

**Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2013-14**

**Director of Bureau : Secretary for Financial Services and the Treasury  
Session No. : 3**

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">FSTB(FS)001</a>	2783	CHAN Chi-chuen	26	
<a href="#">FSTB(FS)002</a>	2937	CHAN Chi-chuen	G01	
<a href="#">FSTB(FS)003</a>	4237	CHAN Ka-lok, Kenneth	26	(1) Trade Statistics (2) Social Statistics (3) National Accounts and Balance of Payments Statistics (4) General Statistical Services (5) Price/Industry/Service Statistics (6) Labour Statistics
<a href="#">FSTB(FS)004</a>	4238	CHAN Ka-lok, Kenneth	26	(1) Trade Statistics (2) Social Statistics (3) National Accounts and Balance of Payments Statistics (4) General Statistical Services (5) Price/Industry/Service Statistics (6) Labour Statistics
<a href="#">FSTB(FS)005</a>	4239	CHAN Ka-lok, Kenneth	26	(1) Trade Statistics (2) Social Statistics (3) National Accounts and Balance of Payments Statistics (4) General Statistical Services (5) Price/Industry/Service Statistics (6) Labour Statistics
<a href="#">FSTB(FS)006</a>	4734	CHAN Ka-lok, Kenneth	26	(4) General Statistical Services
<a href="#">FSTB(FS)007</a>	4784	CHAN Ka-lok, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)008</a>	4817	CHAN Ka-lok, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)009</a>	4818	CHAN Ka-lok, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)010</a>	4819	CHAN Ka-lok, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)011</a>	4913	CHAN Ka-lok, Kenneth	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)012</a>	5347	CHAN Ka-lok, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)013</a>	0362	CHAN Kam-lam	148	(1) Financial Services
<a href="#">FSTB(FS)014</a>	0363	CHAN Kam-lam	148	(1) Financial Services
<a href="#">FSTB(FS)015</a>	0364	CHAN Kam-lam	148	(1) Financial Services
<a href="#">FSTB(FS)016</a>	0365	CHAN Kam-lam	148	(1) Financial Services
<a href="#">FSTB(FS)017</a>	0870	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)018</a>	0871	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)019</a>	0872	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)020</a>	0873	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)021</a>	0874	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)022</a>	0875	CHAN Kin-por	148	(1) Financial Services

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">FSTB(FS)023</a>	0876	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)024</a>	0877	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)025</a>	0878	CHAN Kin-por	G01	
<a href="#">FSTB(FS)026</a>	0897	CHAN Kin-por	148	(1) Financial Services
<a href="#">FSTB(FS)027</a>	5136	CHEUNG Chiu-hung, Fernando	26	(2) Social Statistics
<a href="#">FSTB(FS)028</a>	5196	CHEUNG Chiu-hung, Fernando	26	(2) Social Statistics
<a href="#">FSTB(FS)029</a>	5206	CHEUNG Chiu-hung, Fernando	26	(2) Social Statistics
<a href="#">FSTB(FS)030</a>	5207	CHEUNG Chiu-hung, Fernando	26	(2) Social Statistics
<a href="#">FSTB(FS)031</a>	4020	CHEUNG Kwok-che	148	(1) Financial Services
<a href="#">FSTB(FS)032</a>	1868	CHEUNG Wah-fung, Christopher	106	
<a href="#">FSTB(FS)033</a>	1874	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)034</a>	1875	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)035</a>	1878	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)036</a>	1879	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)037</a>	1880	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)038</a>	1881	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)039</a>	1882	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)040</a>	1884	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)041</a>	1885	CHEUNG Wah-fung, Christopher	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)042</a>	1886	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)043</a>	1888	CHEUNG Wah-fung, Christopher	148	(1) Financial Services
<a href="#">FSTB(FS)044</a>	4969	FAN Kwok-wai, Gary	148	(1) Financial Services
<a href="#">FSTB(FS)045</a>	3806	FUNG Kin-kee, Frederick	G01	
<a href="#">FSTB(FS)046</a>	3807	FUNG Kin-kee, Frederick	148	(1) Financial Services
<a href="#">FSTB(FS)047</a>	0512	HO Sau-lan, Cyd	26	
<a href="#">FSTB(FS)048</a>	3107	HO Sau-lan, Cyd	148	(1) Financial Services
<a href="#">FSTB(FS)049</a>	3659	HO Sau-lan, Cyd	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)050</a>	3694	HO Sau-lan, Cyd	148	(1) Financial Services
<a href="#">FSTB(FS)051</a>	3709	HO Sau-lan, Cyd	148	(1) Financial Services
<a href="#">FSTB(FS)052</a>	1507	IP LAU Suk-ye, Regina	148	(1) Financial Services
<a href="#">FSTB(FS)053</a>	1508	IP LAU Suk-ye, Regina	G01	
<a href="#">FSTB(FS)054</a>	1509	IP LAU Suk-ye, Regina	148	(1) Financial Services
<a href="#">FSTB(FS)055</a>	1510	IP LAU Suk-ye, Regina	148	(1) Financial Services

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
		Regina		
<a href="#">FSTB(FS)056</a>	1513	IP LAU Suk-ye, Regina	148	(1) Financial Services
<a href="#">FSTB(FS)057</a>	3230	KWOK Ka-ki	31	(2) Anti-narcotics Investigation
<a href="#">FSTB(FS)058</a>	4382	KWOK Ka-ki	26	(2) Social Statistics
<a href="#">FSTB(FS)059</a>	2155	KWOK Wai-keung	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)060</a>	2156	KWOK Wai-keung	26	(2) Social Statistics
<a href="#">FSTB(FS)061</a>	1099	LAM Kin-fung, Jeffrey	26	(6) Labour Statistics
<a href="#">FSTB(FS)062</a>	3150	LAM Kin-fung, Jeffrey	26	(2) Social Statistics
<a href="#">FSTB(FS)063</a>	0750	LAM Tai-fai	148	(1) Financial Services
<a href="#">FSTB(FS)064</a>	3788	LAM Tai-fai	148	(1) Financial Services
<a href="#">FSTB(FS)065</a>	1045	LAU Wai-hing, Emily	26	(1) Trade Statistics (2) Social Statistics (3) National Accounts and Balance of Payments Statistics (4) General Statistical Services (5) Price/Industry/Service Statistics (6) Labour Statistics
<a href="#">FSTB(FS)066</a>	0664	LEE Wai-king, Starry	26	(2) Social Statistics
<a href="#">FSTB(FS)067</a>	0665	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)068</a>	0666	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)069</a>	0667	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)070</a>	0848	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)071</a>	0849	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)072</a>	0850	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)073</a>	0851	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)074</a>	2980	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)075</a>	2982	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)076</a>	3521	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)077</a>	3522	LEE Wai-king, Starry	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)078</a>	3523	LEE Wai-king, Starry	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)079</a>	3524	LEE Wai-king, Starry	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)080</a>	3525	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)081</a>	5471	LEE Wai-king, Starry	148	(1) Financial Services
<a href="#">FSTB(FS)082</a>	0445	LEUNG Kwok-hung	148	(1) Financial Services
<a href="#">FSTB(FS)083</a>	0446	LEUNG Kwok-hung	148	(1) Financial Services
<a href="#">FSTB(FS)084</a>	0453	LEUNG Kwok-hung	148	(1) Financial Services
<a href="#">FSTB(FS)085</a>	0454	LEUNG Kwok-hung	148	(1) Financial Services
<a href="#">FSTB(FS)086</a>	0459	LEUNG Kwok-hung	148	(1) Financial Services
<a href="#">FSTB(FS)087</a>	0460	LEUNG Kwok-hung	148	(1) Financial Services
<a href="#">FSTB(FS)088</a>	1083	LEUNG Mei-fun, Priscilla	148	(1) Financial Services
<a href="#">FSTB(FS)089</a>	2437	LEUNG, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)090</a>	2438	LEUNG, Kenneth	148	(1) Financial Services
<a href="#">FSTB(FS)091</a>	2279	LIAO Cheung-kong, Martin	148	(1) Financial Services
<a href="#">FSTB(FS)092</a>	2280	LIAO Cheung-kong, Martin	148	(1) Financial Services
<a href="#">FSTB(FS)093</a>	2281	LIAO Cheung-kong, Martin	148	(1) Financial Services
<a href="#">FSTB(FS)094</a>	2282	LIAO Cheung-kong, Martin	148	(1) Financial Services
<a href="#">FSTB(FS)095</a>	2283	LIAO Cheung-kong,	148	(1) Financial Services

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
		Martin		
<a href="#">FSTB(FS)096</a>	5029	MOK, Charles Peter	26	(5) Price/Industry/Service Statistics
<a href="#">FSTB(FS)097</a>	2623	POON Siu-ping	26	
<a href="#">FSTB(FS)098</a>	2624	POON Siu-ping	26	(6) Labour Statistics
<a href="#">FSTB(FS)099</a>	2625	POON Siu-ping	26	(1) Trade Statistics
<a href="#">FSTB(FS)100</a>	2626	POON Siu-ping	26	(5) Price/Industry/Service Statistics
<a href="#">FSTB(FS)101</a>	3552	SHEK Lai-him, Abraham	26	
<a href="#">FSTB(FS)102</a>	1569	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)103</a>	1984	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)104</a>	1985	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)105</a>	1986	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)106</a>	1999	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)107</a>	2000	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)108</a>	2001	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)109</a>	2002	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)110</a>	2003	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)111</a>	2004	SIN Chung-kai	148	(1) Financial Services
<a href="#">FSTB(FS)112</a>	0437	TANG Ka-piu	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)113</a>	2921	TANG Ka-piu	148	(1) Financial Services
<a href="#">FSTB(FS)114</a>	5047	TANG Ka-piu	G01	
<a href="#">FSTB(FS)115</a>	5111	TANG Ka-piu	G01	
<a href="#">FSTB(FS)116</a>	1890	TIEN Pei-chun, James	26	(5) Price/Industry/Service Statistics
<a href="#">FSTB(FS)117</a>	1891	TIEN Pei-chun, James	26	(6) Labour Statistics
<a href="#">FSTB(FS)118</a>	1900	TIEN Pei-chun, James	148	(1) Financial Services
<a href="#">FSTB(FS)119</a>	1927	TIEN Pei-chun, James	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)120</a>	1928	TIEN Pei-chun, James	116	(1) Official Receiver's Office
<a href="#">FSTB(FS)121</a>	3204	TIEN Pei-chun, James	148	(1) Financial Services
<a href="#">FSTB(FS)122</a>	3271	TIEN Pei-chun, James	148	(1) Financial Services
<a href="#">FSTB(FS)123</a>	4579	TIEN Pei-chun, James	148	(1) Financial Services
<a href="#">FSTB(FS)124</a>	4580	TIEN Pei-chun, James	148	(1) Financial Services
<a href="#">FSTB(FS)125</a>	5468	TIEN Puk-sun, Michael	26	(5) Price/Industry/Service Statistics
<a href="#">FSTB(FS)126</a>	0830	TO Kun-sun, James	148	(1) Financial Services
<a href="#">FSTB(FS)127</a>	0866	TO Kun-sun, James	122	(2) Prevention and Detection of Crime
<a href="#">FSTB(FS)128</a>	0869	TO Kun-sun, James	148	(1) Financial Services
<a href="#">FSTB(FS)129</a>	0627	TONG Ka-wah, Ronny	148	(1) Financial Services
<a href="#">FSTB(FS)130</a>	0629	TONG Ka-wah, Ronny	148	(1) Financial Services
<a href="#">FSTB(FS)131</a>	3102	TONG Ka-wah, Ronny	26	(4) General Statistical Services
<a href="#">FSTB(FS)132</a>	3579	TONG Ka-wah, Ronny	148	(1) Financial Services
<a href="#">FSTB(FS)133</a>	3580	TONG Ka-wah, Ronny	148	(1) Financial Services
<a href="#">FSTB(FS)134</a>	3581	TONG Ka-wah, Ronny	148	(1) Financial Services
<a href="#">FSTB(FS)135</a>	3582	TONG Ka-wah, Ronny	148	(1) Financial Services
<a href="#">FSTB(FS)136</a>	0096	TSE Wai-chuen, Tony	G01	
<a href="#">FSTB(FS)137</a>	2932	TSE Wai-chun, Paul	148	(1) Financial Services
<a href="#">FSTB(FS)138</a>	2933	TSE Wai-chun, Paul	148	(1) Financial Services
<a href="#">FSTB(FS)139</a>	4257	WONG Kwok-hing	26	(4) General Statistical Services
<a href="#">FSTB(FS)140</a>	4261	WONG Kwok-hing	26	(2) Social Statistics
<a href="#">FSTB(FS)141</a>	1409	WONG Kwok-kin	26	(4) General Statistical Services
<a href="#">FSTB(FS)142</a>	1233	WONG Ting-kwong	148	(1) Financial Services
<a href="#">FSTB(FS)143</a>	1234	WONG Ting-kwong	148	(1) Financial Services
<a href="#">FSTB(FS)144</a>	1235	WONG Ting-kwong	148	(1) Financial Services
<a href="#">FSTB(FS)145</a>	1236	WONG Ting-kwong	148	(1) Financial Services

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">FSTB(FS)146</a>	1237	WONG Ting-kwong	148	(1) Financial Services
<a href="#">FSTB(FS)147</a>	1254	WONG Ting-kwong	148	(1) Financial Services
<a href="#">FSTB(FS)148</a>	1263	WONG Ting-kwong	26	
<a href="#">FSTB(FS)149</a>	2204	WU Chi-wai	148	(1) Financial Services

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)001**

Question Serial No.

2783

Head: 26 – Census and Statistics Department      Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Survey officers of the Census and Statistics Department (“C&SD”) were previously suspected to have been involved in the large-scale forgery of survey data. What is the progress of the investigation on the suspected forgery? In respect of the expenditure estimate of C&SD in the current financial year, it was mentioned under all programmes that the increase in provision was “*mainly due to the increased salary provision for filling of vacancies and staff changes*”. Can C&SD give reasons for this? Please list the titles, ranks and salaries of the vacancies to be filled.

Asked by: Hon. CHAN Chi-chuen

Reply:

The Investigation Task Force on Statistical Data Quality Assurance had examined the authenticity of statistical data and data quality assurance mechanism and released the relevant report in end March 2013.

Increased salary provision is required to cover the increase in staff costs for filling of vacancies and staff changes which arise from time to time due to natural wastage and posting of staff in the permanent establishment. As at end February 2013, there are 45 vacancies (3.7% of the establishment) as detailed below:

14 vacancies in departmental grades:

- Statistician grade involving Statistician and Senior Statistician ranks with mid-point salary ranging from around \$62,800 to \$93,800;
- Statistical Officer grade involving Statistical Officer II/Student Statistical Officer, Statistical Officer I and Senior Statistical Officer ranks with mid-point salary ranging from around \$17,600 to \$49,900; and
- Census and Survey Officer grade involving Assistant Census and Survey Officer, Census and Survey Officer and Senior Census and Survey Officer ranks with mid-point salary ranging from around \$20,100 to \$49,900.

31 vacancies in general and common grades:

- Analyst/Programmer grade involving Analyst/Programmer II, Analyst/Programmer I and Systems Manager ranks with mid-point salary ranging from around \$33,000 to \$68,700;
- Clerical Officer grade involving Assistant Clerical Officer, Clerical Officer and Senior Clerical Officer ranks with mid-point salary ranging from around \$17,800 to \$37,900;

- Clerical Assistant rank with mid-point salary of around \$13,900;
- Workman I rank with mid-point salary of around \$12,000; and
- Workman II rank with mid-point salary of around \$11,000.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)002**

Question Serial No.

2937

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government consider increasing the total issuance size of the inflation-linked retail bonds (“iBond”) and extending its maturity to 5 years or above in response to public demand?

Asked by: Hon. CHAN Chi-chuen

Reply:

The size of the coming issuance of iBond will be up to HK\$10 billion with a tenor of three years. In determining the bond issuance size and its tenor, we will seek to strike a reasonable balance between meeting the demand of Hong Kong residents for retail bonds and ensuring that the Government Bond Programme has a capacity to support the development of other segments of the bond market. In the long run, we should allow adequate room for the market to develop different types of bonds for a more diversified bond market in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)003**

Question Serial No.

4237

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

Programme: (1) Trade Statistics, (2) Social Statistics, (3) National Accounts and Balance of Payments Statistics, (4) General Statistical Services, (5) Price/Industry/Service Statistics, and (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What are the total number of posts, number of civil service posts and number of non-civil service contract posts in respect of the establishment of frontline survey officers of the Department under all the above programmes for the past 3 years (i.e. 2010-11, 2011-12 and 2012-13)? Will the establishment of frontline survey officers under all the above programmes change in 2013-14? If yes, what are the details? On the other hand, will the collection of survey data under all the above programmes be outsourced? If yes, what are the number of outsourced survey officers and the proportion of survey data collection work handled by outsourcing as compared to those work required for respective programmes for the past 3 years?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The establishment and strength of civil service posts and the number of non-civil service contract positions in respect of field officers of the Census and Statistics Department for the past 3 years are as follows:

Financial year	Civil service posts (as at middle of the year (end Sep))		Non-civil service contract positions (monthly average for the whole year)
	Establishment	Strength	
2010-2011 <sup>#</sup>	403	330	155
2011-2012 <sup>#</sup>	403	333	153
2012-2013	335	333	79

<sup>#</sup> Establishment includes short-term posts for ad hoc projects such as the 2011 Population Census. Vacancies arising from these posts can only be filled by non-civil service contract staff due to their temporary nature.

Two civil service posts of field officers will be created under Programme (1) in 2013-14. The created posts will replace 2 Non-Civil Service Contract Survey Interviewers. The created posts will be responsible for collecting data concerning the operations and activities of the affiliates of Hong Kong companies located outside Hong Kong. The data will be used for the compilation of outward foreign affiliates statistics.

Currently, only the Thematic Household Surveys under Programme (2) are contracted out by the Department. In the past 3 years (2010-11, 2011-12 and 2012-13), the numbers of outsourced surveys were 2, 3 and 2 respectively. Each survey involved about 40 to 50 interviewers employed by the respective private research companies. As the fieldwork periods and the data items of these 7 outsourced surveys were different and some interviewers involved were working on a part-time basis, the number of interviewers employed in these surveys (and the total amount of data collection work performed by them) cannot be directly compared with

that in respect of field officers of the Department.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)004**

Question Serial No.

4238

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

Programme: (1) Trade Statistics, (2) Social Statistics, (3) National Accounts and Balance of Payments Statistics, (4) General Statistical Services, (5) Price/Industry/Service Statistics, and (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the financial year 2013-14, will the Department reserve resources to strengthen the monitoring and data verification against the accuracy of the survey data under each programme? If yes, what are the details of the relevant specific measures? If no, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The Census and Statistics Department (“C&SD”) has all along adopted quality assurance measures in each step of the statistical process to ensure accuracy of statistical data.

In regard to data collection, (1) quality control checks, (2) supervisory visits and (3) spot checks are put in place to safeguard data quality of surveys.

C&SD validates all survey data thoroughly to identify potential errors based on a set of pre-determined rules and standards. C&SD constantly reviews the aforesaid validation process. All dubious cases are referred to the responsible officers for further checks and verifications.

Prior to the release of statistics, C&SD will conduct a macro review according to international standards and methods to ensure the reliability and accuracy of the statistics compiled.

Quality assurance measures are an integral part of the fieldwork and statistical data processing systems. C&SD will implement the recommendations of the Investigation Task Force on Statistical Data Quality Assurance expeditiously, and at the same time continue to enforce the recently announced improvement measures. The expenditures involved in such processes are subsumed in the total expenditure of the statistical programmes concerned. Breakdown of such expenditures is not available.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)005**

Question Serial No.

4239

Head: 26 – Census and Statistics Department      Subhead (No. & title): 000 Operational expenses

Programme: (1) Trade Statistics, (2) Social Statistics, (3) National Accounts and Balance of Payments Statistics, (4) General Statistical Services, (5) Price/Industry/Service Statistics, and (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the financial year 2013-14, will the Department reserve resources to review the performance targets and indicators under each programme? If yes, what are the details? If no, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The Department constantly reviews performance targets and indicators under each programme taking into account relevant considerations. The various targets were updated over the course of time where necessary. For instance, in the financial year 2010-11, the time required for issuing notices for outstanding import/export declarations was shortened from 2 to 1.5 months. Also, the time after reference period for release of results of the Monthly Survey of Retail Sales was shortened from 1.2 to 1.1 months. In the financial year 2011-12, the time after reference period for release of annual statistics on international investment position was shortened from 5.5 to 3 months. In the financial year 2013-14, the time after reference period for release of results of the Annual Survey of Economic Activities was shortened from 12 to 11 months.

The Department will continue to review performance targets and indicators under each programme in future using existing resources.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)006**

Question Serial No.

4734

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

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Many academics have expressed their intention of purchasing raw data from the Census and Statistics Department to facilitate the conduct of various researches. In 2013-14, will the Department consider reserving resources under all programmes for provision of raw statistical data to academics and academic institutions? If yes, please advise the details? If no, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The Census and Statistics Department has already put in place a system whereby microdata sets from various household surveys were provided to academics at a cost recovery basis to facilitate the conduct of researches.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)007**

Question Serial No.

4784

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

At present, securities and insurance businesses are operated concurrently in many retail banks. As there are no clear-cut responsibilities and terms of reference of respective financial regulators, consumers and investors are difficult to react in case of failure of such businesses. In 2013-14, will resources be allocated to study the clarification of the terms of reference of respective regulators, or the feasibility of setting up a central regulator? If so, what are the work plan and estimated expenditure? If not, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

Hong Kong currently adopts an “integrated” approach of one industry, one regulator for our regulatory framework. “Industry” refers to the industry that a financial institution is in as well as the business it conducts. Vertically, the nature of industry that the financial institution is in will determine which regulator it is regulated by. Horizontally, similar financial products that are sold and promoted by financial institutions will be subject to the relevant code of conduct and product authorisation requirements, etc set out by the same regulator.

Regulatory regimes in general promote the development of a fair, open and orderly market by way of effective enforcement and market compliance. Broadly speaking, Hong Kong's existing regulatory framework achieves such policy objectives. It is on par with international regulatory standards and at the same time caters for the specific circumstances and needs for developments of the local market. It strikes a reasonable balance between investor protection and facilitating market innovation. The Government has examined different regulatory models, and came to the view that the current approach can serve our market needs.

We have to continue refining our regulatory regime so as to meet the demands arising from market development and the investing public. Examples in recent years include: regulators requiring retail banks that conduct securities business to have clear physical segregation between general banking business and securities-related activities; introducing legislation to regulate the conduct of Mandatory Provident Fund intermediaries; and introducing the concept of and regulatory regime for “structured products” in the Companies Ordinance and the Securities and Futures Ordinance, etc. It is also equally important to enhance the regular communication and effective cooperation among regulators. For example, the Hong Kong Monetary Authority and the Securities and Futures Commission have jointly conducted a mystery-shopping programme, so as to better understand the sales process of the intermediaries, as well as identify areas for improvement.

The Government together with the regulators will continue to closely monitor the development of overseas regulatory regimes and the latest developments in local markets. We will listen to views from the industry, investors and other stakeholders, and will review our regulatory regime from time to time. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)008**

Question Serial No.

4817

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In view of the fact that many members of the public want to have a relatively stable return with controlled risks through investment in bonds, the Administration should consider ways to promote actively the development of the primary and secondary bond markets in Hong Kong. Apart from the issuance of inflation-linked retail bonds (“iBond”), will the Administration allocate resources for conducting research studies and consultations on the development of Hong Kong’s retail bond market in 2013-14? If so, what are the work plan and estimated expenditure? If not, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

We are committed to promoting the development of the bond market in Hong Kong. We will continue to engage market players to ensure that our market development initiatives can better meet evolving needs of the local bond market. These initiatives include a proposal to expand the size of the Government Bond Programme and launch a further issuance of iBond worth not more than \$10 billion under the Programme. We will also assist the relevant Legislative Council Bills Committee in its scrutiny of the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 which seeks to enhance Hong Kong’s competitiveness in the development of sukuk and Islamic finance. The expense involved will be met through redeployment of resources within the Financial Services Branch. We do not have a breakdown of the expenses.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)009**

Question Serial No.

