertaken. Appropriate supervision will be arranged during overtime work. On-the-spot checking will be regularly conducted by section heads and branch heads to ensure proper control. Claims for these allowances will be thoroughly vetted by respective supervisors, section heads and branch heads before passing to the Accounts Section to effect payment.

Signature

Name in block letters FREDERICK W H HO

Post Title Commissioner for Census & Statistics

Date 16 March 2000

Bureau Serial No.

FSB019

Question Serial No.

0879

Examination of draft Estimates of Expenditure 2000-01

**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head: 116 Official Receiver's Office Subhead(No. & title) : 700 General Other
Non-recurrent

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Bureau Secretary: Secretary for Financial Services

Question: Under Subhead 700 General Other Non-recurrent expenditure, Item 002 mentioned the setting up of a task force of temporary staff to clear backlog cases.

How many backlog cases are there presently? When can the number of backlog cases be greatly reduced? Is the balance of some \$3 million in the Item enough to cover the administration of the pending cases?

Asked by: The Hon Jasper TSANG Yuk-sing

Reply: As at 29.2.2000, there were 1,112 bankruptcy cases and 449 winding-up cases waiting for release applications. When an insolvency case has been administered to its final stage, it will be put on a programme for release which is to complete the residual documentary procedures. The remaining balance of \$3m is sufficient for employing the taskforce up to the middle of the financial year 2001/02 within which it is expected that the aforesaid number of cases will all be released.

Signature: _____

Name in block letters: Eamonn O'Connell

Post Title: Ag Official Receiver

Date: March 2000

Bureau Serial No.

FSB020

Question Serial No.

0881

Examination of draft Estimates of Expenditure 2000-01
**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head: 116 Official Receiver's Office Subhead(No. & title) : All

Programme: Official Receiver's Office

Controlling Officer : Official Receiver

Bureau Secretary : Secretary for Financial Services

Question : Provision for 2000-01 is \$14.5 million higher than the revised estimate for 1999-2000. The increase includes the full year provision for implementing on a regular basis a scheme to contract out summary and non-remunerative liquidation cases to insolvency practitioners in the private sector. How much is involved in the contracting out of cases? In the past two years, did the contracting out of summary cases mean savings or increases in expenditure as against handling by the Office? In addition, what is the anticipated result of the scheme to contract out cases?

Asked by : The Hon Jasper TSANG Yuk-sing

Reply : Out of the total approved Estimate of \$140 million, the financial provision for contracting out liquidation cases for the financial year 2000/01 is \$21.3 million.

It can be said, with certainty, that the Official Receiver's Office could not with its present staffing levels have coped with the significant increase in case load over the last few years unless the present scheme was in place. To illustrate this point during the period from April 1999 to February 2000 there were a total of 4,046 cases (comprising 3,262 bankruptcy and 784 winding-up cases) as compared with a total of 1,942 cases for the year 1998/99. Without contracting out, it could lead to a delay of 3.5 months per case on average in processing insolvency cases or, an additional 34 staff of \$22.9 million would be required to handle the additional workload.

The policy objective is to build a pool of insolvency expertise in the private sector, to increase private sector participation in insolvency services and to reduce the increasing workload of the Official Receiver's Office. The expected result from the scheme is to achieve the policy objective and ensure liquidation cases are dealt with as expeditiously as possible.

Signature: _____

Name in block letters: Eamonn O'Connell

Post Title: Ag Official Receiver

Date: March 2000

Examination of draft Estimates of Expenditure 2000-01**CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : 148-Government Secretariat: Subhead(No. & title) : 700 General other non-
Financial Services Bureau recurrent

Programme : 14801: Financial Services

Controlling Officer : Secretary for Financial Services

Bureau Secretary : Secretary for Financial Services

Question :

In the prior years, responses to questions regarding expenditures on consultants and outside contractors have resulted in vague responses such as :

“while we do not anticipate any immediate savings through contracting out services, the employment of contractors permits greater flexibility in varying the number of staff employed on the various types of services according to demand. We anticipate that this will result in savings in costs in the longer term, though it is difficult to quantify these savings.” (11 March 1999 response by the Director of Lands to question on consultants and contractors, Bureau Serial Number PEL 173).

This year, there has been \$12,420,000 included in the approved commitments and estimated 1999-2000 expenditures for various consultations by just Government Secretariat: Financial Services Bureau alone.

In the light of the stated difficulty in quantifying savings through contracting out services, what criteria are established to ensure that the government and taxpayers are getting value for money?

<u>Subhead (Code)</u>	<u>Item (Code)</u>	<u>Approved commitment</u> \$'000
700	013	2,000
	015	8,000
	664	2,420

Asked by : Hon. Christine LOH

Reply :

In 2000-01, a sum of \$2 million has been earmarked for a study to be conducted on corporate governance in Hong Kong (Item 013). The study will be led by the Standing Committee on Company Law Reform, a non-statutory body formed in 1984 to advise the Financial Secretary on amendments necessary to the Companies Ordinance and Securities Ordinance. The sum of \$2 million is to enable the SCCLR to hire consultants to conduct research on specific or specialised areas in relation to corporate governance. The expertise required is not available within the Government.

In respect of Item 015, a sum of \$8 million has been earmarked for a consultancy study to be conducted on a fundamental review of the role of the Official Receiver. The study is considered necessary having regard to the changing business and corporate environment in Hong Kong and the developing trend in insolvency administration in other comparable jurisdictions. The consultant will be required to critically review the existing role of the Official Receiver, to consider the appropriateness of more private sector participation in the provision of service for insolvency administration, and the

feasibility of a licensing system for insolvency practitioners in Hong Kong.

We consider that the study should be done by outside consultants because there is no such expertise within the Government to undertake the study in-house and that a third party opinion in this case would better serve the purpose of the study and provide an objective view.

Item 664 is a consultancy study for reviewing and enhancing the macro-econometric model currently used by the government for producing short-term and medium-term forecasts. It is a highly specialised and complicated task requiring the service of dedicated expertise. The primary objective of the project is to enhance the forecasting model rather than to achieve cost savings. While there will be no direct cost savings, much intangible benefits may be derived from better forecasting performance, as it will be help to provide for better government projections and planning.

Signature : _____

Name in block letters : Rafael S Y HUI

Post Title : Secretary for Financial Services

Date : 17.3.2000