

**Speaking Note of
Secretary for Financial Services and the Treasury
in respect of Financial Services
at the Special Meeting of the Finance Committee
on 29 March 2004
(Translation)**

Mr. Chairman,

I am grateful to you and Members for holding special meetings to examine the draft Estimates of Expenditure of the 2004-05 Budget. In this session, I will focus on the expenditure of the Financial Services Branch and its departments. The expenditure of the Treasury Branch and its departments will be discussed in the next session.

2. A provision of \$707 million is allocated out of my operating expenditure envelope for financial year 2004-05 to the Financial Services Branch and its departments. Of this, \$152 million will be provided under Head 148 Financial Services Branch, \$136 million under Head 116 Official Receiver's Office, \$379 million under Head 26 Census and Statistics Department, and \$40 million under the relevant subheads of Head 106. Please refer to the 2004-05 draft Estimates for details. I would like to brief Members on our work in the area of financial services in the coming year.

3. One of the major policy objectives under my purview is to consolidate Hong Kong's position as an international financial centre and the premier capital formation centre for the country. Our major tasks for the coming year are to improve the quality of the financial markets, promote the development of the financial markets, enhance the financial infrastructure and protect investors.

4. Enhancing corporate governance in Hong Kong is an important aspect in ensuring market quality. Last year, we, together with the Securities and Futures Commission and Hong Kong Exchanges and Clearing Limited, drew up the "Corporate Governance Action Plan". Over the past year, the Securities and Futures Ordinance was smoothly implemented and progress has also been made in improving the Listing Rules. The findings of Phase II of Corporate Governance Review conducted by the Standing Committee on Company Law Reform have been announced and we will implement the relevant recommendations by phases. Last Friday, we announced a series of measures to improve the regulatory

regime governing listing, including the granting of statutory backing to major listing requirements and the introduction of effective sanctions. We will brief the Legislative Council Panel on Financial Affairs this Friday on our action plan for the oversight of auditors.

5. Regarding market development, we are committed to promoting Hong Kong as a world-class asset management centre. Specific initiatives in this respect include encouraging the industry and tertiary institutions to strengthen the training of talent, ongoing improvement in the regulatory legislation and mechanism to facilitate the offer of new investment products and the access of international funds to the local market, and exempting offshore funds from profits tax. Promoting the development of the bond market is also one of our major tasks.

6. As regards the initiatives for protecting investors and upgrading the financial infrastructure, I am not going to dwell on the details. I just wish to take this opportunity to call on Members to support the resumption of the Second Reading of the relevant bills, namely the Companies (Amendment) Bill 2003, the Deposit Protection Scheme Bill and the Clearing and Settlement Systems Bill, within the current legislative session. Their early enactment will enable the improvement measures to be implemented as soon as possible.

7. My colleagues and I are pleased to answer Members' questions. Thank you, Mr. Chairman.