4818

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Many members in the industry have expressed disapproval of the extension of trading hours as implemented by the Hong Kong Exchanges and Clearing Limited. Will resources be allocated for studying the actual effectiveness of extended trading hours in 2013-14? If so, what are the specific work plan of the study and the estimated expenditure? If not, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

According to the Hong Kong Exchanges and Clearing Limited (“HKEx”), interconnections between the Hong Kong and Mainland markets have become closer since the extension of trading hours. Investors have taken advantage of the earlier afternoon market opening time in Hong Kong to react to market news earlier and make timely trading decisions when the Mainland market is also open. On the product development front, the extension of trading hours benefits cross-market product development and inter-market trading activities. As of today, four Renminbi Qualified Foreign Institutional Investors (“RQFII”) A-shares exchange traded funds have been successfully launched after the trading hours of our market have overlapped with those of the Mainland. This is beneficial to the development of offshore Renminbi business.

The Securities and Futures Commission will continue to monitor the operation of HKEx and the market. The Government has not allocated additional resources for studying the effectiveness of extended trading hours.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)010**

Question Serial No.

4819

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will allocations be provided for research and public consultation on the promotion of market competition by increasing the number of trustees of Mandatory Provident Fund schemes in 2013-14? If so, what are the work plan and estimated expenditure? If not, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The Government and the Mandatory Provident Fund Schemes Authority (“MPFA”) have been implementing measures to enhance the competition and transparency in the MPF market. One of the purposes of Employee Choice Arrangement, which was implemented on 1 November last year, is to enhance market competition. In 2013-14, the priorities of the Government and MPFA include following up a series of short, medium and long-term measures with a view to driving down MPF fees. At present, there are 19 trustees in the MPF market offering 41 MPF schemes. The Government has no plans to allocate resources for increasing the number of trustees.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)011**

Question Serial No.

4913

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2013-14, the Official Receiver's Office will continue to provide support for the Financial Services and the Treasury Bureau in formulating legislative proposals to improve the corporate insolvency regime and introducing a statutory corporate rescue procedure. What are the details and the estimated expenses involved?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

In early 2012, the Financial Services Branch of the Financial Services and the Treasury Bureau and the Official Receiver's Office ("ORO") have commenced a corporate insolvency law improvement exercise. The objectives of the exercise are to facilitate more efficient administration of the winding-up process and increase protection of creditors through streamlining and rationalising the company winding-up procedures and enhancing regulation of the winding-up process having regard to international experience.

The Legislative Council Panel on Financial Affairs ("FA Panel") was consulted on the commencement of the exercise in November 2011. An Advisory Group comprising representatives from the business and financial sectors, relevant professions, private insolvency practitioners, the academics sector, members of the Standing Committee on Company Law Reform as well as the Government has been set up to provide useful technical inputs and expert advice to the Government on the legislative proposals. The Advisory Group has completed its work recently. We plan to consult the public and also the FA Panel on the legislative proposals in the second quarter of this year, and introduce the relevant Bill into the Legislative Council within the present term.

We also plan to take forward the proposals of a new corporate rescue procedure and insolvent trading provisions as part of the above legislative exercise. A public consultation on the conceptual framework and a number of specific issues on these proposals was conducted in late 2009. We have been studying various relevant key issues and working further on the detailed legislative proposals. We will further seek views from the stakeholders on the detailed legislative proposals.

The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)012**

Question Serial No.

5347

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the Policy Address announced in this January, the Chief Executive stated that a total of 14 bureaux, committees and working groups would be or were proposed to set up. The Financial Secretary made it clear in the Budget Speech that he would provide the financial resources required. What are the work plan and estimated expenditure of the Financial Services Development Council for 2013-14?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The Financial Services Development Council (“FSDC”) at its second meeting held on 19 March 2013 endorsed the initiatives proposed for its five committees, which have also concluded their first meetings shortly before the second council meeting. Detailed work plans are being considered by members.

According to the FSDC, it will study the development of the local financial services industry, particularly the elements required to enhance Hong Kong’s future as an international financial centre and implications on Hong Kong’s financial services industry arising from the future development of Mainland’s capital market. In parallel, it will engage the industry on such topics as opportunities in Qianhai, offshore RMB business and further development of our asset and wealth management sector. Also, it will seek to play the role of a strategic coordinator for marketing plans among our key “Hong Kong Inc.” stakeholders to maximise the overall impact of their promotion activities.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises staff deployed from the Financial Services Branch and seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)013**

Question Serial No.

0362

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget that the total value of fund assets under management in Hong Kong is more than \$9 trillion, ranking second in Asia. What were the respective total values of fund assets under management in Hong Kong from 2008 to 2012?

Asked by: Hon. CHAN Kam-lam

Reply:

According to the Fund Management Activities Survey conducted by the Securities and Futures Commission, the combined fund management business amount was \$5,850 billion (2008), \$8,507 billion (2009), \$10,091 billion (2010) and \$9,038 billion (2011) respectively. Data for 2012 is being compiled.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)014**

Question Serial No.

0363

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget that the Administration is discussing with regulators the legal and regulatory frameworks with respect to the introduction of the Open-ended Investment Company of the fund industry. The public will be consulted once a proposal is drawn up. How much resources have been allocated for conducting relevant study in 2013-14? When will the study start and how much time is needed for conducting the study?

Asked by: Hon. CHAN Kam-lam

Reply:

We note that Open-ended Investment Companies have become an increasingly popular form used by the fund industry to set up investment funds. To this end, we are joining hands with the Securities and Futures Commission to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. These proposals will broaden the variety and scope of our fund business and open up new business opportunities for professional services such as fund management, investment advice, and also legal and accounting services. We aim to launch the consultation on the relevant proposals within this year.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are performing functions in relation to promoting the development of the asset management industry. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)015**

Question Serial No.

0364

Head: 148 – Government Secretariat: Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What were the respective values of RMB trade settlement conducted through Hong Kong banks in the past 5 years (2008-09 to 2012-13)?

Asked by: Hon. CHAN Kam-lam

Reply:

Cross-border RMB trade settlement was launched in July 2009. The annual amounts of RMB trade settlement conducted through Hong Kong banks since then are as follows:

	RMB trade settlement conducted through Hong Kong banks (in RMB billion)
July 2009 – March 2010	6
April 2010 – March 2011	676.3
April 2011 – March 2012	2,174.8
April 2012 – January 2013*	2,329.8

\*Figures of February and March 2012 are not yet available.

Source: Hong Kong Monetary Authority

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)016**

Question Serial No.

0365

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has announced the establishment of the Financial Services Development Council. What is the expenditure involved in setting up the Council? For how many years will the Government provide funding for the Council to cover its operating expenses? What will be the annual amount of operating expenses involved?

Asked by: Hon. CHAN Kam-lam

Reply:

The expenditure incurred to set up the Financial Services Development Council (“FSDC”) was mainly to cover the cost of four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch (“FSB”) to support the Preparatory Taskforce on FSDC, which came into operation on 1 July 2012 and published its report in December 2012. The cost was absorbed from within the existing resources of FSB. At present the FSDC operates as a high-level cross-sector advisory body and has not incurred any further set up cost.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises staff deployed from the FSB and seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. This arrangement will be maintained for the initial three years subject to review later. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)017**

Question Serial No.

0870

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in his Budget Speech that the Mandatory Provident Fund Schemes Authority (“MPFA”) is preparing proposals regarding the implementation of a cap on MPF fees that will be introduced in case of market failure. They intend to consult the public within this year. Please advise this Committee of the following: what does the Administration mean by market failure? Does it mean that when short, medium and long-term fee reduction measures, which include promoting electronic platforms, consolidating employees' accounts, and rationalising the types and numbers of MPF funds, have all failed to reduce the administration costs? Does it mean that the Government will only decide whether a cap on MPF fees should be introduced after short, medium and long-term measures have been implemented? By what margin does the Government expect the administration costs to fall before the market is regarded as effective?

Asked by: Hon. CHAN Kin-por

Reply:

In principle, the Government and the Mandatory Provident Fund Schemes Authority (“MPFA”) would like to drive down MPF fees through market force. To this end, we have implemented various measures, including the Employee Choice Arrangement which was launched on 1 November 2012, and other measures to enhance market transparency, etc. We expect the measures could lead to a more significant MPF fees reduction within a reasonable time. The Government and the MPFA are examining detailed proposals for introducing a fee cap, including the conditions of activating the fee cap, and aim to consult the public within this year.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)018**

Question Serial No.

0871

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will continue engagement with the industry on the introduction of a risk-based capital framework for the prudential regulation of insurers, and provision has been earmarked for the expense of engaging consultant to commission a study. Please inform this Committee of when and in what mode the Administration will consult the industry, whether the Government has already have a timetable for the introduction of the framework, and when the consultancy study will commence and complete.

Asked by: Hon. CHAN Kin-por

Reply:

In mid-2012, the Office of the Commissioner of Insurance (“OCI”) commissioned a consultancy study on the risk-based capital (“RBC”) framework for the insurance business in Hong Kong. We plan to consult the industry on the consultant’s preliminary recommendations within 2013. The consultant will then analyse industry feedback and complete the study in mid-2014. Thereafter, OCI will examine the recommended RBC framework and develop specific details for further consultation with the industry. We will work out an implementation timetable after completing the aforementioned work.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)019**

Question Serial No.

0872

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau (Financial Services Branch) has mentioned in its Programme that it will join hands with the Mandatory Provident Fund Schemes Authority (“MPFA”) to enhance the Mandatory Provident Fund (“MPF”) System, including withdrawal of MPF accrued benefits. The MPFA completed a public consultation on the regulation of withdrawal of MPF benefits last year. A majority of respondents supported the proposal of providing an option to withdraw MPF accrued benefits in phases upon members reaching 65, and to allow early withdrawal by members certified to have suffered from terminal illness. Please inform this Committee of the specific details of introducing the new initiative, and the timetable for implementation and legislative arrangements.

Asked by: Hon. CHAN Kin-por

Reply:

The MPFA is following up on the implementation details of the two proposals on “explicitly allowing scheme members to choose to withdraw their MPF benefits in a lump sum or in stages” and “allowing early withdrawal where a scheme member is certified to suffer from a terminal illness”. This includes discussing with trustees specific arrangements for implementing the proposals, and articulating the proposed legislative amendments. Our aim is to introduce the proposed legislative amendments into the Legislative Council by July 2014.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)020**

Question Serial No.

0873

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in 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 insolvency of an insurer. The insurance industry still has divergent views regarding part of the details, which include whether small and medium enterprises should be protected, whether the policies of wound-up companies should continue to be effective, etc. The above issues have significant impact on the insurance industry and the policyholders, and may even lead to depletion of the Fund. Please inform this Committee of whether the Branch will consider adopting the proposals made by the industry when preparing the legislation, and maintain communication with the industry.

Asked by: Hon. Chan Kin-por

Reply:

The establishment of a Policyholders' Protection Fund ("PPF") will provide a safety net for policyholders. This will better protect policyholders' interest, maintain market stability in the event of insurer insolvency, and enhance public confidence in and competitiveness of the insurance industry.

Throughout the process of formulating the proposals, the Administration has maintained close dialogue with the industry and fully incorporated their comments. We will continue to take heed of and keep an open mind on the comments subsequently received from the industry. On certain amendments recently proposed by the industry, we have invited the industry to provide more information to facilitate our deliberation, and for our reference when drafting the legislation.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)021**

Question Serial No.

0874

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Government will introduce legislation for the establishment of an independent Insurance Authority (“IIA”). In fact, IIA has significant impact on the whole industry. During the second phase of consultation, the intermediaries and insurance companies had made a lot of submissions, especially concerning the extent to which the industry will participate in IIA in future, the legal relationship between insurance companies and intermediaries, the introduction of severe penalties for intermediaries, etc. Please inform this Committee of how the issues which are of great concern to the intermediaries and insurance companies will be resolved when preparing the legislation, and whether the Government will discuss with the industry again before introducing the Bill to the Legislative Council.

Asked by: Hon. CHAN Kin-por

Reply:

We attach great importance to comments from the insurance industry regarding the proposed establishment of the independent Insurance Authority (“IIA”). We consulted the public on the framework proposals in 2010 and engaged the industry and stakeholders on the detailed proposals in 2011. After considering the comments received, we issued in 2012 the key legislative proposals for a three-month public consultation.

We are considering the comments from the general public and the industry and are refining the key legislative proposals. We seek to strike a reasonable balance between protecting the policyholders and facilitating market operation and innovation. In finalising the amendment bill, we will continue to engage the industry.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)022**

Question Serial No.

0875

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in the Budget Speech that the development of captive insurance companies business can promote the development of other related businesses, including reinsurance, making Hong Kong's risk management services more diversified. The Government intends to attract enterprises to form captive insurance companies in Hong Kong through offering tax concessions. In fact, offering tax concessions is only one of the steps. Overseas countries, on the other hand, may have more incentives for attracting enterprises forming their own captive insurance companies, and funds from the Mainland for forming captive insurance companies in Hong Kong may cause double taxation problem. All these reflect that there is a lack of driving force for the initiative. Please inform the Committee of whether the Government will consider helping the Mainland enterprises to form captive insurance companies in Hong Kong, including the conducting of a study to resolve the double taxation problem, and whether measures will be enhanced to promote the development of captive insurance companies.

Asked by: Hon. CHAN Kin-por

Reply:

Apart from the tax concession proposed in the 2013-14 Budget, the Administration has already granted other regulatory concessions for promoting captive insurance business, e.g. lowering their capital and solvency margin requirements, and exempting them from the requirement of maintaining assets in Hong Kong, etc. In addition, the authorisation fee which captive insurance companies need to pay upon establishment (and the annual fee payable in subsequent years) is \$ 22,600. The amount is just one-tenth of that paid by other general business insurers.

Hong Kong has already entered into the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” with the Mainland. The Agreement should facilitate captive insurance companies set up in Hong Kong by Mainland enterprises to address potential double taxation issues.

Also, the Administration would leverage its economic and trade networks and conduct promotional activities in the Mainland and overseas to attract enterprises to form captive insurers in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)023**

Question Serial No.

0876

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Government will introduce legislation for the establishment of an independent Insurance Authority (“IIA”). In fact, the Government has been focusing on regulatory issues in recent years and neglecting the exploring of business opportunities. As a result, the overall development of the financial services industry has come to a standstill in recent years. Please inform this Committee of whether IIA will, after its establishment, explore business opportunities for the insurance industry and enhance the competitiveness of the industry, such as helping the Hong Kong insurance industry to enter the Mainland market.

Asked by: Hon. CHAN Kin-por

Reply:

We propose that the functions of the independent Insurance Authority (“IIA”) should include formulating effective regulatory strategies and facilitating sustainable market development of the insurance industry, as well as conducting studies into matters affecting the insurance industry in Hong Kong. The work of the IIA will include enhancing the competitiveness of the industry and facilitating the insurance industry to explore local and Mainland business opportunities.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)024**

Question Serial No.

0877

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau (Financial Services Branch) mentioned in its Programme that the Government will co-ordinate the implementation of relevant measures announced by the Central Authorities and pursue initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks. According to the rules, the financial services industry is allowed access to the Mainland market. However, they have encountered quite a number of obstacles in the process. Take the insurance industry as an example. Almost no progress has been made by the industry in entering the Mainland market and setting up business there. Please advise this Committee of the way the Government will take to follow-up with the financial services industry (including the insurance industry) and implement the policy of allowing the industry to enter and set up business on the Mainland market.

Asked by: Hon. CHAN Kin-por

Reply:

Steady progress has been made for Hong Kong financial services industry to enter the Mainland market through the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”).

On banking, Supplement VI to CEPA allows branches established by Hong Kong banks in Guangdong Province to set up “cross-location” sub-branches within the Guangdong Province. So far, five Hong Kong banks have set up 40 cross-location sub-branches in such locations as Fuoshan, Zhongshan, Huizhou etc.

On securities, under Supplement VI to CEPA, qualified Hong Kong securities companies and Mainland securities companies which satisfy the requirements for establishing subsidiaries can set up in Guangdong Province joint venture securities investment advisory companies. The first such joint venture company was opened in August 2012. Under Supplement VII to CEPA, Mainland and Hong Kong can launch in the Mainland at an appropriate time, Exchange-traded Fund (“ETF”) constituted by Hong Kong listed stocks. So far, two Hong Kong stock ETFs have been listed in the stock exchanges in Shenzhen and Shanghai respectively. Supplement VIII to CEPA allows investments in the Mainland securities market by means of RMB Qualified Foreign Institutional Investors (“RQFII”) scheme and since the introduction of the scheme in December 2011, the quota has been increased to RMB 270 billion, and the types of financial institutions eligible for applying for RQFII have been enlarged from Hong Kong subsidiaries of Mainland fund management and securities companies to Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered and have operations in Hong Kong. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions. So far, four RQFII A-share ETFs have been successfully launched in Hong Kong.



On insurance, Supplement IV to CEPA allows Hong Kong insurance agency companies to set up wholly-owned enterprises in the Mainland to provide insurance agency services to the Mainland insurance companies. So far, approval has been given for two Hong Kong insurance agency companies to set up wholly-owned enterprises in the Mainland. Supplement VIII also allows eligible Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in Guangdong Province on a pilot basis. In addition, we have successfully sought the opening up of the Mainland interbank bond market to qualified Hong Kong insurance companies, creating diversified channels for the industry to invest in RMB equity and further enhancing the RMB insurance business in Hong Kong.

On accounting services, Supplement IX to CEPA signed on June 2012 allows Hong Kong professionals who have obtained the Chinese Certified Public Accountants qualification to become partners of partnership firms in Qianhai on a pilot basis. The Provisional Measures on Processing Applications for Hong Kong Accounting Professionals to become Partners of Accounting Firms in Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone was also published in January 2013.

We will continue to maintain close communication with relevant Mainland authorities in a bid to facilitate the access of our financial services sector to the Mainland market.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)025**

Question Serial No.

0878

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In his Budget Speech, the Financial Secretary proposed launching the third issuance of inflation-linked retail bonds (“iBond”) of up to \$10 billion. Given the ultra low interest rate in Hong Kong and the potential pitfalls in investment markets this year, the market has expected that the coming iBond issuance of \$10 billion will still largely fall short of demand and the number of units to be allocated to each successful subscriber will be limited. This is not very effective in coping with inflation, and is in fact no more than a gesture. Will the Government consider increasing the issuance size of iBond when the response is overwhelming? In addition, having issued the iBond for 3 consecutive years, will the Government consider making the issuance of iBond a regular exercise, say linking the issuance of iBond to a certain level of inflation rates so as to help the public cope with inflation?

Asked by: Hon. CHAN Kin-por

Reply:

The size of the coming issuance of iBond will be up to HK\$10 billion. Such an issuance size will strike a reasonable balance between satisfying the demand of Hong Kong residents for retail bonds and ensuring that the Government Bond Programme has a capacity to support the development of other segments of the bond market. Further issuance of iBond aims to maintain the growth momentum of the retail bond market. This is a non-recurrent measure to address the current low-interest rate environment. In the long run, we should allow adequate room for the market to develop different types of bonds for a more diversified bond market in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)026**

Question Serial No.

0897

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Provision of \$210,835,000 for 2013-14 under the estimated *Operational expenses* of the Financial Services and the Treasury Bureau (Financial Services Branch) is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of 11.1% over the revised estimate for 2012-13 is mainly due to the anticipated increase in expenditure for employing non-civil service contract staff in the Office of the Commissioner of Insurance (“OCI”), and expenses for commissioning the Risk-based Capital Consultancy Study in respect of the insurers. Please advise this Committee of the details of the increase in expenditure and the staff establishment of the OCI in the new financial year, and whether the OCI’s existing staff will be deployed to the new Insurance Authority to facilitate smooth transition of the work concerned.

Asked by: Hon. CHAN Kin-por

Reply:

The increase in provision mainly includes about \$12 million for non-civil service contract staff in the Office of the Commissioner of Insurance (“OCI”) to perform new statutory functions, including the regulation of anti-money laundering and Mandatory Provident Fund intermediary activities; and about \$4 million for conducting a consultancy study on Risk-based Capital Framework for Insurance Business in Hong Kong. The estimated establishment of civil service and non-civil service contract staff in the OCI in 2013-14 is 163.

The Administration would ensure the smooth transition of regulatory functions from OCI to the independent Insurance Authority and that suitable arrangements will be put in place for existing OCI staff.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)027**

Question Serial No.

5136

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please list each year from 1993 to 2013 the numbers of families which are earning a monthly household income lower than the level of the Comprehensive Social Security Assistance (CSSA) received by families of the same size.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the number of domestic households with monthly household income (excluding foreign domestic helpers) less than the average CSSA payment of the corresponding household size (excluding foreign domestic helpers) for 2001 to 2011 are given in the table below. The Department does not have the corresponding figures prior to 2001, while those for 2012 and 2013 will be available in early April 2013 and early April 2014 respectively.

Year	No. of domestic households with monthly household income (excluding foreign domestic helpers) less than the average CSSA payment
2001	379 100
2002	410 400
2003	407 600
2004	386 700
2005	371 200
2006	350 300
2007	334 400
2008	316 400
2009	385 600
2010	370 400
2011	378 000

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)028**

Question Serial No.

5196

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please list by 18 Districts the numbers and ratios of households residing in public rental housing flats, Home Ownership Scheme flats, private properties and other residential flats in the respective Districts for the past 5 years (i.e. from 2008-2009 to 2012-2013).

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, statistics on domestic households by District Council districts and type of housing for 2008 to 2011 are given in the attached table. The corresponding statistics for 2012 will be available in April 2013.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**Table 1: Domestic Households by District Council District and Type of Housing, 2008-2011**

Year: 2008#

District Council District	Public Rental Housing		Subsidized Home Ownership Housing		Private Permanent Housing		Temporary Housing		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%
Central and Western	1 500	1.7	-	-	89 200	98.2	*	*	90 800	100.0
Wan Chai	-	-	-	-	57 900	99.7	*	*	58 100	100.0
Eastern	38 800	20.0	28 600	14.7	126 300	65.1	*	*	193 900	100.0
Southern	28 600	33.6	14 600	17.2	41 500	48.8	300	0.4	85 000	100.0
Yau Tsim Mong	3 100	3.0	4 100	3.9	97 200	92.6	500	0.5	104 900	100.0
Sham Shui Po	44 500	35.3	7 400	5.9	73 700	58.4	400	0.3	126 100	100.0
Kowloon City	19 700	16.9	2 000	1.8	94 000	80.8	700	0.6	116 400	100.0
Wong Tai Sin	72 000	51.9	44 700	32.2	22 100	15.9	*	*	138 900	100.0
Kwun Tong	100 300	51.2	30 600	15.6	64 600	33.0	300	0.1	195 800	100.0
Kwai Tsing	98 700	58.6	25 500	15.1	44 100	26.2	*	*	168 500	100.0
Tsuen Wan	23 000	23.4	700	0.7	74 000	75.3	600	0.6	98 300	100.0
Tuen Mun	56 200	33.6	37 700	22.6	71 400	42.7	1 700	1.0	167 000	100.0
Yuen Long	56 000	32.2	23 300	13.4	91 200	52.4	3 400	1.9	174 000	100.0
North	19 700	21.0	28 000	29.8	41 700	44.4	4 600	4.9	94 000	100.0
Tai Po	17 900	19.6	25 200	27.6	45 900	50.4	2 200	2.4	91 200	100.0
Sha Tin	56 000	28.9	57 500	29.6	80 200	41.4	*	*	194 000	100.0
Sai Kung	28 100	21.5	45 100	34.6	57 100	43.8	*	*	130 300	100.0
Islands	15 700	30.4	2 100	4.1	32 800	63.4	1 100	2.1	51 800	100.0
<b>Overall</b>	<b>679 900</b>	<b>29.8</b>	<b>377 200</b>	<b>16.5</b>	<b>1 205 100</b>	<b>52.9</b>	<b>16 900</b>	<b>0.7</b>	<b>2 279 100</b>	<b>100.0</b>

Notes: Figures may not add up to the respective totals due to rounding.

“\*” Figures are not released owing to large sampling errors.

“-” Not applicable.

“#” Figures presented in the above table are statistics which involve the use of the population figures in the compilation process. They have been revised to take into account the results of the 2011 Population Census which provided a benchmark for revising the population figures compiled since the 2006 Population By-census.

Year: 2009#

District Council District	Public Rental Housing		Subsidized Home Ownership Housing		Private Permanent Housing		Temporary Housing		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%
Central and Western	1 700	1.9	-	-	88 000	98.1	*	*	89 700	100.0
Wan Chai	-	-	-	-	57 900	99.9	*	*	58 000	100.0
Eastern	39 400	20.3	29 000	15.0	125 200	64.6	*	*	193 700	100.0
Southern	27 200	31.9	14 800	17.3	42 300	49.6	1 000	1.1	85 200	100.0
Yau Tsim Mong	3 200	3.0	4 300	4.0	98 900	92.5	600	0.5	107 000	100.0
Sham Shui Po	43 700	34.4	7 200	5.7	75 800	59.6	400	0.3	127 200	100.0
Kowloon City	20 500	17.2	2 300	1.9	95 800	80.3	700	0.6	119 300	100.0
Wong Tai Sin	72 000	52.0	44 000	31.8	22 300	16.1	*	*	138 400	100.0
Kwun Tong	105 500	52.0	32 000	15.8	64 700	31.9	700	0.3	202 900	100.0
Kwai Tsing	99 200	58.8	26 200	15.6	42 900	25.4	300	0.2	168 700	100.0
Tsuen Wan	22 400	22.8	1 200	1.2	73 700	74.9	1 100	1.1	98 400	100.0
Tuen Mun	57 600	34.7	38 800	23.4	68 800	41.5	900	0.5	166 100	100.0
Yuen Long	56 700	31.9	22 100	12.5	93 600	52.7	5 100	2.9	177 500	100.0
North	20 900	21.8	28 000	29.2	41 700	43.5	5 300	5.5	95 900	100.0
Tai Po	18 000	19.5	24 200	26.4	49 100	53.4	700	0.7	91 900	100.0
Sha Tin	56 300	28.9	57 100	29.3	79 700	41.0	1 400	0.7	194 500	100.0
Sai Kung	26 800	20.4	43 100	32.8	61 300	46.7	*	*	131 300	100.0
Islands	15 100	29.2	2 300	4.5	33 800	65.6	300	0.7	51 500	100.0
<b>Overall</b>	<b>686 200</b>	<b>29.9</b>	<b>376 600</b>	<b>16.4</b>	<b>1 215 700</b>	<b>52.9</b>	<b>18 800</b>	<b>0.8</b>	<b>2 297 200</b>	<b>100.0</b>

Notes: Figures may not add up to the respective totals due to rounding.

“\*” Figures are not released owing to large sampling errors.

“-” Not applicable.

“#” Figures presented in the above table are statistics which involve the use of the population figures in the compilation process. They have been revised to take into account the results of the 2011 Population Census which provided a benchmark for revising the population figures compiled since the 2006 Population By-census.

Year: 2010#

District Council District	Public Rental Housing		Subsidized Home Ownership Housing		Private Permanent Housing		Temporary Housing		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%
Central and Western	2 300	2.5	-	-	87 700	97.3	*	*	90 100	100.0
Wan Chai	-	-	-	-	58 300	99.9	*	*	58 400	100.0
Eastern	38 700	20.0	28 500	14.7	126 400	65.2	*	*	193 800	100.0
Southern	27 900	32.5	14 600	17.0	42 000	48.8	1 500	1.7	86 000	100.0
Yau Tsim Mong	3 900	3.6	4 500	4.1	100 000	92.0	300	0.3	108 700	100.0
Sham Shui Po	45 000	35.4	6 900	5.4	74 800	58.8	400	0.3	127 100	100.0
Kowloon City	19 800	16.4	2 700	2.3	97 400	80.9	400	0.4	120 300	100.0
Wong Tai Sin	72 200	51.7	44 900	32.2	22 400	16.1	-	-	139 500	100.0
Kwun Tong	114 100	54.3	31 900	15.2	64 000	30.4	*	*	210 200	100.0
Kwai Tsing	97 800	57.7	27 100	16.0	44 100	26.0	300	0.2	169 300	100.0
Tsuen Wan	21 800	22.2	900	1.0	75 100	76.3	500	0.5	98 300	100.0
Tuen Mun	55 900	33.5	38 200	22.9	71 300	42.7	1 600	0.9	166 900	100.0
Yuen Long	61 300	33.7	22 900	12.6	92 900	51.1	4 700	2.6	181 900	100.0
North	21 100	21.7	27 800	28.6	43 200	44.3	5 200	5.4	97 400	100.0
Tai Po	18 100	19.5	24 300	26.1	49 900	53.7	700	0.8	93 000	100.0
Sha Tin	58 200	29.2	57 600	28.9	82 400	41.4	900	0.5	199 200	100.0
Sai Kung	26 000	19.6	43 200	32.6	63 000	47.5	400	0.3	132 600	100.0
Islands	15 600	29.8	3 000	5.8	33 000	63.2	700	1.3	52 300	100.0
<b>Overall</b>	<b>699 600</b>	<b>30.1</b>	<b>379 200</b>	<b>16.3</b>	<b>1 227 900</b>	<b>52.8</b>	<b>18 300</b>	<b>0.8</b>	<b>2 325 100</b>	<b>100.0</b>

Notes: Figures may not add up to the respective totals due to rounding.

“\*” Figures are not released owing to large sampling errors.

“-” Not applicable.

“#” Figures presented in the above table are statistics which involve the use of the population figures in the compilation process. They have been revised to take into account the results of the 2011 Population Census which provided a benchmark for revising the population figures compiled since the 2006 Population By-census.



Year: 2011

District Council District	Public Rental Housing		Subsidized Home Ownership Housing		Private Permanent Housing		Temporary Housing		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%
Central and Western	2 100	2.4	-	-	85 900	97.6	*	*	88 000	100.0
Wan Chai	-	-	-	-	55 300	100.0	-	-	55 300	100.0
Eastern	39 700	20.5	28 500	14.7	125 400	64.7	*	*	193 900	100.0
Southern	27 100	32.0	14 600	17.3	42 400	50.1	600	0.7	84 700	100.0
Yau Tsim Mong	3 600	3.2	4 100	3.6	105 100	93.0	*	*	113 000	100.0
Sham Shui Po	46 100	34.4	6 700	5.0	80 700	60.3	400	0.3	133 900	100.0
Kowloon City	20 600	16.8	2 400	2.0	99 600	81.2	*	*	122 800	100.0
Wong Tai Sin	72 200	51.4	43 400	30.9	24 700	17.6	*	*	140 400	100.0
Kwun Tong	117 900	55.1	32 000	14.9	63 800	29.8	500	0.2	214 100	100.0
Kwai Tsing	98 600	58.5	25 400	15.1	44 300	26.3	*	*	168 600	100.0
Tsuen Wan	23 200	22.6	1 100	1.0	77 400	75.6	800	0.8	102 400	100.0
Tuen Mun	56 500	33.5	36 900	21.8	73 200	43.3	2 400	1.4	168 900	100.0
Yuen Long	59 700	31.4	23 100	12.2	103 700	54.5	3 700	2.0	190 300	100.0
North	22 300	22.4	27 700	27.9	43 600	43.8	5 900	5.9	99 500	100.0
Tai Po	17 500	18.6	24 100	25.7	50 800	54.1	1 600	1.7	94 000	100.0
Sha Tin	59 500	29.2	56 500	27.7	87 300	42.7	900	0.5	204 200	100.0
Sai Kung	27 500	20.0	43 400	31.5	66 100	48.0	700	0.5	137 700	100.0
Islands	14 600	30.6	2 200	4.7	30 300	63.7	500	1.0	47 500	100.0
<b>Overall</b>	<b>708 700</b>	<b>30.0</b>	<b>372 200</b>	<b>15.8</b>	<b>1 259 700</b>	<b>53.4</b>	<b>18 700</b>	<b>0.8</b>	<b>2 359 300</b>	<b>100.0</b>

Notes: Figures may not add up to the respective totals due to rounding.

“\*” Figures are not released owing to large sampling errors.

“-” Not applicable.

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION****FSTB(FS)029**

Question Serial No.

5206

Head: 26 – Census and Statistics Department      Subhead (No. & title):Programme: (2) Social StatisticsControlling Officer: Commissioner for Census and StatisticsDirector of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please list by residence type (public rental housing, private properties, village housing, etc.) the ratio of the rental to the household income of the respective residential flats in the 18 Districts for the past 5 years (i.e. from 2008-2009 to 2012-2013).

Asked by: Hon. CHEUNG Chiu-hung, FernandoReply:

According to the 2011 Population Census, the median monthly domestic household rent to income ratio (%) by District Council districts and type of quarters in 2011 are given below. The Census and Statistics Department does not have the statistics for the other years.

(%)

District Council district	Type of quarters				All types of quarters
	Public rental housing units	Private residential flats <sup>(1)</sup>	Villas /bungalows /modern village houses/simple stone structures /traditional village houses	Others (including staff quarters, non-domestic quarters, temporary quarters)	
Central and Western	11.9	25.5	34.8	11.4	24.1
Wan Chai	#	26.1	14.6	7.0	25.6
Eastern	10.4	27.1	#	5.7	16.1
Southern	10.0	25.6	30.2	4.4	12.1
Yau Tsim Mong	15.5	27.0	***	22.1	26.0
Sham Shui Po	12.9	26.3	***	15.0	17.7
Kowloon City	10.6	26.1	38.9	8.1	19.5
Wong Tai Sin	11.1	27.3	***	4.6	11.5
Kwun Tong	12.8	24.5	16.5	4.6	13.2
Kwai Tsing	10.8	26.5	23.8	4.6	11.3
Tsuen Wan	10.8	24.8	21.0	13.5	15.6

District Council district	Type of quarters				All types of quarters
	Public rental housing units	Private residential flats <sup>(1)</sup>	Villas /bungalows /modern village houses/simple stone structures /traditional village houses	Others (including staff quarters, non-domestic quarters, temporary quarters)	
Tuen Mun	7.7	25.4	21.3	7.5	9.2
Yuen Long	9.3	23.7	20.4	14.8	12.1
North	9.5	23.5	23.8	10.8	13.1
Tai Po	7.6	26.2	20.9	14.4	13.4
Sha Tin	9.6	23.6	21.0	11.6	12.2
Sai Kung	10.8	23.8	22.2	4.7	14.3
Islands	9.7	23.5	20.6	30.8	13.4
Land Total	10.6	25.7	21.4	7.2	13.9

Notes: (1) "Private residential flats" include flats sold under various home ownership schemes of the Hong Kong Housing Authority and the Hong Kong Housing Society that are free of alienation restrictions.

\*\*\* The estimated number of domestic households in this group is less than 50 (excluding zero). Related statistics derived based on such estimates are not released due to large sampling error.

# There are no such domestic households in this group for deriving the related statistics.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)030**

Question Serial No.

5207

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please list by residence type (Home Ownership Scheme, private properties, village housing, etc.) the ratio of the home mortgage repayment amount to the household income of the respective residential flats for the past 5 years (i.e. from 2008-2009 to 2012-2013).

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

According to the 2011 Population Census, the median monthly domestic household mortgage payment and loan repayment to income ratio (%) by type of housing in 2011 are given below. The statistics for the other years are not available from the Census and Statistics Department.

(%)

Type of housing			All types of housing
Subsidised home ownership housing	Private residential flats	Villas/bungalows/modern village houses/simple stone structures/traditional village houses	
17.6	20.0	19.0	19.6

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)031**

Question Serial No.

4020

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in paragraph 117 of the 2013 Budget Speech that “we are now working with the Mandatory Provident Fund Schemes Authority (“MPFA”) on short, medium and long-term fee reduction measures. They include promoting electronic platforms, consolidating employees' accounts, and rationalising the types and numbers of MPF funds in order to reduce the administration costs. Meanwhile, we aim to cut down the fees and charges by maximising market forces.” In this connection, will the Administration inform this Committee of:

- (1) the estimated reduction of the administration costs;
- (2) the specific measures for maximising market forces; and
- (3) the estimated percentage of reduction of fees and charges?

Asked by: Hon. CHEUNG Kwok-che

Reply:

In principle, the Government and the Mandatory Provident Fund Schemes Authority (“MPFA”) would like to drive down MPF fees through market force and have implemented various measures to enhance market competition and transparency, such as the Employee Choice Arrangement which commenced operation on 1 November last year. In 2013-14, the priorities of the Administration and MPFA are to adopt a basket of short, medium and long-term measures to drive down MPF fees. The work plan and timetable are as follows-

Short-term measures: regarding the Consultancy Study on MPF Trustees' Administration Costs announced in November 2012, the MPFA is pressing ahead with those measures suggested by the consultant which can be implemented within the existing legislative framework to reduce administration costs. These include promoting electronic platforms, encouraging employees to consolidate their accounts, and encouraging trustees to consolidate MPF schemes/funds that are smaller in scale or less cost-efficient;

Medium-term measures: the Administration and MPFA are considering feasible options to enable the MPFA to better perform its functions, which include specifying regulatory requirements for seeking the MPFA's approval for MPF funds. We aim to introduce the proposed legislative amendments into the Legislative Council by July 2014; and

Long-term measures: we are discussing with the MPFA the rationalisation of fund choices and introduction of a cap on MPF fees in case of market failure, with a view to preparing a proposal for public consultation

within this year. The MPFA also seeks to complete mapping out the implementation of full portability before 2016.

We have not estimated the reduction in administration costs and fees.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)032**

Question Serial No.

1868

Head: 106 – Miscellaneous Services

Subhead (No. & title): 821 – Contribution to the eighth replenishment of the Asian Development Fund

Programme:

Controlling Officer: Chief Executive, Hong Kong Monetary Authority

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the contribution to the eighth and ninth replenishment of the Asian Development Fund mentioned in the Estimates, please list the recipient countries and targeted donees. Will the Administration monitor the uses of the donated money and review the effectiveness of the subvented development programmes after making the donation?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

There are currently 29 developing member economies of the Asian Development Bank (“ADB”) that have access to Asian Development Fund (“ADF”) resources<sup>1</sup>. ADF operations include various infrastructure projects for road improvement, power distribution, water supply and sanitation etc., as well as development programmes in education, health, agriculture and finance sectors which benefit people in the ADF recipient economies.

As an ADF donor, Hong Kong participates directly in the ADF replenishment negotiations, the mid-term review that takes place half-way through the replenishment cycle, and the donors consultation that is held annually on the sidelines of the ADB Annual Meeting, to discuss the progress of ADF operations and review the effectiveness of ADF implementation.

Name in block letters: Norman CHAN

Post Title: Chief Executive, Hong Kong  
Monetary Authority

Date: 21.3.2013

<sup>1</sup> Jurisdictions with access to ADF resources include – Afghanistan, Armenia, Bangladesh, Bhutan, Cambodia, Georgia, Kiribati, Kyrgyz Republic, Lao PDR, Maldives, Marshall Islands, Federated States of Micronesia, Mongolia, Myanmar, Nauru, Nepal, Pakistan, Palau, Papua New Guinea, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Timor Leste, Tonga, Tuvalu, Uzbekistan, Vanuatu, and Vietnam.

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)033**

Question Serial No.

1874

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Bureau inform this Committee of the expenditure and manpower involved for the establishment of the Financial Services Development Council (“FSDC”)? Will the FSDC be staffed by open recruitment or internal re-deployment from other relevant organisations? What are the specific details of the recruitment and the secondment?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

The expenditure incurred to set up the FSDC was mainly to cover the cost of four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch (“FSB”) to support the Preparatory Taskforce on FSDC, which came into operation on 1 July 2012 and published its report in December 2012. The cost was absorbed from within the existing resources of FSB. At present the FSDC operates as a high-level cross-sector advisory body and has not incurred any further set up cost.

The secretariat of the FSDC is staffed through internal re-deployment. It comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the FSB, and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)034**

Question Serial No.

1875

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

For the general non-recurrent expenses on “initiatives to co-ordinate the human resources development for the financial services sector”, please advise the Committee of the following:

- (a) the specific measures taken in the past 3 years (i.e. 2010-2011 to 2012-2013);
- (b) the targets of such measures; and
- (c) the breakdown of expenditure of these measures.

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

The resource allocation for “Initiatives to co-ordinate the human resources development for the financial services sector” under Subhead 700 Item 014 is mainly for supporting activities pursued by the Advisory Committee on Human Resources Development in the Financial Services Sector (“FinMan Committee”) to promote financial services manpower development in Hong Kong. Since its establishment in June 2000, the FinMan Committee has been providing advice on partnership between the industry and the academia, compilation of manpower statistics, professional training and the strategic human resources needs of Hong Kong as an international financial centre. The FinMan Committee comprises members from the financial sector, academia, training institutes, regulators and the Government. The Financial Services Branch provides secretariat and administrative support to the FinMan Committee.

From 2010-11 to 2012-13, major initiatives undertaken by the FinMan Committee include organising events under the “Industry/Academia Collaboration on Nurturing Financial Talent Series” (“the Series”) and rolling out a “Pilot Scheme for Cross-border Study Tour for Post-secondary Financial Talents” (“Pilot Scheme”) for the first time in 2012.

Events held under the Series aim to foster mutual understanding and encourage cooperation between the industry and the academia on issues related to human resources development for the financial services sector. The Pilot Scheme seeks to enhance the students’ understanding of the financial markets of both Hong Kong and the Mainland as well as financial institutions in the Mainland; and promote exchange among aspiring financial talents in Hong Kong and the Mainland.

Up to mid-March 2013, total expenses of the FinMan Committee from 2010-11 to 2012-13 were about HK\$102,000, mainly arising from organising seminars and related activities. In rolling out initiatives to promote human resources development for the financial services sector, the FinMan Committee proactively seeks to collaborate with the financial sector, academia and training institutions. Very often the

co-organising institutions would provide event venues and sponsorship, as well as share part of the organising costs with the FinMan Committee, thus facilitating efficient use of resources for the best outcome.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)035**

Question Serial No.

1878

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On introducing a scripless securities market, please advise the Committee of the following:

- (a) the specific timetable for legislation and the expected time for full implementation; and
- (b) the expenditure and manpower involved.

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

Taking into account conclusions of earlier consultations and views of the industry, we are drafting the relevant Bill to provide a legal framework for implementing a scripless securities market. We aim to introduce the Bill into the Legislative Council within this year. Subject to passage of the Bill, the scripless regime will run parallel with the existing paper-based regime for some time in order to allow adequate room for the market to establish new practices. During this period, companies and investors would be free to make their own choice.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary participate in the above legislative exercise. The expenditure involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)036**

Question Serial No.

1879

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 49 of the Budget Speech that “to tie in with the development of private wealth management, the Government and the regulators will continue to support the work of the sector in setting up a trade association, taking forward programmes relating to the accreditation and enhancing the training of practitioners.” What are the specific details of the plan? How much resources and manpower will be deployed for facilitating such development? Does the Government have any specific targets for promoting the development of local private wealth management? Is there any specific plan for taking forward programmes relating to the accreditation and enhancing the training of practitioners?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

To ensure an adequate supply of professionals to support the private wealth management industry, the Government and regulators are actively facilitating the industry to establish a “Private Wealth Management Association”, implementing an enhanced competency framework and fostering practitioners training. These would help strengthen the talent pool of quality practitioners.

In addition, we have invited the Securities and Futures Commission (“SFC”) to consider offering financial support for the curriculum development of suitable training courses in asset management by the market, with a particular focus on the need for continued professional training of the small and medium-sized securities brokers. We have received a positive response from the SFC. For this, the SFC has already initiated discussions with the Hong Kong Securities and Investment Institute on implementation of these initiatives.

The Government and the regulators will continue to engage the market with a view to further developing the asset management and private wealth management industry in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)037**

Question Serial No.

1880

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 42 of the Budget Speech that Hong Kong is an international financial centre, and the financial services industry employs 230 000 people, or 6% of the total workforce. It is a high value-added industry that contributes 16% to Gross Domestic Product (“GDP”). However, a number of small and medium securities companies and brokers have received significantly less income in recent years despite robust market transactions. It is also reported that the income of brokers is even lower than the statutory minimum wage level and some brokers have to do part-time jobs to make a living. Will the Government review the current financial policy in order to avoid favouring large securities companies and to uphold fair competition? Are there any specific plans to enhance the viability of small and medium securities companies and brokers?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

When the Administration formulates policies related to the securities sector, we have always adhered to the principle of promoting the efficiency, competitiveness, transparency, fairness and orderliness of the securities industry in order to benefit all market participants. We believe that the best way to support securities companies is to continue providing a fair business environment, and upgrading our market quality and overall competitiveness.

Together with the Securities and Futures Commission (“SFC”), we have taken a number of measures to support the industry’s sustainable development. For example, when formulating new regulatory requirements, the Government and regulators are mindful to streamline the compliance procedures and review relevant existing requirements to identify room for further simplification, in order to facilitate industry compliance. Lately, SFC initiated discussion with the Hong Kong Securities and Investment Institute on ways to assist the brokers, asset managers and other practitioners in the securities markets to promote their service quality and enlarge their service scope. In this regard, SFC has indicated that it stands ready to provide financial support for an increased variety of targeted training. We have suggested to SFC that such support should have a particular focus on the continued professional training for the small and medium sized securities companies. This initiative will better equip industry practitioners to cope with new demands arising from market development. At the same time, we will continue to maintain close liaison with relevant Mainland authorities with a view to identifying new business opportunities for Hong Kong securities companies in the Mainland, including relaxing the upper limit of their shareholding in joint venture companies, expanding the range of services that they may provide and setting up wholly-owned securities business, etc. We will continue to maintain close communication with the industry, and endeavour to promote the competitiveness of the industry and create a better business environment.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)038**

Question Serial No.

1881

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraphs 45 and 46 of the Budget Speech that the Government plans to attract more private equity funds, traditional mutual funds and hedge funds to domicile in Hong Kong. However, as the form of an Open-ended Investment Company will be introduced, a higher market risk is expected. Will the Government advise us on how risk management will be enhanced while attracting more funds to domicile in Hong Kong?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

With economic gravity shifting to the East, more and more quality and competitive investment projects originate from Asia. Hong Kong is located at the centre of Asia and possesses advantages such as free flow of information, an independent judicial system as well as having the Mainland as our hinterland. With Hong Kong's competitive edges, funds based in Hong Kong are able to explore investment opportunities in Asia or seek to attract Asian capital more easily. We are adopting multi-pronged strategies to further promote Hong Kong's fund and asset management business.

The Budget proposed to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds and create a clear and certain tax environment for the private equity funds. In turn, this will attract more private equity funds to base their businesses in Hong Kong.

When formulating the above new initiative, we will need to consider how we can provide a clear and certain tax environment and prevent the abuse of the exemption arrangement for tax avoidance. We aim to launch a consultation on the relevant proposals within this year, so as to commence the relevant legislative exercise as soon as possible.

At the same time, the Budget also proposed to introduce Open-ended Investment Companies ("OEIC") as we noted that OEIC have become an increasingly popular form used by the fund industry to set up investment funds. We are joining hands with the Securities and Futures Commission to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. We are now discussing the above proposals in detail with relevant departments and regulators. One of the key issues on the agenda is to ensure there will be appropriate regulation of funds that adopted the OEIC structure.

While we endeavour to develop the market and create new opportunities, we also attach great importance to financial safety, and review the regulatory regime from time to time. We will introduce measures to maintain the stability of our financial system and improve the quality of the market when necessary. For example, we have introduced new reporting requirements in relation to short selling in June last year, and renewed the position limits and reportable positions on futures and options contracts from time to time. Moreover, we are drafting legislation to regulate the transactions of over-the-counter derivative.

We believe that the above measures will be conducive to Hong Kong's development as a comprehensive fund and asset management centre, covering registration, product manufacturing, investment management and sales and marketing, so as to consolidate the competitive edges of the market and enable Hong Kong to become the base for funds to capture Mainland and overseas investment projects, and create job opportunities of various types. The Government, together with the regulators, will continue with our on-going efforts in monitoring closely the situation of local markets, and review the relevant risk management requirements from time to time. We will adhere to the same principles when further developing our fund and asset management business.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)039**

Question Serial No.

1882

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 54 of the Budget Speech that the expansion of Renminbi Qualified Foreign Institute Investors (“RQFII”) Scheme will be expedited, which will include extending the pilot scheme to qualified Hong Kong financial institutions. Will extra manpower and resources be needed by the Government for market development and education of investors? If yes, what are the specific plans?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

We have made good progress in promoting the Renminbi Qualified Foreign Institutional Investors (“RQFII”) scheme in Hong Kong.

Mainland regulators announced the arrangements on expansion of the RQFII pilot scheme and promulgated the revised rules on the scheme on 6 March 2013. Under the revised rules, the types of institutions eligible for applying for RQFII have been enlarged to cover Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered and have major operations in Hong Kong. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions. This will be conducive to the launch of more innovative and diversified RMB investment products in Hong Kong, further deepening the RMB offshore business in Hong Kong and enhancing the cross-border use and circulation of RMB funds between the Mainland and Hong Kong. In turn, it will promote the internationalisation of the RMB.

Regarding investor education, the Securities and Futures (Amendment) Ordinance has come into effect on 4 May 2012 to empower the Securities and Futures Commission (“SFC”) to establish a cross-sectoral Investor Education Centre (“IEC”), which is wholly-owned by the SFC and supported by other financial regulators. The IEC was established in November 2012, aiming to improve the financial knowledge and capability of the general public, including enhancing the general public’s understanding and awareness of popular retail financial products and services. Helping investors understand the operation and risks of various investment products as well as their rights and responsibilities is one of the IEC priorities in its education programmes. With the RQFII arrangements and market developments of related types of products, the IEC will be committed to relevant education work in order to deepen investors’ understanding of the characteristics and risks of RQFII products through various channels, including the mass media and website.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)040**

Question Serial No.

1884

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 54 of the Budget Speech that the Renminbi Qualified Foreign Institute Investors (“RQFII”) Scheme may expand and qualified Hong Kong financial institutions will be included in the pilot scheme. What are the details and specific targets of the expansion plan? Does the Government have any initiatives to assist local small and medium financial institutions to engage in the related business or its supporting services?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

Mainland regulators announced the arrangements on expansion of the Renminbi Qualified Foreign Institutional Investors (“RQFII”) pilot scheme and promulgated the revised rules on the scheme on 6 March 2013. Under the revised rules, the types of institutions eligible for applying for RQFII have been enlarged to cover Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered and have major operations in Hong Kong. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions, which will provide new opportunities for the Hong Kong’s financial services industry to invest in the Mainland market. This will be conducive to the launch of more innovative and diversified RMB investment products in Hong Kong, further deepening the RMB offshore business in Hong Kong and enhancing the cross-border use and circulation of RMB funds between the Mainland and Hong Kong. In turn, it will promote the internationalisation of the RMB.

We have taken a number of measures to enhance the competitiveness and support the sustainable development of the industry in conjunction with the Securities and Futures Commission (“SFC”). For example, the SFC is discussing with the Hong Kong Securities and Investment Institute as to how it may help further enhance the quality and coverage of services provided by brokers, asset managers and other practitioners in the securities industry. The SFC indicates that it stands ready to provide financial support for increasing the variety and intensity of targeted training programmes. We have invited the SFC to focus such training support on small and medium-sized brokerage firms. This will help practitioners to meet market development needs.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)041**

Question Serial No.

1885

Head: 116 – Official Receiver's Office

Subhead (No. & title):

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Why is it necessary for the Official Receiver's Office to contract out various items of work to the private sector? How will the government monitor its effectiveness and quality of the outsourced work?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

Because of the economic downturn since the Asia financial crisis in 1998, the number of liquidation and bankruptcy cases increased substantially from a low figure of 1 616 in 1998 to a record high of 26 620 cases in 2002. The figure gradually went down after 2003 and maintained at around 9 000 to 10 000 per year since 2005, with some upward fluctuations in 2009 due to the financial tsunami.

To cope with the increase in the number of liquidation and bankruptcy cases, the Official Receiver's Office (ORO) has outsourced the following types of work to practitioners in the private sectors (PIPs):

- (a) summary liquidation cases;
- (b) non-summary liquidation cases;
- (c) preliminary examination of bankrupts; and
- (d) debtor-petition summary bankruptcy cases.

It allows the ORO to deal with the increase in the number of cases without corresponding increase in its staff establishment. It has also facilitated building a pool of qualified and experienced liquidation/bankruptcy professionals in the private sector.

The ORO monitors the performance of PIPs and the quality of the outsourced cases through the following measures:

- (a) monitoring the milestones of the cases such as application for summary procedure orders and release orders, etc.;
- (b) checking and auditing trustees' or liquidators' accounts of receipts and payments;
- (c) investigating and taking action (where appropriate) on complaints received against PIPs;
- (d) conducting periodic quality audit of the preliminary examination work of PIPs;
- (e) conducting quality audit of 10% of the outsourced debtor-petition summary bankruptcy cases;
- (f) checking the annual statements of proceedings for bankruptcy cases; and
- (g) monitoring funds paid into the Companies Liquidation Account for liquidation cases.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)042**

Question Serial No.

1886

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Qianhai in Shenzhen is a highlighted special zone among other special zones. It is speeding up its opening to the banking and securities industries. Will the Hong Kong SAR Government re-deploy its manpower and resources to help the local financial services industry explore the Mainland Market so as to meet the development needs of the industry? If so, what are the details? If not, what are the reasons?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

On 29 June 2012, the National Development and Reform Commission (“NDRC”) promulgated in Hong Kong a series of policies as approved by the State Council for Qianhai on an early and pilot basis (early and pilot policies for Qianhai). The policy framework of these early and pilot policies covers six major areas, namely, financial services, taxation, legal services, human resources and professional services, medical services and education, and telecommunication services.

The financial policies for Qianhai broadly aim to support the early and pilot implementation of financial reform and innovation in Qianhai, and showcase this testing ground for opening up our country’s financial services industry. The policies in support of cross-border Renminbi (“RMB”) lending, the development of equity investment funds and issuance of RMB bonds in Hong Kong by Qianhai enterprises, and the lowering of access thresholds for Hong Kong financial institutions to enter Qianhai under CEPA will further enhance the cross-border use and circulation of RMB funds between the Mainland and Hong Kong and open up new opportunities for the Hong Kong financial services industry.

The role of the SAR Government in the development of Qianhai is to achieve mutual benefits by facilitating Hong Kong’s financial services industry to gain access to the Mainland market through Qianhai, seek to lower the entry requirements for Hong Kong enterprises to enter the Mainland market and increase the shareholding of Hong Kong enterprises in joint-venture companies. We have been liaising with relevant authorities of the Central Government and official leadership of Shenzhen and Guangdong Province. We have also been communicating with our financial services industry and would continue to convey their views to the Mainland through various channels. We would seek to capture more development opportunities for our financial institutions and in parallel serve the overall development needs of our country.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)043**

Question Serial No.

1888

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the newly-signed Supplement IX to Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”), Hong Kong has reached an agreement with the Mainland to allow Hong Kong and Mainland securities companies to set up equity joint venture securities investment advisory companies on the Mainland. What is the latest progress and how many Hong Kong companies are prepared to join this scheme? Does the Government have any plans to take forward this scheme?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

Under Supplement VI to CEPA signed on 9 May 2009, qualified Hong Kong securities companies and Mainland securities companies which satisfy the requirements for establishing subsidiaries can set up in Guangdong Province joint venture securities investment advisory companies. The joint venture securities investment advisory company shall be a subsidiary of the Mainland securities company, the scope of business of which shall focus specifically on carrying on securities investment advisory business. The percentage of shareholding of the Hong Kong securities company could, at a maximum, reach one-third of the total shareholding of such a joint venture securities investment advisory company. Since then, we have been working closely with Mainland authorities concerned in taking forward and enhancing the relevant measures. The implementation details were announced by the China Securities Regulatory Commission on 5 January 2010. As of now, one Hong Kong-Mainland joint venture securities investment advisory company has been set up and was opened in August 2012 in Guangzhou. Under Supplement IX to CEPA concluded on 29 June 2012, the shareholding of Hong Kong securities companies in joint venture securities investment advisory companies has been increased to a maximum of 49% of the total shareholding, and the application of the measure has been expanded to cover the whole country.

We will continue to maintain close liaison with relevant Mainland authorities in a bid to identify new business opportunities for Hong Kong securities companies in the Mainland, including relaxing the upper limit of their shareholding in joint venture companies, expanding the range of services that they may provide and setting up wholly-owned securities businesses, etc.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)044**

Question Serial No.

4969

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary points out that the Financial Services Development Council (“FSDC”), the establishment of which has been announced in the Policy Address, will be established in the name of a private company despite its participation in formulating government policies. In this regard, please advise us of:

- (A) whether the FSDC will make public the information concerning fund injections and donations received as well as its financial statements?
- (B) the government expenditure to be incurred in 2013-14 in relation to the government venues lent for meetings of the FSDC and/or government staff seconded to support its meetings and administrative operations?
- (C) whether the Government will recover from the FSDC the costs of providing the meeting venues and manpower support? If not, why?
- (D) the source of the FSDC's operating funds, and whether it is in the form of a loan or an injection if provided by the Government?
- (E) the number of proposals already submitted to the Government by the FSDC since its inception, and the number expected to be submitted in 2013-14?

Asked by: Hon. FAN Kwok-wai, Gary

Reply:

Operating as a high-level cross-sector advisory body set up by the Government, the FSDC has no plan to receive fund injection or accept donations. Similar to other government advisory bodies, the FSDC would deploy government's existing resources such as venues and manpower to support its meetings.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises staff deployed from the Financial Services Branch and seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.



The FSDC at its second meeting held on 19 March 2013 endorsed the initiatives proposed for its five committees, which have also concluded their first meetings shortly before the second council meeting. Detailed work plans are being considered by members.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)045**

Question Serial No.

3806

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 58 of the Budget Speech that “to maintain this growth momentum, I propose launching a further iBond issue of up to \$10 billion under the Government Bond Programme. The iBond, with a maturity of three years, will target Hong Kong residents. Interest will be paid to bond holders once every six months at a rate linked to the inflation rates of the last half-year period. The HKMA will announce the details in due course. I have to point out that the further issuance of iBond is a measure to address the current low-interest rate environment. It is a non-recurrent measure. In the long run, the Government will not confine bond issuance to a particular type of bonds. We shall develop different types of bonds for a more diversified bond market in Hong Kong.” Will the Administration advise this Committee on: the details of the further issuance of iBond; the criteria on which the further iBond issuance of up to \$10 billion is decided and whether improvements have been made in the light of the experience in the previous two issuances; whether the Administration will reconsider expanding the issuance size if it is well-received by the public; and the strategies and direction on the promotion of Hong Kong’s bond market development as well as the proposed types of diversified bonds?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

The size of the coming issuance of iBond will be up to HK\$10 billion. The bond issuance size seeks to strike a reasonable balance between satisfying the demand of Hong Kong residents for retail bonds and ensuring that the Government Bond Programme has a capacity to support the development of other segments of the bond market. In the long run, we should allow adequate room for the market to develop different types of bonds for a more diversified bond market in Hong Kong.

We are committed to promoting the further development of the bond market in Hong Kong. In 2013-14, we will continue to implement the Government Bond Programme (including expanding the size of the Programme and launching a further issuance of iBond worth not more than \$10 billion), and promote our bond market to overseas issuers and investors. In January 2013, we introduced the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 into the Legislative Council, with a view to enhancing Hong Kong’s competitiveness in the development of sukuk and Islamic finance. We will work together with the Bills Committee in the scrutiny of the Bill to facilitate its early passage.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)046**

Question Serial No.

3807

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in *Matters Requiring Special Attention in 2013-14* that the Financial Services Branch will “join hands with the Mandatory Provident Funds Authority to drive down Mandatory Provident Fund (“MPF”) fees and enhance the MPF System, including withdrawal of MPF accrued benefits”. Could the Administration advise this Committee of: the specific methods and measures which can drive down MPF fees and enhance the MPF System; whether the Administration will consider introducing official or non-profit making public trustees; the specific methods and measures proposed to enhance the MPF System; the timetable for implementing these measures and their effects on driving down the MPF fees?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

The Administration and MPFA are pursuing a basket of short, medium and long-term measures so as to achieve substantial reduction in MPF fees. The work plan and timetable are as follows-

Short-term measures: regarding the Consultancy Study on MPF Trustees' Administration Costs announced in November 2012, the MPFA is pressing ahead with those measures suggested by the consultant which can be implemented within the existing legislative framework to reduce administration costs. These include promoting electronic platforms, encouraging employees to consolidate their accounts, and encouraging trustees to consolidate MPF schemes/funds that are smaller in scale or less cost-efficient;

Medium-term measures: the Administration and MPFA are considering feasible options to enable the MPFA to better perform its functions, which include specifying regulatory requirements for seeking the MPFA's approval for MPF funds. We aim to introduce the proposed legislative amendments into the Legislative Council by July 2014; and

Long-term measures: we are discussing with the MPFA the rationalisation of fund choices and introduction of a cap on MPF fees in case of market failure, with a view to preparing a proposal for public consultation within this year. The MPFA also seeks to complete mapping out the implementation of full portability before 2016.

The measures do not include the introduction of official or not-for-profit-making public trustee. The Administration and MPFA expect that there will be more significant reduction in MPF fees in the foreseeable future.

In addition, the MPFA is following up on the implementation details of the two proposals on “explicitly allowing scheme members to choose to withdraw their MPF benefits in a lump sum or in stages” and “allowing early withdrawal where a scheme member is certified to suffer from a terminal illness”. This includes discussing with trustees specific arrangements for implementing the proposals, and articulating the proposed legislative amendments. Our aim is to introduce the proposed legislative amendments into the Legislative Council by July 2014.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)047**

Question Serial No.

0512

Head: 26 – Census and Statistics Department      Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the records management work of the Department over the past three years (2010-11, 2011-12 and 2012-13):

1. Please provide information on the number and rank of staff designated to perform such work. If there is no officer designated for such work, please provide information on the number of officers, the hours and scope of work involved in records management duties;
2. Please list in the table below information on programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal:

Category of records	Years covered by the records	Number and linear metres of records	Retention period approved by GRS	Are they confidential documents

3. Please list in the table below information on the programme and administrative records transferred to the GRS for retention:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

4. Please list in the table below information on records which have been approved for destruction by GRS:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

Asked by: Hon. HO Sau-lan, Cyd

Reply:

1. The day-to-day records management activities and the workload for implementing records management initiatives are absorbed by existing manpower at various levels, including branch and section heads, and registry staff. An Assistant Commissioner has been appointed to oversee the records management in the Department; and a Chief Executive Officer as the Departmental Records Manager and a Senior Executive Officer as the Assistant Departmental Records Manager will assist in establishing and implementing a comprehensive departmental records management programme.
2. Information on the programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal over the past 3 years are:

Category of records	Years covered by the records	Number and linear metres (lm) of records	Retention period approved by GRS	Are they confidential documents
Administrative	1965 to 2013	370 (23 lm)	Ranges from 12 months to 5 years	Only 15 are confidential records

3. Information on the programme and administrative records which have been transferred to the GRS for retention over the past 3 years are:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Administrative	1985 to 2008	3 (0.15 lm)	2012	Retain until superseded or obsolete, then refer to GRS for appraisal by Public Records Office	No

4. Information on records which have been approved for destruction by GRS over the past 3 years are:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Administrative	1968 to 2010	6 700 (320 lm)	Not applicable	Ranges from less than 12 months to 7 years	No

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)048**

Question Serial No.

3107

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the records management work over the past three years (to 2012):

1. Please provide information on the number and rank of officers designated to perform such work. If there is no officer designated for such work, please provide information on the number of officers and the hours of work involved in records management duties, and the other duties they have to undertake in addition to records management;
2. Please list in the table below information on programme and administrative records which have been closed pending transfer to the Government Records Service (“GRS”) for appraisal:

Category of records	Years covered by the records	Number and linear metres of records	Retention period approved by GRS	Are they confidential documents

3. Please list in the table below information on programme and administrative records which have been transferred to GRS for retention:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

4. Please list in the table below information on records which have been approved for destruction by GRS:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

Asked by: Hon. HO Sau-lan, Cyd

Reply:

1. The day-to-day records management activities and the workload for implementing records management initiatives are absorbed by existing manpower. Among them, we have designated an Assistant Commissioner of Insurance and a Chief Executive Officer as the Departmental Records Managers and two Senior Executive Officers as the Assistant Departmental Records Managers to coordinate records management issues.

2.

Category of records	Years covered by the records	Number and linear metres (lm) of records	Retention period approved by GRS	Are they confidential documents
Administrative Records	1994-2012	31 files (about 0.9 lm)	3-5 years	6 files are confidential (about 0.2 lm)
Programme Records	1946-2012	1 371 files (about 27 lm)	15-20 years*	1 154 files are confidential (about 23 lm)

\*Note: Proposed retention period pending GRS' approval.

3. We have not transferred any files to GRS for retention in the past three years.

4.

Category of records	Years covered by the records	Number and linear metres (lm) of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Administrative Records	1975-2009	463 files and 16 800 accounting records (about 33 lm)	Not applicable	2-7 years	No

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services and the Treasury (Financial Services)  
Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)049**

Question Serial No.

3659

Head: 116 – Official Receiver's Office

Subhead (No. & title): 000 Operational Expenses

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the departmental records management work over the past three years (2010-11, 2011-12, 2012-13):

1. Please provide information on the number and rank of officers designated to perform such work. If there is no officer designated for such work, please provide information on the number of officers and the hours of work involved in records management duties, and the other duties they have to undertake in addition to records management;

2. Please list in the table below information on programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal:

Category of records	Years covered by the records	Number and linear metres of records	Retention period approved by GRS	Are they confidential documents

3. Please list in the table below information on programme and administrative records which have been transferred to GRS for retention:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

4. Please list in the table below information on records which have been approved for destruction by GRS:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

Asked by: Hon. HO Sau-lan, Cyd

Reply:

1. The day-to-day records management activities and the workload for implementing records management initiatives are absorbed by existing manpower. Among them, we have designated a Chief Executive Officer as the Departmental Records Manager and one Executive Officer I as the Assistant Departmental Records Manager to coordinate records management issues.

2. Information on the programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal over the past 3 years (2010-11, 2011-12 and 2012-13) are:

Category of records	Years covered by the records	Number and linear metres of records	Retention period approved by GRS	Are they confidential documents
Administrative records	2009-2012	6 files / 0.03 lm	2 to 3 years	No
Programme records	1986-2011	22 945 files / 340 lm	2 years	No

3. Information on the programme and administrative records which have been transferred to the GRS for retention over the past 3 years are:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Programme records	1988-1995	62 files / 7.3 lm	2012	Permanent retention	No

4. Information on records which have been approved for destruction by GRS over the past 3 years are:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Administrative records	1992-2009	226 files/ 11.3 lm	N/A	2 to 4 years	No
Programme records	1963-2004	15 998 files/ 450 lm	N/A	2 to 3.5 years	No

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)050**

Question Serial No.

3694

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

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

- (a) Using the table below, please provide information on studies on public policy and strategic public policy for which funds had been allocated in the past 2 financial years (2011-2012 and 2012-13):

Name of consultant	Mode of award (open auction/ tender/others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed)	Follow-up actions taken by the Administration on the study report and their progress (if any)	For completed projects, have they been made public? If yes, through what channels? If no, why?

- (b) Are there any projects for which funds have been reserved for conducting consultancy studies this year (2013-2014)? If yes, please provide the following information:

Name of consultant	Mode of award (open auction/ tender/others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed)	Follow-up actions taken by the Administration on the study report and their progress (if any)	For projects that are expected to be completed this year, is there any plan to make them public? If yes, through what channels? If no, why?

- (c) What are the criteria for considering the award of consultancy projects to the research institutions concerned?

Asked by: Hon. HO Sau-lan, Cyd

Reply:

(a)

Name of consultant	Mode of award (open auction/tender/others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed)	Follow-up actions taken by the Administration on the study report and their progress (if any)	For completed projects, 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>	<p>2 million</p> <p>(a) 1.83 million (for Consultancy Services)</p> <p>(b) 0.17 million (for additional services on dynamic models, if required by the Government after the completion of (a))</p>	19 March 2010	Completed	<p>We conducted a public consultation exercise on the proposals of PPF from March to June 2011, and issued the consultation conclusions and final proposals in January 2012.</p> <p>We aim to introduce the relevant Bill into LegCo in the 2013-14 legislative session.</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 under a trust, and study whether Hong Kong should legislate on this issue.</p>	90,000	17 June 2011	Completed	<p>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 beneficiaries' right to information in Hong Kong, and that we would monitor the evolution of the common law and overseas practices in this area and keep</p>	The research findings were included in the consultation paper on Detailed Legislative Proposals on Trust Law Reform in March 2012.

						under review the need and appropriateness of introducing any pertinent statutory requirement.	
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 November 2011	Near completion	The Consultancy Report is being finalised.	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	<p>The study concludes that such a statutory change could help reassure potential settlors 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 study findings, we have included a new provision against forced heirship rules with reference to section 90 of Singapore Trustees Act.</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>The relevant amendment bill has been introduced into the Legislative Council for first reading in February 2013.</p>

KPMG	Tendering	<p>Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong.</p> <p>The Study aims to propose a risk-based capital framework for Hong Kong.</p>	5,600,000	21 June 2012	In progress	The study is in progress and is expected to be completed by mid-2014.	
------	-----------	--	-----------	--------------	-------------	---	--

(b)

Name of consultant	Mode of award (open auction/tender/others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed)	Follow-up actions taken by the Administration on the study report and their progress (if any)	For projects that are expected to be completed this year, is there any plan to make them public? If yes, through what channels? If no, why?
Ernst & Young Advisory Services Limited (i.e. 3 <sup>rd</sup> item in Part (a))	Quotation	<p>Consultancy Study on 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 November 2011	Near completion	The Consultancy Report is being finalised.	The study findings are for internal reference.
KPMG (i.e. 5 <sup>th</sup> item in Part (a))	Tendering	<p>Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong.</p> <p>The Study aims to propose a risk-based capital framework for Hong Kong.</p>	5,600,000	21 June 2012	In progress	The study is in progress and is expected to be completed by mid-2014.	Not applicable

- (c) In line with the assessment criteria generally adopted by government departments in tendering exercises, our major considerations in awarding the relevant contracts are the consultant firm's past experience and performance; experience, expertise and professional qualifications of the project team; time and resources pledged by the consultant firm; and the project cost, etc.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)051**

Question Serial No.

3709

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operating expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In regard to the growing co-operation between Hong Kong and the Mainland in recent years, please provide relevant information on Hong Kong/Mainland cross-boundary projects or programmes in which the Financial Services and the Treasury Bureau (Financial Services Branch) has been involved.

(a) For Hong Kong/Mainland cross-boundary projects or programmes, please provide information over the past 2 years (for 2011-12 and 2012-13) as per following table:

Project / Programme	Details, objective and whether it is related to the expenditure involved in the Framework Agreement on Hong Kong /Guangdong Co-operation (the Framework Agreement)	Mainland department/ organisation involved	Progress (% completed, commencement date, target completion date)	Have the details, objectives, amount involved or impact on the public, society, culture and ecology been released to the public? If so, through which channels and what were the manpower and expenditure involved? If not, what are the reasons?	Details of the legislative amendments or policy changes involved in the project/programme

(b) For Hong Kong/Mainland cross-boundary projects or programmes of this year (2013-14), please provide information as per following table:

Project / Programme	Details, objective and whether it is related to the	Mainland department/ organisation	Progress (% completed, commencement date, target	Will the details, objectives, amount involved or impact on the public,	Details of the legislative amendments or policy changes



	expenditure involved in the Framework Agreement	involved	completion date)	society, culture and ecology be released to the public? If so, through which channels and what will be the manpower and expenditure involved? If not, what are the reasons	involved in the project/programme
--	---	----------	------------------	--	-----------------------------------

(c) Apart from the projects or programmes listed above, are there any other modes of Hong Kong/Mainland cross-boundary cooperation? If so, what are they? What were the manpower and expenditure involved over the past 3 years (from 2010-11 to 2012-13)? How much financial and manpower resources have been earmarked in this year's Estimates?

Asked by: Hon. HO Sau-lan, Cyd

Reply:

After the promulgation of the National 12<sup>th</sup> Five-Year Plan of the Central People's Government ("CPG") in March 2011 and the announcement of new measures supporting socio-economic development in Hong Kong in August 2011 and June 2012, financial co-operation between Hong Kong and the Mainland at both national and regional levels has become increasingly close in terms of both breadth and depth. We are pursuing various policy initiatives to reinforce and enhance Hong Kong's status as an international financial centre, asset management centre as well as offshore Renminbi ("RMB") business centre as set out in the 12<sup>th</sup> Five-Year Plan. At the same time, we continue to strengthen financial co-operation with different provinces and cities in the Mainland. The implementation of the relevant financial measures are in progress.

Regarding the financial co-operation between Hong Kong and Guangdong, RMB cross-border trade settlement between the two places continues to grow with the expansion of the RMB Trade Settlement Scheme to the entire Guangdong Province. From January to December 2012, the RMB trade settlement conducted through Hong Kong totalled RMB 2,632.5 billion, of which more than 20% involved trade settlement between Guangdong and Hong Kong. In addition, as at end-February 2013, five Hong Kong banks have been approved by the Guangdong Bureau of China Banking Regulatory Commission to set up a total of 40 sub-branches in Guangdong under the "cross-location sub-branches" measure provided under Supplement VI to Closer Economic Partnership Arrangement ("CEPA"). The 2-in-1 co-named cards launched by Octopus Cards Ltd. with Guangdong Lingnan Pass Co. Ltd. and Shenzhentong Co. Ltd. have been made available for public sale since July and September 2012 respectively. The 2013 Work Plan of the Framework Agreement on Hong Kong/Guangdong Co-operation has been announced at the 18<sup>th</sup> Working Meeting of Hong Kong-Guangdong Co-operation Joint Conference. Relevant authorities and financial regulators of both sides will continue to promote RMB business between the two places; enhance co-operation in various financial services such as credit, securities, insurance and bonds; and strengthen training and exchanges of personnel in the financial services sector. Furthermore, the cross-border RMB lending scheme which has been launched early this year in Qianhai will provide greater room for development of Hong Kong-Guangdong cross-border RMB business.

In parallel, we are actively pursuing financial co-operation between Hong Kong and Shanghai. Relevant authorities of the two places conduct regular exchange on matters related to the development of financial markets, encouraging and supporting mutual establishment of financial institutions, as well as training and exchange of financial talents in accordance with the Memorandum of Understanding Concerning Advancing Hong Kong-Shanghai Financial Co-operation concluded in 2010. For instance, the Pilot Scheme for Cross-border Study Tour for Post-secondary Financial Talents was launched in mid-2012 with the support of the Financial Services and the Treasury Bureau and the Shanghai Municipal Government Financial Services

Office. Completed in August 2012, the inaugural scheme enabled participating students from the two cities to visit relevant government bodies, financial regulators, exchanges and universities, in addition to gaining work experience at financial institutions. In addition, the third Working Meeting on Hong Kong-Shanghai Financial Cooperation has been held on 4 March 2013. Attended by representatives from government, financial regulators and Exchanges of Hong Kong and Shanghai, the meeting discussed the way forward for future financial cooperation, including ways to strengthen cooperation in financial services and supervision, and to enhance training and exchange of financial talents.

We will continue to fully leverage our advantage of being “part of China but outside the Mainland” under “One Country, Two Systems” so as to meet our country’s overall development needs, and enhance financial cooperation between Hong Kong and the Mainland. The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)052**

Question Serial No.

1507

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) Hong Kong adopts the territoriality basis of taxation, whereby only profit sourced in Hong Kong is subject to tax and that derived from a source outside Hong Kong by a local resident is in most cases not taxed in Hong Kong. Currently, most of the funds incorporated outside Hong Kong and non-listed companies operating abroad are not taxed for their profit sourced in Hong Kong. Moreover, with the exception of listing-related investments, some of the private equity funds and hedge funds with long investment and payback period and infrequent transactions may not required to pay tax as their investment return may be considered as capital profit and capital gains tax is not levied in Hong Kong. In this connection, please advise this Committee on the number and types of overseas companies/funds which will benefit from the tax exemption concessions mentioned in the Budget (i.e. how many overseas non-listed companies/funds are otherwise subject to profits tax).
- (b) What are the major considerations in formulating the details of the above new policy and the timetable for its implementation?
- (c) Will the tax exemption cover local funds? In view of Singapore's proactive policy in developing local funds, does the Administration have any plans/measures to facilitate the development of local funds?
- (d) As a more favourable investment environment may give rise to more money laundering activities and flows of illicit funds, has the Administration put in place any control and monitoring mechanism to cope with this foreseeable situation; and how will it go about to strike a balance between maintaining market attractiveness and regulatory power?
- (e) For most of the private equity funds, a platform/market with quality capital accounts is more attractive than tax concessions. Does the Administration has any strategy to assist/encourage funds to acquire competitive accounts in the Mainland and abroad?

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

With economic gravity shifting to the East, more and more quality and competitive investment projects originate from Asia. Hong Kong is located at the centre of Asia and possesses advantages such as free flow of information, an independent judicial system as well as having the Mainland as our hinterland. With Hong Kong's competitive edges, funds based in Hong Kong are able to explore investment opportunities in Asia or seek to attract Asian capital more easily. We are adopting multi-pronged strategies to further promote Hong Kong's fund and asset management business.

The Budget proposed to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds and create a clear and certain tax environment for the private equity funds. In turn, this will attract more private equity funds to base their businesses in Hong Kong.

When formulating the above new initiative, we will need to consider how we can provide a clear and certain tax environment and prevent the abuse of the exemption arrangement for tax avoidance. We aim to launch a consultation on the relevant proposals within this year, so as to commence the relevant legislative exercise as soon as possible.

At the same time, the Budget also proposed introducing Open-ended Investment Companies (“OEIC”) as we note that OEIC have become an increasingly popular form used by the fund industry to set up investment funds. We are joining hands with the Securities and Futures Commission (“SFC”) to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia.

Moreover, SFC has started studying with Mainland regulators on mutual recognition arrangement. Under the current proposal, qualified SFC-authorized funds domiciled in and operating from Hong Kong would enjoy the status of “recognised Hong Kong funds” in the Mainland, and qualified Mainland funds would enjoy the status of “recognised Mainland funds” in Hong Kong. These recognised funds could then obtain authorisation on the basis of a streamlined process and be sold directly in the other’s market.

To ensure an adequate supply of professionals to support the private wealth management industry, the Government and regulators are actively facilitating the industry to establish a “Private Wealth Management Association”, implementing an enhanced competency framework and fostering practitioners training. These would help strengthen the talent pool of quality practitioners. In addition, we have invited SFC to consider offering financial support for the curriculum development of suitable training courses in asset management by the market, with a particular focus on the need for continued professional training of the small and medium-sized securities brokers. We have received a positive response from the SFC. For this, the SFC has already initiated discussions with the Hong Kong Securities and Investment Institute on implementation of these initiatives.

Meanwhile, the Legislative Council is scrutinising the two bills that we introduced in early 2013, namely the Inland Revenue & Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 and the Trust Law (Amendment) Bill 2013. These two bills aim to improve the Islamic finance platform and reform the trust law, with a view to further fostering an environment conducive to the asset management industry. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment.

While we endeavour to develop the market and create new opportunities, we also attach great importance to financial safety, and review the regulatory regime from time to time. We will introduce measures to maintain the stability of our financial system and improve the quality of the market. For example, we have introduced new reporting requirements in relation to short selling in June last year, and renewed the position limits and reportable positions on futures and options contracts from time to time. Moreover, we are drafting legislation to regulate the transactions of over-the-counter derivative. The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance came into effect on 1 April 2012. It imposes requirements relating to customer due diligence and record-keeping on financial institutions, and provide for the powers for enforcement.

We believe that the above measures will be conducive to Hong Kong’s development as a comprehensive fund and asset management centre, covering registration, product manufacturing, investment management and sales and marketing, so as to consolidate the competitive edges of the market and enable Hong Kong to become the base for funds to capture Mainland and overseas investment projects, and create job opportunities of various types.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)053**

Question Serial No.

1508

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) The Government plans to expand the size of the Government Bond Programme from the current \$100 billion to \$200 billion. Will the Government inform this Committee of the proportion of increase for institutional and retail bonds; and whether such increases will cover the other types of bonds being considered by the Government?
- (b) Apart from the inflation-linked retail bonds, what other types of bonds will the Government consider to issue?
- (c) What are the other types of bonds that can be considered; their respective demands; and the timetable under consideration?

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

To develop different types of bonds for a more diversified bond market in Hong Kong, we will not set limits for the proportion of the issuance of institutional and retail bonds under the Government Bond Programme. When considering the types, timetable and other parameters of future issuances, our overriding objective is to promote the further development of the local bond market. To this end, we will take into account relevant factors including the prevailing market conditions such as interest rates, inflation rate and the potential impact on other prospective retail bond issuers in Hong Kong as well as the sustainability of the Bond Fund.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)054**

Question Serial No.

1509

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

While open-ended investment companies can include both listed and non-listed companies, the original form of trusts covers non-listed companies. In fact, the listed investment company permitted under section 21 of the Listing Rules is a feasible option for funds requiring a listing status, but this approach of listing is becoming rare in the market in recent years. Although this approach, which requires compliance with the rules and regulations governing listed companies, means a higher cost, the status of being a listed company may be more appealing to Mainland investors. In this light, will the Administration consider revitalising the use of section 21 as a way of acquiring a listing status?

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

All along, issuers of investment funds may seek a listing on the Stock Exchange of Hong Kong (“SEHK”) pursuant to Chapter 20 or Chapter 21 of the Listing Rules. If an investment fund is not offered to the public or is only offered to professional investors, that investment fund can apply to be listed on SEHK pursuant to Chapter 21 of the Listing Rules, and need not be authorised by the Securities and Futures Commission (“SFC”) under Part IV of the Securities and Futures Ordinance (“SFO”). If an investment fund is to be offered to the public, that investment fund must first be authorised by SFC under Part IV of the SFO, before it can be listed on SEHK pursuant to Chapter 20 of the Listing Rules. Whether an investment fund is to be offered to professional investors or to the public, or whether it is to be listed, are commercial decisions of the issuer concerned.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)055**

Question Serial No.

1510

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (1) In formulating this concession policy, has the Administration considered the possibility that among the members of the Organisation for Economic Co-operation and Development the practice of captive insurance companies may be prohibited in the future?
- (2) In providing incentives for enterprises to set up captive insurance companies in Hong Kong, how will the Administration balance the interests between large foreign insurance companies and small and medium local insurance companies?

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

- (1) We are not aware of any calls from the Organisation for Economic Co-operation and Development (“OECD”) to prohibit the practice of captive insurance companies. We however note that the OECD Report entitled “Addressing Base Erosion and Profit Shifting” proposes that action should be taken to minimise the abusive use of aggressive tax planning strategies by multi-national enterprises which may cause tax base erosion and cites that captive insurance could be a conduit for such strategies. We shall keep in view the international experience and local tax environment in promoting captive insurance in Hong Kong. We shall endeavour to strike a reasonable balance between protecting tax revenue and developing the insurance industry.
- (2) Both foreign and local insurance companies, regardless of their size, have all along been competing on a level playing field in Hong Kong. Encouraging foreign enterprises to set up their captive insurance companies in Hong Kong will have minimal impact on the interests of small and medium sized local insurance companies. This is because captive insurance companies exclusively underwrite the risks of their parent companies, group companies or other affiliated companies. Those risks are mostly outside Hong Kong which are not the target business of small and medium sized local insurance companies.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)056**

Question Serial No.

1513

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the reasons for the increases in estimated expenditure in the following items:

- (1) Civil Service Provident Fund contribution: from HK\$1,483,000 in 2012-13 to HK\$2,123,000 in 2013-14.
- (2) General departmental expenses: from HK\$49,395,000 in 2012-13 to HK\$66,888,000 in 2013-14.

Asked by: Hon. IP LAU Suk-yea, Regina

Reply:

Having completed three years' service satisfactorily, civil servants appointed on the new probationary terms will be appointed on the new permanent terms and join the Civil Service Provident Fund ("CSPF") Scheme. We expect the number of officers appointed on the new permanent terms will increase in 2013-14. As such, the expenses for CSPF contribution will increase.

The increase in 2013-14 estimates for general departmental expenses is mainly earmarked for non-civil service contract staff in the Office of the Commissioner of Insurance to cope with increase in workload, including the regulation of anti-money laundering and Mandatory Provident Fund intermediary activities.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)057**

Question Serial No.

3230

Head: 31 – Customs and Excise Department      Subhead (No. & title):

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During the past 5 years (i.e. 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13), how many money laundering cases were detected by the Customs and Excise Department? How many persons were involved?

Asked by: Hon. KWOK Ka-ki

Reply:

The numbers of money laundering cases detected by the Customs and Excise Department and persons involved in the past 5 years are listed below:-

Financial Year	Number of money laundering cases	Number of persons involved
2008-09	3	46
2009-10	1	1
2010-11	8	24
2011-12	2	20
2012-13	2	8

Name in block letters: Clement CHEUNG

Post Title: Commissioner of Customs and Excise

Date: 21.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)058**

Question Serial No.

4382

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Census and Statistics Department deploy more manpower and financial resources in 2013-14 to strengthen the data verification of the General Household Survey to safeguard data accuracy? What are the details, expenditure and staff costs?

Asked by: Hon. KWOK Ka-ki

Reply:

The Census and Statistics Department will deploy existing resources to implement the recommendations of the Investigation Task Force on Statistical Data Quality Assurance so as to strengthen the data verification of the General Household Survey in 2013-14.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)059**

Question Serial No.

2155

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The increase of \$14.1 million (10.0%) in the 2013-14 estimate is mainly due to the increased provision for hire of services and professional fees. In this regard, will the Administration inform this Committee of the following:

1. Are the professional fees mentioned above a new item of expenditure or an item of recurrent expenditure? Please set out the items and information of the fees in detail. What is the purpose of the increase?
2. What are the proportions of civil servants, non-civil service contract staff, agency workers and outsourced workers in the Official Receiver's Office ("the ORO") for the past 3 years (2010-11, 2011-12 and 2012-13)?
3. For the past 3 years (2010-11, 2011-12 and 2012-13), what is the amount of fees involved in the outsourced work and what is the ratio of that amount to the expenditure of the ORO? The ORO is a permanent department but various items of its work have been contracted out to the private sector for many years. Please explain why the work cannot be done by civil servants. Will the Administration consider recruiting additional civil servants to take over the work concerned?

Asked by: Hon. KWOK Wai-keung

Reply:

1. "Hire of services and professional fee" is a recurrent expenditure item. However, the annual expenditure under this item is subject to various factors, for example the differences in the requirements for engaging outside counsel for different bankruptcy and winding-up cases. The increased provision of \$14,613,000 in the 2013-14 estimate is mainly due to the expected increase in litigation costs and additional expenditure to engage outside counsel to provide legal advice and to appear in bankruptcy and winding-up proceedings. ORO will also hire legal, accounting and supporting services to strengthen the monitoring of private practitioners and to step up investigation and prosecution of bankruptcy and winding-up related offences.
- 2 & 3. Because of the economic downturn since the Asia financial crisis in 1998, the number of bankruptcy and winding-up cases increased substantially from a low figure of 1 616 in 1998 to a record high of 26 620 cases in 2002. The figure gradually went down after 2003 and maintained at around 9 000 to 10 000 per year since 2005, with some upward fluctuations in 2009 due to the financial tsunami.

To cope with the increase in the number of bankruptcy and winding-up cases, the ORO has adopted various schemes to outsource part of its work in administering bankruptcy and winding-up cases to practitioners in the private sectors. It allows the ORO to deal with the increase in the number of cases without corresponding increase in its staff establishment. It has also facilitated building a pool of qualified and experienced bankruptcy / winding-up professionals in the private sector. Therefore, the outsourcing schemes remain an effective tool for ORO to manage its workload and develop the bankruptcy / winding-up professional sector.

The amount of fees for work contracted out to the private sector and the ratio of that amount to the expenditure of the ORO are set out as follows.

	2010-11	2011-12	2012-13 (up to 31.12.2012)
Amount of fees (\$)	1,700,000	1,430,000	800,000
Ratio to ORO's total expenditure	1.4%	1.1%	0.8%

Under ORO's outsourcing schemes, ORO directly engage the practitioners in administering bankruptcy and winding-up cases. Therefore, it does not keep track of the employees engaged by the practitioners. The proportions of civil servants and non-civil service staff are set out as follows.

	2010-11 (as at 31.3.2011)	2011-12 (as at 31.3.2012)	2012-13 (as at 31.12.2012)
Civil servants	77.9%	78.4%	78.1%
Non-civil service staff	22.1%	21.6%	21.9%

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)060**

Question Serial No.

2156

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

“Matters requiring special attention in 2013-14” under Programme (2) mentioned that “*initial planning for the 2016 Population By-census has commenced*”. In this connection, please advise the following:

1. In the 2011 Population Census, on top of the permanent establishment, how many staff had been employed by the Census and Statistics Department (“C&SD”) for carrying out statistical work? How did the Department supervise these staff?
2. In the initial planning for the 2016 Population By-census, it is expected to employ how many staff on top of the permanent establishment? What is the pay level? Will there be any adjustment? What are the justifications for adjustment?
3. What is the estimated financial provision for the feasibility study for supporting computer systems and web applications to be conducted in 2013-14? Will the study be conducted by C&SD or outsourced to other institutions? Please provide a timetable for conducting the study for supporting computer systems and web applications during the period between 2013-14 and the 2016 Population By-census.
4. Has C&SD explored for alternative arrangement with a view to reducing the use of paper? What are the details? If no, please give reasons.

Asked by: Hon. KWOK Wai-keung

Reply:

1. In the 2011 Population Census (11C), a total of 18 300 additional temporary workers, including 1 050 Chief Enumerators, 2 030 Assistant Chief Enumerators, 1 470 Checkers, 13 110 Enumerators and 640 Centre Assistants were employed by the Census and Statistics Department (“C&SD”). Major supervisory responsibilities of the temporary workers were performed by experienced permanent staff of C&SD.
2. The initial planning work for the 2016 Population By-census (“16BC”) will be undertaken by existing permanent staff of C&SD.
3. In 2013-14, funding of \$3.757 million has been approved for C&SD to carry out a feasibility study on “Computer Equipment and Services for 2016 Population By-census”. The study will be contracted out to an information technology services consultant and the tendering process is now underway. The study aims at proposing the technical solutions, implementation timetable, preparing cost estimates and other implementation details for the computer systems and applications of the 16BC. The feasibility



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)061**

Question Serial No.

1099

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

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise the following:

1. the number, name and nature of statistical surveys conducted under Programme (6) – Labour Statistics over the past 3 years (as at 2012-13);
2. whether an independent topical survey will be conducted on the impact of the implementation and adjustment of the minimum wage over labour earnings and employment. If yes, please advise the estimated financial provision required by the survey. If not, please give the reasons; and
3. whether an independent topical survey will be conducted on the impact of standard working hours over labour earnings and employment. If yes, please advise the estimated financial provision required by the survey. If not, please give the reasons.

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

1. Over the past 3 years (as at 2012-13), C&SD has conducted 5 regular statistical surveys on establishments under Programme (6) – Labour Statistics. The survey names and nature are as follows:

Name of statistical survey	Nature
1) Quarterly Survey of Employment and Vacancies	Conducted quarterly for providing statistics on number of persons engaged and vacancies in major industries.
2) Quarterly Employment Survey of Construction Sites	Conducted quarterly for providing statistics on number of manual workers and vacancies at construction sites in both the public and private sectors.
3) Labour Earnings Survey	Conducted quarterly for providing Wage Indices and Indices of Payroll per Person Engaged to reflect changes in labour price and labour earnings.
4) Survey of Salaries and Employee Benefits – Managerial and Professional Employees (Excluding Top Management)	Conducted annually for providing Salary Indices to reflect changes in salary rates of middle-level managerial and professional employees.



Name of statistical survey	Nature
5) Annual Earnings and Hours Survey	Conducted annually for providing comprehensive data on employees in Hong Kong regarding their level and distribution of wages, employment details and demographic profiles.

In addition, two ad hoc statistical surveys called “Survey on Provision of Employment Benefits by Employers” and “2012 Survey on Employment Benefits” were conducted in 2010 and 2012 respectively to provide information relating to the provision of various employment benefits to employees by employers.

2. Currently, statistical data compiled from various sources are deployed to estimate the impact of statutory minimum wage (“SMW”) and its adjustments on labour earnings and employment. The Administration has no plan at this stage to conduct an independent topical survey on this subject.
3. The Special Committee soon to be set up will follow up on the Report of the Policy Study on Standard Working Hours completed by the Administration last year and consider the need and topics for further policy research.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)062**

Question Serial No.

3150

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following:

- (a) The respective average rentals of the commercial units and residential units in Hong Kong for the past three years (i.e. from 2010 to 2012). What are their levels of increase?
- (b) The differences between the increased amounts of the rental of residential units and of household income for the past three years. Have the differences become smaller for the past three years? What are the related figures?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

- (a) According to the rental indices compiled by the Rating and Valuation Department (RVD), the year-on-year rental increase of private domestic and retail premises in the past three years are as follows:

(1) Private Domestic

Year	Annual Rental Index (1999=100)	Year-on-year Increase
2010	119.7	19.2%
2011	134.0	11.9%
2012*	142.5	6.3%

Note: \* Provisional figures

(2) Private Retail

Year	Annual Rental Index (1999=100)	Year-on-year Increase
2010	122.9	10.8%
2011	134.3	9.3%
2012*	151.1	12.5%

Note: \* Provisional figures

Figures of average rentals of private domestic and retail premises are not available from RVD.

- (b) Figures on year-on-year rental increase of private domestic premises compiled based on rental indices obtained from RVD and those of the median monthly household income of domestic households obtained from the General Household Survey in the past three years are shown below.

Year	Annual Rental Index (1999=100)	Year-on-year Increase of Rental Index	Median Monthly Household Income (HK\$)	Year-on-year Increase of Median Monthly Household Income
2010	119.7	19.2%	18,000	0%
2011	134.0	11.9%	20,000	11.1%
2012	142.5*	6.3%*	Figures are not available	Figures are not available

Note: \* Provisional figures

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)063**

Question Serial No.

0750

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 60 (P. 22) of the Budget Speech that the Chief Executive has announced the establishment of the Financial Services Development Council, a high-level, cross-sector advisory body, to offer views and suggestions to the Government on developing and promoting our financial services industry. In this connection, please inform this Committee of the following:

What are the total amount of manpower resources and expenditure of the Government involved since the establishment of the Financial Services Development Council?

In 2013-14, is there any estimated expenditure to cover the operational expenses of the Financial Services Development Council? If yes, what is the estimated amount? If no, what are the reasons?

Asked by: Hon. LAM Tai-fai

Reply:

The Financial Services Development Council (“FSDC”) has held two council meetings (on 22 January and 19 March 2013 respectively), and its five committees have also concluded their first meetings shortly before the second council meeting. Similar to other government advisory bodies, the FSDC would deploy government’s existing resources such as venues and manpower to support its meetings.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)064**

Question Serial No.

3788

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the programme of Financial Services, during 2013-14, the Administration will co-ordinate the implementation of measures related to financial co-operation with the Mainland announced by the Central Authorities and pursue initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) and other co-operation frameworks. In this regard, will the Administration inform this Committee of the specific measures? What are the additional expenditure and manpower input involved?

Asked by: Hon. LAM Tai-fai

Reply:

In the financial year 2013-14, we will continue to enhance the financial cooperation between Hong Kong and the Mainland by means of measures such as deepening and expanding Hong Kong’s offshore Renminbi (“RMB”) business, and further promoting the implementation of policy initiatives pursued under the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) and other cooperation frameworks.

On promotion of offshore RMB business, we will continue to enhance the market infrastructure and consolidate the financial platform as well as maintain contacts with related Mainland authorities in order to facilitate the circulation of RMB funds between the onshore and offshore markets; promote the arrangements for expansion of Renminbi Qualified Foreign Institutional Investors (“RQFII”) Scheme; widen the channels and scale of cross-border flows of RMB funds in a risk controlled manner to bring about mutual benefits to both places; continue to strengthen the RMB business links with overseas markets (e.g. London and Australia), with a view to enhancing our role and function as the global hub for offshore RMB business and as a wholesale platform serving the retail activities of international financial institutions; continue to conduct roadshows overseas, with an aim to assist and facilitate financial institutions and corporates around the world to expand their RMB business while promoting the use of Hong Kong’s RMB financial platform, either directly or indirectly, to settle their transactions.

Besides, the China Securities Regulatory Commission and the Securities and Futures Commission have started to study the arrangement for mutual recognition of funds. The arrangement will not only be beneficial to the development of asset management business and financial markets of the Mainland and Hong Kong, but also widen the variety and scope of RMB investment products in Hong Kong, further consolidating Hong Kong’s role as an offshore RMB centre. We will also follow up with the relevant Mainland authorities on the proposed expansion of the Qualified Domestic Institutional Investors (“QDII”) Scheme to individual investors.

In order to assist the local financial services industry to gain further access into the Mainland market, we will continue to maintain close liaison with relevant Mainland authorities in a bid to identify new business opportunities for Hong Kong financial institutions in the Mainland, including relaxing the upper limit of their shareholding in joint venture companies, expanding the range of services that they may provide and setting up wholly-owned businesses, etc. Meanwhile, we will continue to strengthen the cooperation and exchange between Hong Kong and the Mainland in respect of financial institutions, financial instruments, capital and talents, through CEPA and other regional cooperation platforms including those forged with Guangdong, Shanghai and Qianhai.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)065**

Question Serial No.

1045

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

Programme: (1) Trade Statistics, (2) Social Statistics, (3) National Accounts and Balance of Payments Statistics, (4) General Statistical Services, (5) Price/Industry/Service Statistics, and (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What is the provision earmarked by the Census and Statistics Department in 2013-14 for ensuring the accuracy of statistical data and their true reflection of the social situation? What are the details of the related work?

Asked by: Hon. LAU Wai-hing, Emily

Reply:

The Census and Statistics Department (“C&SD”) has all along adopted quality assurance measures in each step of the statistical process to ensure accuracy of statistical data for true reflection of the social situation.

In regard to data collection, (1) quality control checks, (2) supervisory visits and (3) spot checks are put in place to safeguard data quality of surveys.

C&SD validates all survey data thoroughly to identify potential errors based on a set of pre-determined rules and standards. C&SD constantly reviews the aforesaid validation process. All dubious cases are referred to the responsible officers for further checks and verifications.

Prior to the release of statistics, C&SD will conduct a macro review according to international standards and methods to ensure the reliability and accuracy of the statistics compiled.

In addition, C&SD will follow up with the recommendations of the Investigation Task Force on Statistical Data Quality Assurance to further enhance its statistical data quality assurance system.

Quality assurance measures are an integral part of the fieldwork and statistical data processing systems. The expenditures involved in such processes are subsumed in the total expenditure of the statistical programmes concerned. Breakdown of such expenditures is not available.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)066**

Question Serial No.

0664

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the beginning of 2013, it was reported by press that in conducting the monthly “General Household Survey” (“GHS”) by the Census and Statistics Department (“C&SD”), about as much as half of the frontline survey officers were suspected to have been involved in the large-scale fabrication of survey responses by “asking fewer questions” on purpose so as to save time and in turn upkeep their “work efficiency”. C&SD then responded that according to the established practice, the Department would conduct quality assurance checks of at least 5% of the completed cases. Please provide the following:

- (a) The titles of surveys which would be conducted by deploying frontline interviewers to complete questionnaires during fieldwork each year;
- (b) The indicator(s) set for assessing the work quality of the frontline interviewers in conducting field work for the Department’s regular surveys, including GHS and those relating to “Quarterly Report of Wage and Payroll Statistics”;
- (c) List the result in meeting the indicator(s) by the frontline interviewers in the respective major surveys in the past three years (i.e. from the years 2010-11 to 2012-13);
- (d) The procedures and purposes of quality assurance checks. In quality assurance checks conducted in the past, did the Department notice of any obvious irregularities in the survey results or suspected fabrication of survey responses by frontline interviewers? What are the manpower resources and expenditure required for these checks?
- (e) Will C&SD conduct review on the criteria for assessing the work progress and performance appraisal of the frontline interviewers?

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) The list of regular surveys conducted by C&SD each year which involve the deployment of frontline field officers (excluding temporary interviewers) is at Annex 1.
- (b), (c) and (e) In managing survey operations, C&SD require all field officers to perform to the best of their abilities in undertaking data collection work. The supervisors of field officers regularly assess the performance of the field officers concerned from various perspectives of work performance and work quality (e.g. knowledge of work, judgment, organisation of work, efficiency, acceptance of responsibility, ability to work independently, accuracy,





**Regular surveys conducted by Census and Statistics Department**

Monthly

General Household Survey  
Monthly Building Materials Wholesale Price Survey  
Monthly Import and Export Price Survey  
Monthly Retail Price Survey  
Monthly Survey on Insurance and Freight Costs for Import Trade  
Monthly Survey of Re-export Trade  
Monthly Survey of Retail Sales  
Monthly Survey on Trade Involving Outward Processing in the Mainland of China

Quarterly

Labour Earnings Survey  
Quarterly Business Tendency Survey  
Quarterly Employment Survey of Construction Sites  
Quarterly Survey of Construction Output  
Quarterly Survey of Employment and Vacancies  
Quarterly Survey of Industrial Production  
Quarterly Survey of Restaurant Receipts and Purchases  
Quarterly Survey of Service Industries

Yearly

Annual Earnings and Hours Survey  
Annual Survey of Economic Activities  
Annual Survey of External Claims, Liabilities and Income  
Annual Survey of Imports and Exports of Services  
Annual Survey of Overseas Tours  
Annual Survey of Premises Owned and Occupied by Private Non-profit Bodies  
Survey of Salaries and Employee Benefits - Managerial and Professional Employees  
(Excluding Top Management)

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)067**

Question Serial No.

0665

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 59 of the Budget Speech that the Administration is “considering possible amendments to the legislation to introduce a licensing regime for stored value electronic money and to empower the HKMA to supervise the relevant retail payment systems, which will help establish a sound regulatory regime for Hong Kong.” Please advise:

What action plan and timetable does the Administration have for this year (2013-14)? What manpower and expenditure are involved?

Asked by: Hon. LEE Wai-king, Starry

Reply:

The Hong Kong Monetary Authority (“HKMA”) plans to consult the public in mid-2013 on the proposed licensing and regulatory regime. Together with HKMA, we will in parallel prepare relevant legislative amendments and aim to introduce a Bill into the Legislative Council in the next legislative year.

For the Financial Services Branch, the exercise will mainly be covered by one Deputy Secretary and one Principal Assistant Secretary. The expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)068**

Question Serial No.

0666

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 46 of the Budget that the Administration is “considering legislative amendments to introduce the Open-ended Investment Company, an increasingly popular form used in the fund industry, so as to attract more traditional mutual funds and hedge funds to domicile in Hong Kong”. In this connection, please provide the following information:

- (a) the related work plan and schedule as well as the manpower and expenditure involved for this year (i.e. 2013-14);
- (b) the number of various investment funds registered in Hong Kong in each of the past five years (i.e. 2008-09 to 2012-13); and
- (c) the number of Hong Kong-domiciled hedge funds, their size and place of origin in each of the past three years (i.e. 2010-11 to 2012-13).

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) We note that Open-ended Investment Companies have become an increasingly popular form used by the fund industry to set up investment funds. To this end, we are joining hands with the Securities and Futures Commission (“SFC”) to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. These proposals will broaden the variety and scope of our fund business and open up new business opportunities for professional services such as fund management, investment advice, and also legal and accounting services. We aim to launch the consultation on the relevant proposals within this year. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in promoting the development of the asset management industry. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.
- (b) In the past four years (i.e. 2008-09 to 2011-12), the number of unit trusts and mutual funds that are registered in Hong Kong and authorised by SFC are 115(2008-09), 170(2009-10), 200(2010-11), and 261(2011-12). Figures for 2012-13 are still being compiled.
- (c) According to SFC’s “Report of the Survey on Hedge Funds Managed by the SFC Licensed Managers”, there were 676 hedge funds managed in Hong Kong by hedge fund managers that are authorised by SFC as at end September 2012. The total assets managed were USD\$87.1 billion. Investors for hedges

funds mainly came from the United States and Europe, which constituted over 60% of the total assets managed in Hong Kong.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)069**

Question Serial No.

0667

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 47 of the Budget that the Securities and Futures Commission is “studying with the Mainland authorities an arrangement for mutual recognition of funds”. In this connection, please provide the following information:

- (a) the related work plan and schedule as well as the manpower and expenditure involved for this year (i.e. 2013-14);
- (b) the expected implementation time;
- (c) the general arrangements for such policy plan, and whether references have been made to overseas market experiences, such as the European Union;
- (d) the expected benefits of such policy to Hong Kong’s funds business and its overall development, including the number of additional jobs to be created and the additional revenue raised from the registration fees for funds.

Asked by: Hon. LEE Wai-king, Starry

Reply:

The Securities and Futures Commission (“SFC”) and China Securities Regulatory Commission (“CSRC”) have set up a joint working group in late 2012 to study the proposals on mutual recognition and cross-border offerings of retail funds between the Mainland and Hong Kong, as well as related technical issues.

We envisaged that under the proposed mutual recognition arrangement, qualified SFC-authorized funds domiciled in and operating from Hong Kong would enjoy the status of “recognised Hong Kong funds” in the Mainland, and qualified Mainland funds would enjoy the status of “recognised Mainland funds” in Hong Kong. These recognised funds could then obtain authorisation on the basis of a streamlined process and be sold directly in the other’s market.

Hong Kong has already entered into different forms of mutual recognition arrangements with Taiwan, Malaysia and Australia. SFC will leverage these experiences and work closely with Mainland authorities for early formulation of the mutual recognition arrangement. As mutual recognition of funds involves a number of cross-border regulatory and legal issues, regulators from both sides will need to study these issues in depth. It is therefore difficult to estimate the implementation timetable.

The mutual recognition arrangement aligns with one of the goals set out in the National 12<sup>th</sup> Five Year Plan, which is to support Hong Kong to develop into an international asset management centre. It is expected

that this proposal will bring new opportunities to the industry as well as investors in Hong Kong. The arrangement will provide the fund management industry with new sales and marketing channels, and attract more international asset management companies to set up operations in Hong Kong. It will also enrich the product offerings in Hong Kong. All these will foster Hong Kong's position as an international financial centre, and create a variety of job opportunities.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in promoting the development of the asset management industry. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)070**

Question Serial No.

0848

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please tabulate the companies listed through initial public offerings in Hong Kong over the past three years (i.e. from 2010-11 to 2012-13) by region, the amount of funds raised and the percentage of total amount of funds raised.

Asked by: Hon. LEE Wai-king, Starry

Reply:

Please refer to Annex for information.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**Information on listed companies which raised funds through initial public offering (IPO)  
on the Hong Kong Exchanges and Clearing Limited from 2010-11 to 2012-13**

Breakdown by Country / Region	2010-2011		2011-2012		2012-2013 (Provisional figures)	
	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised
Canada	-	-	4487.24	1.78%	-	-
Hong Kong	21,011.43	4.85%	30,542.54	12.13%	1,524.43	1.73%
Indonesia	3,645.74	0.84%	545.92	0.22%	-	-
Italy	-	-	19,227.22	7.63%	-	-
Japan	-	-	1,604.60	0.64%	1,568.00	1.78%
Luxembourg	6,109.47	1.41%	10,090.55	4.01%	-	-
Macau	75.00	0.02%	1,145.38	0.45%	-	-
Mainland China	234,089.36	54.03%	82,845.63	32.90%	84,906.44	96.25%
Mongolia	5,807.92	1.34%	-	-	-	-
Singapore	1,595.82	0.37%	1,559.16	0.62%	216.13	0.24%
Switzerland	-	-	77,745.76	30.87%	-	-
Taiwan /France <sup>(1)</sup>	-	-	9471.06	3.76%	-	-
UK	1,872.00	0.43%	-	-	-	-
US	159,077.98	36.71%	12,568.66	4.99%	-	-
<b>Total<sup>(2)</sup></b>	<b>433,284.72</b>	<b>100.00%</b>	<b>251,833.71</b>	<b>100.00%</b>	<b>88,214.99</b>	<b>100.00%</b>

Notes:

- (1) The IPO is a joint venture of French and Taiwanese companies.  
(2) Figures may not add up to the total due to rounding.

Source: The Hong Kong Exchanges and Clearing Limited

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)071**

Question Serial No.

0849

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As advised by the Administration, it will “establish the Financial Services Development Council to explore ways to complement the internationalisation of the financial market of our country, facilitate the further development of Hong Kong’s financial services industry and tender advice and proposals to the Government” during 2013-14. Please advise on:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the latest progress of this task; and
- (d) the details of the specific work plan for this year.

Asked by: Hon. LEE Wai-king, Starry

Reply:

The Financial Services Development Council (“FSDC”) at its second meeting held on 19 March 2013 endorsed the initiatives proposed for its five committees, which have also concluded their first meetings shortly before the second council meeting. Detailed work plans are being considered by members.

According to the FSDC, it will study the development of the local financial services industry, particularly the elements required to enhance Hong Kong’s future as an international financial centre and implications on Hong Kong’s financial services industry arising from the future development of Mainland’s capital market. In parallel, it will engage the industry on such topics as opportunities in Qianhai, offshore RMB business and further development of our asset and wealth management sector. Also, it will seek to play the role of a strategic coordinator for marketing plans among our key “Hong Kong Inc.” stakeholders to maximise the overall impact of their promotion activities.

The FSDC plans to submit to the Government proposals and findings arising from its studies and industry engagement activities. It will also be holding activities such as seminars, workshops, visits and roundtables when taking forward its work plans.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises a Senior Economist and four

administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)072**

Question Serial No.

0850

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Administration states that in 2013-14, it will “join hands with the Mandatory Provident Schemes Authority (“MPFA”) to drive down MPF fees and enhance the MPF System, including withdrawal of MPF accrued benefits”.

- (a) Please advise on the details of the work plans of the short, medium and long term, and schedule for reform of the MPF System by the Government and the MPFA;
- (b) Please advise on the latest situation of the implementation of the Employee Choice Arrangement, including the total number of employees who have filed application; and
- (c) Please provide the work plan and schedule for the implementation of Full Portability of the MPF in the coming three years (i.e. from 2013-14 to 2015-16).

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) The Administration and Mandatory Provident Fund Schemes Authority (“MPFA”) are pursuing a basket of short, medium and long-term measures so as to achieve substantial reduction in MPF fees. The work plan and timetable are as follows-

Short-term measures: regarding the Consultancy Study on MPF Trustees’ Administration Costs announced in November 2012, the MPFA is pressing ahead with those measures suggested by the consultant which can be implemented within the existing legislative framework to reduce administration costs. These include promoting electronic platforms, encouraging employees to consolidate their accounts, and encouraging trustees to consolidate MPF schemes/funds that are smaller in scale or less cost-efficient;

Medium-term measures: the Administration and MPFA are considering feasible options to enable the MPFA to better perform its functions, which include specifying regulatory requirements for seeking the MPFA’s approval for MPF funds. We aim to introduce the proposed legislative amendments into the Legislative Council by July 2014; and

Long-term measures: we are discussing with the MPFA the rationalisation of fund choices and introduction of a cap on MPF fees in case of market failure, with a view to preparing a proposal for public consultation within this year. Measures also include mapping out the implementation of full portability (see part (c)).

In addition, the MPFA is following up on the implementation details of the two proposals on “explicitly allowing scheme members to choose to withdraw their MPF benefits in a lump sum or in stages” and “allowing early withdrawal where a scheme member is certified to suffer from a terminal illness”. This includes discussing with trustees specific arrangements for implementing the proposals, and articulating the proposed legislative amendments. Our aim is to introduce the proposed legislative amendments into the Legislative Council by July 2014.

- (b) The operation of the Employee Choice Arrangement (“ECA”) has been smooth since its implementation four months ago. According to the information trustees submitted to the MPFA, trustees received in total 51,000 applications from scheme members on transferal of accrued benefits in the first four months after the implementation of ECA in November 2012 (i.e. from 1 November 2012 to 28 February 2013).
- (c) According to the MPFA, a number of preparatory works would be involved for implementing full portability. They include conducting feasibility studies on setting up a central database and “one-member-two-accounts”, implementing supporting measures, and taking forward relevant legislative amendments. The MPFA would complete mapping out the implementation of full portability before 2016. The MPFA is now conducting further studies on setting up a central database and “one-member-two-accounts”.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)073**

Question Serial No.

0851

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information for each year since the implementation of the Mandatory Provident Fund (“MPF”) System:

- (a) the number of complaints against employers defaulting on MPF contributions and the amounts involved in the cases; and
- (b) the number of prosecutions instituted against employers defaulting on MPF contributions, the success rate of the prosecutions, the number of imprisonment cases and the amounts of money recovered from the employers.

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) According to the information provided by the Mandatory Provident Fund Schemes Authority (“MPFA”), the number of complaints against employers defaulting on MPF contributions and the amounts involved in the cases are as follows:

<b>Year (Financial Year)</b>	<b>Number of Complaints</b>	<b>Amounts Involved (HK\$ Million)<sup>1</sup></b>
2000-01 (since 1 December 2000)	941	-
2001-02	7 441	-
2002-03	9 412	-
2003-04	10 025	-
2004-05	8 911	-
2005-06	8 970	-
2006-07	8 793	-
2007-08	6 763	108

<sup>1</sup> The amounts involved in respect of complaints related to years prior to 2007-08 are not available.

2008-09	7 699	74
2009-10	6 642	64
2010-11	4 605	44
2011-12	4 161	24

(b) According to the information provided by the MPFA, the figures on the enforcement action against employers defaulting on MPF contributions<sup>2</sup> are as follows –

Year (Financial Year)	Number of Summons Issued	Successful Conviction Rate <sup>3</sup>	Average Court Fine per Defendant (HK\$)	Average Court Fine per Summons (HK\$)
2000-01 (since 1 December 2000)	10	70%	5,800	4,143
2001-02	407	83%	14,990	3,626
2002-03	756	79%	15,055	2,530
2003-04	1 051	81%	12,834	1,719
2004-05	1 057	83%	13,638	1,937
2005-06	924	77%	14,335	2,661
2006-07	441	84%	18,512	2,910
2007-08	472	87%	17,486	3,148
2008-09	572	88%	12,480	2,031
2009-10	1 142	80%	18,023	2,625
2010-11	2 594	86%	32,979	3,173
2011-12	1 519	84%	29,771	3,152

The MPFA has advised that there have been no successful imprisonment case so far.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

<sup>2</sup> The amounts of default contributions recovered from the employers involved in prosecution cases are not available.

<sup>3</sup> In most of the unsuccessful cases, the summonses had been withdrawn because the defendants had closed down and become untraceable, wound up or become bankrupt. Excluding these cases, the overall successful conviction rate would be about 99% for the period of 1 December 2000 to 31 March 2012.

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)074**

Question Serial No.

2980

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 49 of the Budget Speech that “to tie in with the development of private wealth management, the Government and the regulators will continue to support the work of the sector in setting up a trade association, taking forward programmes relating to the accreditation and enhancing the training of practitioners”. Regarding the accreditation and training of asset managers, please give an account of the efforts of the Financial Services and the Treasury Bureau and the Hong Kong Monetary Authority with respect to the following:

- (a) specific plans;
- (b) work schedules;
- (c) any legislative amendments and licensing regimes involved;
- (d) any market consultation to be conducted;
- (e) any reference made to overseas experience.

Asked by: Hon. LEE Wai-king, Starry

Reply:

To ensure an adequate supply of professionals to support the private wealth management industry, the Government and regulators are actively facilitating the industry to establish a “Private Wealth Management Association”, implementing an enhanced competency framework and fostering practitioners training. These would help strengthen the talent pool of quality practitioners.

In addition, we have invited the Securities and Futures Commission (“SFC”) to consider offering financial support for the curriculum development of suitable training courses in asset management by the market, with a particular focus on the need for continued professional training of the small and medium-sized securities brokers. We have received a positive response from the SFC. For this, the SFC has already initiated discussions with the Hong Kong Securities and Investment Institute on implementation of these initiatives.

The Government and the regulators will continue to engage the market with a view to further developing the asset management and private wealth management industry in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)075**

Question Serial No.

2982

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 59 of the Budget Speech that the Administration is “considering possible amendments to the legislation to introduce a licensing regime for stored value electronic money and to empower the HKMA to supervise the relevant retail payment systems, which will help establish a sound regulatory regime for Hong Kong.”

For the upcoming industry consultation and drafting of legislation, what is the overall regulation approach? Will the Administration draw reference from the regulation models adopted by overseas countries/regions? What are these countries/regions?

Asked by: Hon. LEE Wai-king, Starry

Reply:

We propose to introduce a statutory licensing regime for multi-purpose, stored value facilities (“SVF”), and to regulate retail payment systems (“RPS”) in Hong Kong. The proposed regulatory framework seeks to empower the Hong Kong Monetary Authority to license and supervise SVF and RPS, with a view to enhancing consumer protection as well as the security and stability of retail payment products and services in Hong Kong. We will refer to relevant regulatory experience in other jurisdictions in developing a regulatory approach suitable for the market in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)076**

Question Serial No.

3521

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the issuance of Renminbi-denominated bonds in Hong Kong, please tabulate the number of issuances, the percentages by target buyers, the issuing financial institutions involved, the issue values, the tenors and the terms of paying interests since 2007. What are the government expenditure and manpower involved?

Asked by: Hon. LEE Wai-king, Starry

Reply:

Hong Kong has developed as the largest Renminbi (“RMB”) bond market outside the Mainland. From 2007 to February 2013, there had been 237 RMB bond issues with a total value amounting to RMB 306.7 billion. The table below shows the number of issues, amount of issuance and types of issuers by year from 2007 to February 2013.

	2007	2008	2009	2010	2011	2012	2013 (Jan-Feb)	Cumulative Total*
1. No. of issues	3	4	6	16	91	100	17	237
2. Amount of issuance (in RMB billion)	10.0	12.0	16.0	35.8	107.9	112.2	12.9	306.7
- Mainland financial institutions	10.0	12.0	10.0	15.0	0	24.0	1.0	72.0
- Mainland non-financial corporates	0	0	0	0	3.6	4.4	3.0	11.0
- Hong Kong and overseas financial institutions	0	0	0	1.4	12.1	25.3	4.5	43.2
- Hong Kong and overseas non-financial corporates	0	0	0	10.2	71.1	34.4	4.4	120.0
- International financial institutions and others	0	0	0	1.2	1.2	1.1	0	3.5
- Ministry of Finance	0	0	6.0	8.0	20.0	23.0	0	57.0

\* Owing to rounding, the sum of individual items may not be exactly the same as the cumulative total.

Source: Bloomberg and market data

Since 2007, the tenors of RMB bonds issued by enterprises varied from 3 months to 20 years, and these bonds were mainly targeted at institutional investors. The interest rates were determined by the market. As at end February 2013, over 150 institutions had issued RMB bonds. In terms of types of bond issuers, they included Mainland financial institutions and non-financial enterprises as well as enterprises and international financial institutions from all over the world, for example, McDonald's and Caterpillar from the United States, Unilever and Volkswagen from Europe, the World Bank and the Asian Development Bank.

In 2009, the Ministry of Finance ("MoF") launched its inaugural offering of RMB sovereign bonds in Hong Kong, with a total value of RMB 6 billion: 2-year maturity and 3-year maturity at respective interest rates of 2.25% and 2.70% for retail investors, and 3-year maturity and 5-year maturity for institutional investors. The MoF further issued RMB sovereign bonds in Hong Kong in 2010, 2011 and 2012 with total value at RMB 8 billion, RMB 20 billion and RMB 23 billion respectively.

In the 2012 round of issuance, it was the first time for special placement of the RMB sovereign bonds, totaling RMB 2 billion, to overseas Central Banks at 3-year, 5-year, 7-year, and 10-year maturity. Bonds of RMB 15.5 billion were issued to institutional investors by tender: RMB 7 billion with 3-year maturity, RMB 5.5 billion with 5-year maturity, RMB 1 billion with 7-year maturity, RMB 1 billion with 10-year maturity and RMB 1 billion with 15-year maturity. The interest rates for 3-year, 5-year, 7-year, 10-year and 15-year maturity were at 1.85%, 2.56%, 2.65%, 3.10% and 3.48% respectively. The remaining RMB 5.5 billion sovereign bonds with 2-year maturity were issued to retail investors, at an interest rate of 2.38%.

The work in relation to promoting offshore RMB business in Hong Kong is pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)077**

Question Serial No.

3522

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

Programme:                      Official Receiver's Office

Controlling Officer:        Official Receiver

Director of Bureau:        Secretary for Financial Services and the Treasury

Question:

Regarding the following work, what are the respective estimated numbers of cases to be outsourced by the Official Receiver's Office (ORO) to practitioners in the private sector (PIPs) in 2013-14? What are the respective percentage changes as compared with that of last year?

- (a) non-remunerative and summary liquidation cases;
- (b) non-summary liquidation cases;
- (c) preliminary examination of bankrupts; and
- (d) debtor-petition summary bankruptcy cases.

Asked by: Hon. LEE Wai-king, Starry

Reply:

Under ORO's existing policy, the vast majority of compulsory liquidation cases and about 25% of debtor-petition summary bankruptcy cases are outsourced to PIPs. For bankruptcy cases which are not outsourced, PIPs are engaged to conduct preliminary examination of bankrupts. With reference to the number of liquidation and bankruptcy cases in previous years, the estimated number of cases to be outsourced to PIPs in 2013-14, and the comparative figures for 2012-13 are as follows:

Type of work	No. of cases in 2012-13 (Estimated)	No. of cases in 2013-14 (Estimated)	Percentage change (%)
(a) Non-remunerative and summary liquidation cases	298	309	+3.7
(b) Non-summary liquidation cases	14	14	no change
(c) Preliminary examination of bankrupts	6 203	5 970	-3.8
(d) Debtor-petition summary bankruptcy cases	1 875	2 000	+6.7

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)078**

Question Serial No.

3523

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

Programme:                      Official Receiver's Office

Controlling Officer:        Official Receiver

Director of Bureau:        Secretary for Financial Services and the Treasury

Question:

How many complaints against practitioners in the private sector ("PIPs") did the Official Receiver's Office ("ORO") receive in each of the past five years (i.e. from 2008-09 to 2012-13)? What were the final results of these complaints handled? Please provide a breakdown by type of complainants (i.e. creditor or bankrupt) and reasons of complaints.

Asked by: Hon. LEE Wai-king, Starry

Reply:

The ORO received a total of 73 complaints against PIPs during the period from 2008-09 to 2012-13 (up to February 2013). A breakdown by year and by type of complainants is as follows:

Nature of cases	Type of Complainants	Nature of Complaints	2008-09	2009-10	2010-11	2011-12	2012-13 (up to Feb. 2013)
Liquidation	Creditors	<ul style="list-style-type: none"> <li>• Conflict of interest</li> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Excessive fees</li> <li>• Failure to comply with statutory requirements</li> <li>• Failure to respond to enquiries</li> </ul>	1	5	7	3	1
	Others	<ul style="list-style-type: none"> <li>• Conflict of interest</li> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Failure to comply with statutory requirements</li> <li>• Failure to comply with tender requirements</li> <li>• Failure to respond to enquiries</li> <li>• Misconduct</li> </ul>	0	5	7	4	0

Bankruptcy	Creditors	<ul style="list-style-type: none"> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> </ul>	1	0	1	1	1
	Bankrupts	<ul style="list-style-type: none"> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Excessive fees</li> <li>• Failure to respond to enquiries</li> <li>• Manner in communicating with the bankrupts</li> </ul>	6	5	6	9	2
	Others	<ul style="list-style-type: none"> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Failure to comply with statutory requirements</li> <li>• Failure to respond to enquiries</li> </ul>	1	3	1	2	1
<b>Total</b>			<b>9</b>	<b>18</b>	<b>22</b>	<b>19</b>	<b>5</b>

Out of the above complaints, the ORO has completed investigation on 53 cases, out of which 5 cases were substantiated or partially substantiated. Two substantiated complaints involved substandard performance and misconduct of the PIPs, who were accordingly removed from acting as liquidators in the relevant cases by the court on ORO's applications. Disqualification order from the court was also obtained by ORO against the PIP of one substantiated complaint for disqualifying him from acting as a liquidator for a specified period. For the other less serious cases, ORO had issued warning letters to the PIPs concerned.

One complaint was withdrawn by the complainant and the investigation on the remaining 19 complaints is underway.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)079**

Question Serial No.

3524

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

Programme:                      Official Receiver's Office

Controlling Officer:        Official Receiver

Director of Bureau:        Secretary for Financial Services and the Treasury

Question:

In each of the past three years (i.e. from 2010-11 to 2012-13), what were the respective numbers of cases where the Official Receiver ("OR") was appointed as the liquidator or trustee by the court or creditors? What were the respective amounts of maximum and minimum actual operating costs per case? In order to achieve full cost recovery, the Official Receiver's Office's ("ORO") fees charging mechanism allows cross-subsidisation. In this connection, what were the numbers of cases where the fees charged were higher than the actual operating costs and the total amounts of the difference involved?

Asked by: Hon. LEE Wai-king, Starry

Reply:

The numbers of cases for which the OR was appointed as trustee or liquidator for the years from 2010-11 to 2012-13 (based on the date of appointment) are as follows:-

	Appointed as Trustee	Appointed as Liquidator
2010-11	6 610	2
2011-12	4 575	2
2012-13 (up to February 2013)	3 984	-

The OR has largely not taken on the role as liquidator in compulsory liquidation cases in recent years. Practitioners in the private sector serve as liquidator in the vast majority of these cases.

In respect of the OR acting as trustee in bankruptcy cases or as liquidator in compulsory liquidation cases, the operating costs differ considerably from case to case, depending on the complexity of the case concerned. Relevant factors include the amount of work involved in the realization of assets and the distribution of dividends to creditors, whether additional legal input or investigation is required, etc.

It has been ORO's established practice to levy fees and charges for the provision of insolvency services without reference to the actual time spent in any particular case. In general, the vast majority of insolvency cases administered by ORO are non-remunerative cases, which means there are no or inadequate assets to cover the costs incurred by ORO in administering these cases. On the other hand, the fees and charges collected in remunerative insolvency cases are higher than the actual costs incurred by ORO to administer these cases. This fee charging approach is intended to help ensure that ORO achieves full cost recovery in the provision of services. In 1987, Legislative Council passed legislative amendments to both Bankruptcy Ordinance and Companies Ordinance to expressly provide for ORO to levy fees for the recovery of costs generally without reference to the administrative or other costs incurred in any particular case.

We do not keep separate statistics on the actual operating costs of individual cases. Therefore, we do not have information on the maximum and minimum actual operating costs per case, the number of cases where the fees were higher than the actual operating costs cases, and the total amounts of the difference involved.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)080**

Question Serial No.

3525

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Concerning the Financial Services Branch's aim to continue "reinforcing the offshore Renminbi business platform", please provide:

- (a) the estimated expenditure involved in 2013-14;
- (b) the number and ranking of staff engaged;
- (c) the specific tasks undertaken; and
- (d) the work progress in the past 9 years.

Asked by: Hon. LEE Wai-king, Starry

Reply:

The SAR Government has been promoting the development of offshore Renminbi ("RMB") business since 2004. Along with the introduction of measures to promote and expand the use of RMB in cross-border trade and the support from the Central Government and related Mainland authorities, the offshore RMB business in Hong Kong had grown rapidly in recent years. RMB trade settlement conducted through banks in Hong Kong in 2012 exceeded RMB2,600 billion, representing an increase of 37% over 2011.

Driven by RMB trade settlement, RMB deposits in Hong Kong increased significantly and RMB financing activities became more active. As at the end of January 2013, total RMB deposits and outstanding RMB certificates of deposits in Hong Kong amounted to RMB755 billion. Concurrently, through the development of RMB bonds, loans and equity products, Hong Kong has become the largest offshore RMB financing market. On bonds, from 2007 to the end of February 2013, there were 237 RMB bond issuances with total outstanding amount exceeding RMB248 billion. The issuers included multinational corporations like McDonald's and Caterpillar in US, Unilever and Volkswagen in Europe, and also international financial institutions like the World Bank and Asian Development Bank. On loans business, as at end-2012, the outstanding RMB loans amounted to RMB79 billion, more than double the amount of RMB31 billion as at end-2011. On equities, the first offshore RMB-traded share was listed in Hong Kong in October 2012 under the innovative "Dual Tranche, Dual Counter" model.

Various RMB investment products have also been launched, including RMB-denominated real estate investment trust ("REIT"), RMB currency futures, RMB-denominated gold exchange-traded funds ("ETF"), A-share ETF, shares traded in both RMB and HKD and RMB-denominated derivative products. Among them, total market capitalisation of the 4 listed A-share ETF exceeded RMB40 billion. Furthermore, Mainland regulators promulgated the revised rules on the Renminbi Qualified Foreign Institutional Investors

("RQFII") pilot scheme on 6 March 2013. Under the revised rules, Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered and have major operations in Hong Kong are eligible to apply for RQFII. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions. This will be conducive to the launch of more innovative and diversified RMB investment products in Hong Kong, further deepening the RMB offshore business in Hong Kong and enhancing the cross-border use and circulation of RMB funds between the Mainland and Hong Kong. This will help promote the internationalisation of RMB.

As at the end of 2012, there were a total of 204 banks participating in Hong Kong's RMB clearing platform. Of these, 181 were branches and subsidiaries of foreign banks and overseas arms of Chinese banks. They represented a global payment network capable of handling RMB transactions for different parts of the world, handling transactions between the Mainland and rest of the world as well as among the various offshore markets.

In the financial year of 2013-14, Hong Kong will continue to enhance the market infrastructure and consolidate the financial platform as well as maintain contacts with related Mainland authorities in order to facilitate the circulation of RMB funds between the onshore and offshore markets; promote the arrangements for expansion of RQFII; widen the channels and scale of cross-border flows of RMB funds in a risk controlled manner, bringing about mutual benefits to both places; promote RMB financial intermediation activities and endeavour to develop innovative and diversified RMB investment products so as to meet the needs of corporations, financial institutions and investors; continue to strengthen the RMB business links with overseas markets (e.g. London and Australia), with a view to enhancing our role and function as the global hub for offshore RMB business and as a wholesale platform serving the retail activities of international financial institutions; continue to conduct roadshows overseas, with an aim to assist and facilitate financial institutions and corporates around the world to expand their RMB business while promoting the use of Hong Kong's RMB financial platform, either directly or indirectly, to settle their transactions.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)081**

Question Serial No.

5471

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 51 of the Budget Speech that the Government proposes to reduce the profits tax on the offshore insurance business of captive insurance companies. Please provide the following information:

- (a) the amount of resources to be allocated by the Administration to implement the above work in the coming year (2013-14);
- (b) for the past five years (from 2008-09 to 2012-13), the respective revenues from profits tax on offshore insurance business of captive insurance companies and reinsurance companies, and the respective percentages of the profits tax to the total amount of profits tax per year;
- (c) for the past five years, the change in the number of enterprises engaging in offshore insurance business of captive insurance companies and reinsurance business per year;
- (d) for the past five years, the change in the employment size of the offshore insurance business of captive insurance companies and reinsurance business;
- (e) for the past five years, the change in the total employment of the insurance business per year; and
- (f) for the past five years, the percentage of contribution of insurance business to the Gross Domestic Product of Hong Kong per year.

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) In 2013 -14, the work will be jointly pursued by the Financial Services and the Treasury Bureau and Office of the Commissioner of Insurance. The expenses will be absorbed from within our existing resources.
- (b) In the 2007/08 – 2011/12 assessment years, the revenues from profits tax of captive insurance companies and professional reinsurance companies are as follows:

Assessment year	Revenues from profits tax of captive insurance companies <sup>[Note1]</sup> and professional reinsurance companies <sup>[Note2]</sup> (\$ million)	Percentage of total profits tax
2011/12*	171	0.16%

2010/11	167	0.17%
2009/10	111	0.13%
2008/09	142	0.18%
2007/08	168	0.17%

\* As at 28.3.2013.

Note 1: Currently, there are no tax concessions for the assessable profits derived from the offshore business of captive insurance companies. They are chargeable to tax at the same rate as local insurance business.

Note 2: According to Section 14B of the Inland Revenue Ordinance (Cap. 112), the assessable profits derived from the offshore business of professional reinsurance companies could be chargeable to tax at one-half of the rate.

- (c) From 2008 to 2012, the numbers of captive insurance companies and professional reinsurance companies authorised in Hong Kong are as follows:

	2008	2009	2010	2011	2012
Captive Insurance Companies	2	2	2	2	1
Professional Reinsurance Companies	21	19	19	19	19

- (d) The Census & Statistics Department does not have the relevant figures.
- (e) According to the three existing self-regulatory organisations of the insurance sector, the numbers of registered individual insurance agents and insurance brokers[Note3] from 2008 to 2012 are as follows:

	2008	2009	2010	2011	2012
Insurance agents and insurance brokers	38,077	39,472	40,922	43,407	46,406

Note 3: The figures exclude registered insurance technical representatives working in institutions the principal business of which is not insurance, such as banks and travels agents.

- (f) From 2007 to 2011, contribution of insurance business (measured in terms of value added) to the Gross Domestic Product of Hong Kong is as follows:

	2007	2008	2009	2010	2011
Percentage share of value added in GDP [Note4]	3.2%	3.0%	2.8%	3.1%	2.9%

Note 4: Nominal GDP at basic prices.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)082**

Question Serial No.

0445

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The matters requiring attention of the Financial Services and the Treasury Bureau (“FSTB”) in 2013-14 include the establishment of the Financial Services Development Council (“FSDC”). The FSDC, neither a consultative nor a statutory organisation, is of an advisory nature and will be constituted as a company limited. It will be funded by the Bureau through internal deployment of resources. Please advise me of:

1. the expenditure and manpower required for the FSDC in this year and of the total expenditure of the FSTB, the percentage of the expenditure it accounts for;
2. the funding arrangement, including the procedures and details, for the FSDC in this year (2013-14); and
3. the future financial arrangement for the FSDC and the period of funding commitment for the Government.

Asked by: Hon. LEUNG Kwok-hung

Reply:

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. This arrangement will be maintained for the initial three years subject to review later. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)083**

Question Serial No.

0446

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Bureau has made a commitment of \$92 million for the Financial Dispute Resolution Centre (“FDRC”) for its set-up costs and operating costs for the first 3 years. Since its operation in January 2012, \$43 million has been spent, with a balance of \$49 million. In the first 6 months of its operation, only 15 application cases were handled, far below the original target of 2 000 cases. As a result, the cost for each case is as high as \$2.8 million.

According to the funding arrangement, the Bureau will deploy its resources to meet the funding requirement of the FDRC till 1 January 2015. At the Budget meeting held last year, I raised a question on the number of cases handled by the FDRC, the progress of the cases and their cost effectiveness. The Secretary for Financial Services and the Treasury refused to answer my question and asked me to refer to FDRC’s annual report. Given that Ms Julia LEUNG, the Deputy Secretary for Financial Services and the Treasury, acts as a director of the FDRC in the capacity of the Bureau’s representative and that the FDRC is funded by the Government, it is necessary for the Legislative Council to be informed of and monitor the cost effectiveness of the FDRC. How can it become an independent kingdom and escape from the monitoring of this Council in the name of a company limited?

The cost effectiveness of the FDRC is highly doubtful. Please advise me of :

- (a) the major expenses, staff establishment, salary paid, bonus paid, directors’ remuneration, revenue, balance, etc. of the FDRC;
- (b) the number of cases handled, activities held, publicity conducted, publications issued and their respective effectiveness; and
- (c) the work to be done by the Administration under the regulation and financial review mechanism in this year (2013-14) and the manpower and expenditure incurred.

Asked by: Hon. LEUNG Kwok-hung

Reply:

- (a) The Financial Dispute Resolution Centre (“FDRC”) commenced its operation on 19 June 2012 and it is still in its initial stage of operation. FDRC is governed by a Board of Directors drawn from the Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority, the Securities and Futures Commission as well as the industry. FDRC’s executive team is led by a Chief Executive Officer (“CEO”), who is familiar with and experienced in alternative dispute resolution. FDRC has 16 staff including the CEO. FDRC’s accounts are now being audited by professional accountants and will

be submitted to the Board of Directors for consideration in their Annual General Meeting. It is scheduled to be published in mid 2013.

(b) As at end of February 2013,

- FDRC received 1 540 enquiries and 28 applications. Of the cases handled, 85% cases were settled;
- 87% of users rated FDRC service satisfactory or above on the evaluation forms;
- FDRC conducted 89 information seminars, talks and briefing sessions on the Financial Dispute Resolution Scheme (“FDRS”) and its services, reaching out to 1 822 staff members of financial institutions, members of professional bodies and general public, and also organised various training courses and workshops for mediators and arbitrators;
- FDRC held a stakeholders meeting and a user feedback forum with financial institutions;
- FDRC rolled out a series of promotional activities to enhance public awareness of its services through various media channels.

In 2013, in addition to the on-going seminars and promotional activities, FDRC is reaching out further to the general public at the district level. For instance, FDRC joined the Sheung Wan Promenade in February 2013 to promote its services. More than 600 people participated in related activities. FDRC is also visiting different District Councils, so as to introduce its services to district organisations and explore opportunities to promote its services at the district level.

(c) Within the Financial Services and the Treasury Bureau, the Under Secretary oversees these functions and is supported by one Principal Assistant Secretary and one Assistant Secretary. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)084**

Question Serial No.

0453

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary proposed in his Budget Speech to extend profits tax exemption to hedge funds and private equity funds. A number of scholars have pointed out that tax is not a decisive factor in attracting foreign investments. Without tax exemption, the asset management business in Hong Kong has been growing in recent years, and the total value of fund assets under management in Hong Kong surged from HK\$2.9 trillion in 2003 to HK\$9 trillion this year, representing an increase of 210%.

Will the Administration advise me of the following:

1. Why would the Government forgo tax revenue only to enable the funds crooks to reap bigger profits?
2. How many such funds are registered in Hong Kong at present? What is the amount of tax chargeable to asset management business over the past 5 years (including 2012)? Of the total profits tax revenue, what percentage does such tax account for?
3. What is the estimated number of additional funds to be registered in Hong Kong due to such tax exemption? What is the estimated growth of the total value of fund assets under management in Hong Kong in monetary terms?

Asked by: Hon. LEUNG Kwok-hung

Reply:

**(1) and (3)**

The financial services industry in Hong Kong employs 230 000 people, accounting for six per cent of the total workforce. It is a high value-added industry that contributes 16 per cent to our GDP. It is also a major client of professional services and drives growth in other consumer industries. According to the Fund Management Activities Survey conducted by the Securities and Futures Commission (“SFC”), the combined fund management business in Hong Kong amounted to HK\$9,038 billion in 2011, and offered over 30 000 jobs.

With the economic gravity shifting to the East, more and more quality and competitive investment projects originate from Asia. Hong Kong is located at the centre of Asia and possesses advantages such as free flow of information, an independent judicial system as well as having the Mainland as our hinterland. Hong Kong currently hosts the largest offshore RMB liquidity pool and serves as a platform for international investors to carry out financial activities such as RMB financing and investments. With these competitive edges, funds based in Hong Kong are able to explore investment opportunities in Asia or seek to attract Asian capital more easily.



To capture the abovementioned opportunities, we have been adopting multi-pronged measures to strengthen the development of Hong Kong's asset management business. Ensuring that our tax regime stays competitive is one of them. Hong Kong has therefore removed estate duty and exempted offshore funds from certain profits tax, and strives to sign comprehensive avoidance of double taxation agreements with more trade and investment partners, so as to attract capital from other jurisdictions to Hong Kong and encourage existing funds to continue to base in Hong Kong. Moreover, certain specified investment funds are currently exempted from profits tax under section 26A(1A) of the Inland Revenue Ordinance ("IRO"). These included unit trusts, mutual funds and similar investment schemes authorised under the Securities and Futures Ordinance or where the Commissioner of Inland Revenue is satisfied that they are bona fide widely held investment schemes which comply with the requirements of a supervisory authority within an acceptable regime. A majority of local investment funds are exempted from profits tax under the IRO.

For offshore funds, it is not common that they would be considered as conducting business in Hong Kong and need to be assessed for profits tax. We propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same exemption as offshore funds. The proposal will provide a clear and certain tax environment for private equity funds, hence attracting more private equity funds to base in Hong Kong. At present, Hong Kong's asset management business focuses mainly on sales and marketing. The relevant measures that the Financial Secretary announced in the Budget Speech will be conducive to Hong Kong's development as a comprehensive fund and asset management centre, covering registration, product manufacturing, investment management and sales and marketing. This will help foster Hong Kong's position as an asset management centre, and create job opportunities of various types.

(2)

According to the SFC's Report of the Survey on Hedge Fund Activities of SFC-licensed Managers/Advisers, as at end September 2012, there are 676 hedge funds managed by SFC-licensed hedge fund managers in Hong Kong. The total hedge fund asset under management is over US\$87.1 billion. According to the Asian Venture Capital Journal, as at end 2012, there are 377 private equity fund companies in Hong Kong. The Inland Revenue Department does not keep separate statistics in respect of tax assessed on fund management business.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)085**

Question Serial No.

0454

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It was emphasized by the Financial Secretary (“FS”) in the Budget Speech that Hong Kong’s position as a premier international asset management centre should be strengthened, and therefore proposals were made to attract private equity funds and hedge funds to domicile in the territory. Given that these funds have been the culprits behind the global financial turbulence in recent years, such proposals are regarded by the public as attracting financial “crocodiles” to Hong Kong. The bankruptcy of Lehman Brothers in 2008 had exposed the fact that the new financial structured products were so complicated that even sophisticated investors with financial acumen would get duped. The saga had also witnessed over 40 000 cases of claims by Lehman victims in Hong Kong. Only after an enormous amount of time and public money had been spent by the Legislative Council did the event, through a few years of disputes, begin to recede.

The FS should strike a balance between opening up financial markets and protecting retail investors against losses likely to be inflicted by financial “crocodiles”. The American and European experiences tell us that financial regulatory bodies are outgunned, in terms of human capital, talent pool and financial resources, by mighty funded industry players which could entice talents with generous remuneration packages. Besides, multifarious product design and selling strategies would be adopted by these industry players with a view to circumventing regulations, putting regulatory bodies in a hopeless position.

In the light of the above, would the Administration advise me of the financial provision earmarked for enhancing the regulatory capabilities of regulatory bodies (such as the HKMA and SFC) by means of increasing staff numbers, salaries and resources, with a view to addressing the issues arising from attracting financial “crocodiles” to Hong Kong?

Asked by: Hon. LEUNG Kwok-hung

Reply:

With economic gravity shifting to the East, more and more quality and competitive investment projects originate from Asia. Hong Kong is located at the centre of Asia and possesses advantages such as free flow of information, an independent judicial system as well as having the Mainland as our hinterland. With Hong Kong’s competitive edges, funds based in Hong Kong are able to explore investment opportunities in Asia or seek to attract Asian capital more easily. We are adopting multi-pronged strategies to further promote Hong Kong’s fund and asset management business.

The Budget proposed to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same

tax exemption as offshore funds and create a clear and certain tax environment for the private equity funds. In turn, this will attract more private equity funds to base their businesses in Hong Kong.

When formulating the above new initiative, we will need to consider how we can provide a clear and certain tax environment and prevent the abuse of the exemption arrangement for tax avoidance. We aim to launch a consultation on the relevant proposals within this year, so as to commence the relevant legislative exercise as soon as possible.

At the same time, the Budget also proposed to introduce Open-ended Investment Companies (“OEIC”) as we noted that OEIC have become an increasingly popular form used by the fund industry to set up investment funds. We are joining hands with the Securities and Futures Commission to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. We are now discussing the above proposals in detail with relevant departments and regulators. One of the key issues on the agenda is to ensure there will be appropriate regulation of funds that adopted the OEIC structure.

While we endeavour to develop the market and create new opportunities, we also attach great importance to financial safety, and review the regulatory regime from time to time. We will introduce measures to maintain the stability of our financial system and improve the quality of the market when necessary. For example, we have introduced new reporting requirements in relation to short selling in June last year, and renewed the position limits and reportable positions on futures and options contracts from time to time. Moreover, we are drafting legislation to regulate the transactions of over-the-counter derivatives.

We believe that the above measures will be conducive to Hong Kong’s development as a comprehensive fund and asset management centre, covering registration, product manufacturing, investment management and sales and marketing, so as to consolidate the competitive edges of the market and enable Hong Kong to become the base for funds to capture Mainland and overseas investment projects, and create job opportunities of various types. The Government, together with the regulators, will continue with our on-going efforts in monitoring closely the situation of local markets, and review the relevant risk management requirements from time to time. We will adhere to the same principles when further developing our fund and asset management business.

The expenses involved will be absorbed from existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)086**

Question Serial No.

0459

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government intends to reduce the profits tax of captive insurance companies run by enterprises by 50% in order to encourage large enterprises to form captive insurance companies in Hong Kong. Please advise me of the following:

1. Currently, what concessions are provided for the captive insurance companies of large enterprises (like the minimum capital requirement, etc.)? How do they compare to those concessions provided for the ordinary insurance companies?
2. Currently, how many captive insurance companies have been formed in Hong Kong? What are the names of the enterprises and from which jurisdictions do they come?
3. How many large enterprises are expected to form captive insurance companies in Hong Kong because of the tax concessions? Which jurisdictions do they come from?

Asked by: Hon. LEUNG Kwok-hung

Reply:

1. According to the Insurance Companies Ordinance (Cap. 41), the concessions currently granted by the Government to captive insurance companies and the comparison with non-life insurance companies on regulatory requirements are as follows:

Item	Captive Insurer	Non-life Insurance Company
Minimum Capital Requirement	HK\$2 million	HK\$10 million
Minimum Solvency Margin	The greatest of: a. 5% of the premium income; or b. 5% of the claims outstanding; or c. HK\$2 million	The greatest of: a. generally 20% of the premium income; or b. generally 20% of the claims outstanding; or c. HK\$10 million
Requirement for Assets in Hong Kong	Exempted	To maintain assets in Hong Kong of an amount not less than 80% of its Hong Kong net liabilities plus

		solvency margin
Valuation Regulation	Assets and liabilities to be valued on the basis of Generally Accepted Accounting Principles	Assets and liabilities to be valued according to the Insurance Companies (General Business) (Valuation) Regulation
Authorization and Annual Fee	HK\$ 22,600	HK\$ 227,300

2. Currently, there is one captive insurance company in Hong Kong. It is CNOOC Insurance Limited which is a member of a conglomerate group in the Mainland.
3. We have not made any relevant estimates. According to overseas experience, the proposed tax reduction may attract overseas enterprises to establish captive insurance companies in Hong Kong. Encouraging captive insurance business will promote the development of other related businesses, including reinsurance, making Hong Kong's risk management services more diversified.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)087**

Question Serial No.

0460

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has proposed a profits tax exemption for private equity funds. I would like to know:

1. the number of unit trusts and mutual funds now operating in Hong Kong. Please list them out by types and their respective percentages against the total number of trusts and funds.
2. the number of private equity funds and their percentage against the total number of unit trusts and mutual funds.
3. the jurisdictions under which such private equity funds operate, the capital size managed by such funds and the percentage against the total.
4. the amount of profits tax that unit trusts and mutual funds and private equity funds paid over the past 5 years (including 2012-13), and the percentage of the tax paid against the total amount of profits tax.

Asked by: Hon. LEUNG Kwok-hung

Reply:

According to the statistics of the Securities and Futures Commission (“SFC”), there are 1 863 unit trusts and mutual funds authorised by SFC as at March 2012. The number and percentages of different unit trusts and mutual funds are as follows –

**Unit Trusts and Mutual Funds authorised by SFC**

<b>Types</b>	<b>Number</b>	<b>Percentage</b>
Bond	330	17.7%
Equity	995	53.4%
Diversified	78	4.2%
Money Markets	40	2.1%
Funds of Funds	82	4.4%
Warrant	-	-
Index	111	6.0%

Guaranteed	22	1.2%
Hedge	6	0.3%
<u>Others</u>	<u>17</u>	<u>0.9%</u>
Sub-total	1 681	90.2%
<u>Umbrella Structures</u>	<u>182</u>	<u>9.8%</u>
<b>Number of Authorised Funds</b>	<b>1 863</b>	<b>100%</b>

(Note: The above statistics does not include private equity funds. In general, private equity funds are not offered to the public of Hong Kong and hence need not apply for SFC's authorisation.)

According to Asia Venture Capital Journal, there are 377 private equity fund companies in Hong Kong as at end 2012. However, information on the jurisdiction of their private equity funds is not available.

Certain specified investment funds are currently exempted from profits tax under section 26A(1A) of the Inland Revenue Ordinance ("IRO"). These included unit trusts, mutual funds and similar investment schemes authorised under the Securities and Futures Ordinance or where the Commissioner of Inland Revenue is satisfied that they are bona fide widely held investment schemes which comply with the requirements of a supervisory authority within an acceptable regime. A majority of local investment funds are exempted from profits tax under the IRO. For offshore funds, it is not common that they would be considered as conducting business in Hong Kong and need to be assessed for profits tax. The Inland Revenue Department does not keep separate statistics in respect of tax paid by the funds in question.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)088**

Question Serial No.

1083

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Recently, the largest money laundering case involving a total of \$13.1 billion was uncovered in Hong Kong. A Mainlander opened bank accounts in the name of Ace Creation Development Limited and himself at Chiyu Banking Corporation Limited in August 2009 and frequent and substantial deposits and withdrawals were then made continually. As at April 2010, transactions involving a total of \$13.1 billion were made in these accounts. In the High Court trial, the prosecution alleged that over 8 300 transactions were made, mostly through online banking, in the accounts concerned and the money laundered every day exceeded \$50 million. How much resources will the Administration allocate to improve the electronic payment instruments and retail payment systems with a view to combating money laundering activities through online banking?

Asked by: Hon. LEUNG Mei-fun, Priscilla

Reply:

Hong Kong is fully committed to combating money laundering activities. The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (“The Ordinance”), which came into operation in April 2012, has further reinforced the regulatory regime for financial institutions. In particular, it has introduced statutory requirements in respect of customer due diligence and record-keeping to deter money laundering and facilitate investigation into related offences. The Ordinance already covers online banking services. Irrespective of whether transactions are conducted in bank counters or through the internet, they are subject to the same transaction monitoring controls, and banks are required to put in place robust systems to identify and report suspicious transactions. Going forward, we propose to introduce a statutory licensing regime for multi-purpose stored value facilities (“SVF”) and to oversee designated retail payment systems (“RPS”) in Hong Kong. The proposed regulatory framework seeks to empower the Hong Kong Monetary Authority to license and supervise SVF and RPS, with a view to enhancing the security and stability of retail payment products and services in Hong Kong, and to complement the supervision and enforcement work on anti-money laundering. The expenses will be absorbed from within existing resources of the Financial Services Branch. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)089**

Question Serial No.

2437

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) What is the estimated expenditure for the preparation and establishment of the Financial Services Development Council (“FSDC”) in 2013-14? When is the FSDC assumed to be established in arriving at this estimated expenditure? Please give a breakdown of the expenditure and inform this Committee of the roadmap and timetable of the FSDC’s work in 2013-14; and
- (b) Of the estimated establishment of the FSDC in 2013-14, how many are government officers? What are their ranks? How many are secondments and outside recruits? What is the expenditure for each type of staff?

Asked by: Hon. LEUNG, Kenneth

Reply:

The FSDC has been established in January 2013. The expenditure incurred to set up the FSDC was mainly to cover the cost of four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch (“FSB”) to support the Preparatory Taskforce on FSDC, which came into operation on 1 July 2012 and published its report in December 2012. The cost was absorbed from within the existing resources of FSB. At present the FSDC operates as a high-level cross-sector advisory body and has not incurred any further set up cost.

The FSDC at its second meeting held on 19 March 2013 endorsed the initiatives proposed for its five committees, which have also concluded their first meetings shortly before the second council meeting. Detailed work plans are being considered by members.

According to the FSDC, it will study the development of the local financial services industry, particularly the elements required to enhance Hong Kong’s future as an international financial centre and implications on Hong Kong’s financial services industry arising from the future development of Mainland’s capital market. In parallel, it will engage the industry on such topics as opportunities in Qianhai, offshore RMB business and further development of our asset and wealth management sector. Also, it will seek to play the role of a strategic coordinator for marketing plans among our key “Hong Kong Inc.” stakeholders to maximise the overall impact of their promotion activities.

The FSDC plans to submit to the Government proposals and findings arising from its studies and industry engagement activities. It will also be holding activities such as seminars, workshops, visits and roundtables when taking forward its work plans.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the FSB and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)090**

Question Serial No.

2438

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With respect to paragraph 48 of the Budget Speech, are there any other specific plans to further promote the development of Islamic finance in Hong Kong, apart from the bill to be introduced to the Legislative Council in the next financial year (2013-14)? What is the estimated expenditure for these plans?

Asked by: Hon. LEUNG, Kenneth

Reply:

The development of the Islamic finance is largely market-driven. Together with the industry, the Administration will continue to promote the development of the sukuk market in Hong Kong. We introduced the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 into the Legislative Council in January this year to provide a comparable taxation framework for common types of sukuk vis-à-vis conventional bonds, with a view to facilitating the issuance of sukuk, and promoting the development of Islamic finance in Hong Kong. We will actively facilitate the work of the Bills Committee to complete the scrutiny of the Bill as early as possible. At the same time, we will continue to strengthen market infrastructure, encourage product development, advance co-operation with other Islamic financial markets and actively promote the Islamic financial platform in Hong Kong, in order to further promote the development of Islamic finance in Hong Kong. We will assess the effectiveness of relevant measures from time to time. The relevant expenses will be absorbed from within our existing resources.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)091**

Question Serial No.

2279

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Bureau will have to handle more tasks in 2013-14, but it is estimated that only three non-directorate posts will be created. What are the reasons? What are the ranks of these posts and the salaries involved? What are their respective provisions involved?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

We will mainly use existing staff resources to undertake our tasks in 2013-14. Relevant information of the three new posts is as follows:

<u>Rank</u>	<u>Number</u>	<u>Reasons for creation</u>	<u>Staff cost involved (\$ million)</u>	<u>Provisions involved (\$ million)</u>
1. Senior Administrative Officer	1	To assist in the establishment of an independent Insurance Authority and a Policyholders' Protection Fund.	1.76	1.76
2. Personal Secretary I	1	To provide support for implementing the new Companies Ordinance and the Trust Law Reform.	0.38	0.38
3. Assistant Clerical Officer	1		0.24	0.24

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)092**

Question Serial No.

2280

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the operational expenses in the estimate for 2013-14 is about 11% higher than the revised estimate for 2012-13. Please advise us on which item accounts for the largest part of such expenses. Of the total operational expenses, what percentage does it account for?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

The provision under *Subhead 000 Operational Expenses* for 2013-14 is about \$211 million. Salaries account for the largest part of such expenses, which amount to about \$111 million and represent approximately 53% of the total operational expenses.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)093**

Question Serial No.

2281

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the provision for allowances under personal emoluments in the revised estimate for 2012-13 has increased by 81% over the actual expenditure for 2011-12, while such provision in the estimate for 2013-14 is just 24% higher than the revised estimate for 2012-13. What are the reasons?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

The provision for allowances is mainly earmarked for acting allowance. Owing to staff movement, the number of officers eligible for acting allowance increased in 2012-13. Expenditure on acting allowance also increases as a result of the 2012 civil service pay adjustment. Hence, the revised estimate for 2012-13 is higher than the actual expenditure of 2011-12. The increase in allowances in 2013-14 mainly caters for acting allowance for eligible officers. At the same time, expenditure on salaries for these officers would decrease correspondingly for 2013-14 as a result of their lower substantive pay.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)094**

Question Serial No.

2282

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the provision for general departmental expenses in the estimate for 2013-14 is about 35% higher than the revised estimate for 2012-13 and the increase is rather significant. Please advise us on which item accounts for the largest part of such expenses. Of the total operational expenses, what percentages do the expenses on Renminbi business, bond market and asset management business account for respectively?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

The increase in 2013-14 estimates is mainly earmarked for non-civil service contract staff in the Office of the Commissioner of Insurance to cope with increase in workload, including the regulation of anti-money laundering and Mandatory Provident Fund intermediary activities.

The expenses involved in the development of Renminbi business, bond market and asset management will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)095**

Question Serial No.

2283

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the revised estimated expenditure for the Financial Dispute Resolution Centre (“FDRC”) for 2012-13 has increased by about 87% over the accumulated expenditure as at Mar 31, 2012. What are the reasons? What is the expected growth rate of the expenditure for the FDRC in the estimate for 2013-14?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

According to the funding arrangement for the Financial Dispute Resolution Centre (“FDRC”) approved by the Legislative Council’s Finance Committee in June 2011, the total financial commitment to support FDRC’s establishment and its operating costs for the first three years was \$92 million. Amongst the \$92 million, \$15 million (i.e. the accumulated expenditure as at 31.3.2012 in the Budget) was provided to FDRC before its commencement of operation in June 2012, with a view to paying for the set-up costs covering office renovation, furniture and equipment, computer and data management systems, staff recruitment, promotion and publicity, etc. The \$28 million, committed in 2012-13 (i.e. the revised estimated expenditure for 2012-13 in the Budget), is to support FDRC’s operating costs after it commenced operation in June 2012. According to the approved funding arrangement, the Administration will earmark \$28 million to FDRC to support its operating costs in 2013-14.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)096**

Question Serial No.

5029

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

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

This year's Policy Address and Budget Speech have emphasised on promoting the growth of different local industries and nurturing emerging industries. The work of the Census and Statistics Department ("C&SD") has been criticised for being outdated and progressing slowly. In a monthly publication on cultural and creative industries in 2012, C&SD still classified the cultural and creative industries of Hong Kong into 11 sectors by making reference to the 2008 Creative Economy Report of the United Nations Conference on Trade and Development ("UNCTAD"). The United Nations had in fact set out in 2010 the latest classification indicators and industry analysis of the cultural and creative industries. The relevant statistical information is crucial to the formulation of policies on the promotion of industries. Are there any plans of the Administration for updating the indicators for the cultural, creative as well as other industries? If yes, please advise the details and the implementation schedule. If no, please give the reasons.

Asked by: Hon. MOK, Charles Peter

Reply:

In 2008, the United Nations Conference on Trade and Development ("UNCTAD") published the "Creative Economy Report 2008", outlining the concept, definition and classification of the cultural and creative industries. In 2010, the Census and Statistics Department ("C&SD") completed the review of the statistical framework for Hong Kong's cultural and creative industries. Taking into consideration international statistical guidelines and the industry situation in Hong Kong, the coverage and classification of the relevant industries were established. Based on the framework, C&SD released in 2011 aggregate statistics of the cultural and creative industries for 2008 and 2009. Detailed statistics from 2005 to 2010 were released in a feature article published in the April 2012 issue of the "Hong Kong Monthly Digest of Statistics".

In 2010, UNCTAD published the "Creative Economy Report 2010", which provides more statistical guidelines in respect of the cultural and creative industries. In the feature article to be published in the May 2013 issue of the "Hong Kong Monthly Digest of Statistics", C&SD will release relevant statistics compiled in accordance with these guidelines. C&SD will continue to keep abreast of developments in international recommendations and standards, and ensure that the statistics of Hong Kong's cultural and creative industries are in line with up-to-date international guidelines.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)097**

Question Serial No.

2623

Head: 26 – Census and Statistics Department      Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 2013-14 draft estimate of expenditure is \$590.7 million, which is higher than the 2012-13 approved estimate of \$576.4 million. Please advise if there is any reserved provision for conducting survey on standard working hours?

Asked by: Hon. POON Siu-ping

Reply:

The Special Committee will be set up to follow up on the Report of the Policy Study on Standard Working Hours completed by the government last year and consider the need and topics for further policy research. The Census and Statistics Department has not made provision for this purpose in the 2013-14 budget. If specific surveys are required to be conducted in future, the additional costs incurred will be borne by the responsible government department(s).

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)098**

Question Serial No.

2624

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

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

“Matters requiring special attention” under Programme (6) includes “*enhance the labour statistics compilation framework so that comprehensive, timely and reliable statistics can be made available*”. Please list the enhancement measures to be taken in the financial year 2013-14 so as to ensure the comprehensiveness, timeliness and reliability of statistics.

Asked by: Hon. POON Siu-ping

Reply:

The Census and Statistics Department (“C&SD”) will continue to enhance the labour statistics compilation framework in 2013-14 in order to produce statistics which are comprehensive, timely and reliable. The details are as follows:

- (i) Based on the data analysis required for the review of the Statutory Minimum Wage rate, C&SD will review the survey methodology of the Annual Earnings and Hours Survey as and when necessary.
- (ii) Based on the information collected from an ad hoc Survey on Employment Benefits concluded in February 2013, C&SD will compile statistics relating to the provision of employment benefits to employees by employers to facilitate the assessment of employers’ compliance cost in providing statutory employment benefits.
- (iii) Based on the latest manpower requirement situation and training needs in the industries concerned and Vocational Training Council (“VTC”)’s new data demands for planning its training programmes, C&SD will review the survey methodology of the various Manpower Surveys conducted on behalf of VTC.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)099**

Question Serial No.

2625

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

Programme: (1) Trade Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Programme (1), four posts will be created in the financial year 2013-14. Please give reasons for the creation of those posts and describe their duties.

Asked by: Hon. POON Siu-ping

Reply:

The 4 posts to be created under Programme (1) in 2013-14 are 1 Statistical Officer I, 1 Statistical Officer II and 2 Assistant Census and Survey Officer. They will replace current Non-civil Service Contract staff which include 1 Research Manager, 1 Statistical Assistant and 2 Survey Interviewers.

The created posts will be responsible for collecting data concerning the operations and activities of the affiliates of Hong Kong companies located outside Hong Kong. The data will be used for the compilation of outward foreign affiliates statistics.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)100**

Question Serial No.

2626

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

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Programme (5), three posts will be created in the financial year 2013-14. Please give reasons for the creation of those posts and describe their duties.

Asked by: Hon. POON Siu-ping

Reply:

Three posts will be created for planning the Household Expenditure Survey to be conducted in 2014-15. Two of the posts are responsible for assisting in the design of sample, questionnaire and operational procedures of the survey; and laying the groundwork for training and supervising a team of temporary staff on data collection, editing, input and analysis. The remaining post is responsible for handling the various administrative and accounting matters related to the survey.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)101**

Question Serial No.

3552

Head: 26 – Census and Statistics Department      Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

After a recent report on the suspected forgery of data by its frontline officers, Commissioner for Census and Statistics told the media on 8 January 2013 that she will lead a task force to investigate the accuracy of survey statistics, and an independent person from the Statistics Advisory Board will be invited to join. Their findings will then be submitted to the Secretary for Financial Services & the Treasury. On the other hand, the department has adopted three measures to prevent forgery by frontline census officers to substantiate a zero-tolerance attitude against forgery that it will strengthen review checks on statistical data, and any suspected inaccuracies will be reported to the Assistant Commissioner. Surprise spot-checks will also be conducted. In these connections, will the Administration inform this Committee:

- a) the progress of the investigation and the proposed release date of the investigation report;
- b) the financial provision and manpower to be allocated for 2013-14 for each of the 3 new measures to prevent forgery by frontline census officers; and
- c) the targeted number of surprise spot-checks to be taken for 2013-14?

Asked by: Hon. SHEK Lai-him, Abraham

Reply:

- a) The Task Force had completed the investigation. The investigation report had been released in end March 2013. The Task Force made a number of recommendations on the quality assurance mechanism in survey data collection and the fieldwork management system. The Census and Statistics Department will implement the recommendations of the Task Force expeditiously, and at the same time continue to enforce the recently announced improvement measures.
- b) The new measures involve the strengthening of existing quality checks on survey data. The additional manpower required will be absorbed by existing staff.
- c) It is expected that at least 1 000 surprise spot-checks will be conducted on frontline field officers for 2013-14.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)102**

Question Serial No.

1569

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Concerning the Financial Services Branch's aim of "reinforcing the offshore Renminbi business platform", will the Administration inform this Committee of:

- (a) the estimated expenditure involved in 2013-14;
- (b) the number and ranking of staff engaged;
- (c) the specific tasks undertaken; and
- (d) the progress schedule or timetable for 2013-14?

Asked by: Hon. SIN Chung-kai

Reply:

The SAR Government has been promoting the development of offshore Renminbi ("RMB") business since 2004. Along with the introduction of measures to promote and expand the use of RMB in cross-border trade and the support from the Central Government and related Mainland authorities, the offshore RMB business in Hong Kong had grown rapidly in recent years. RMB trade settlement conducted through banks in Hong Kong in 2012 exceeded RMB2,600 billion, representing an increase of 37% over 2011.

Driven by RMB trade settlement, RMB deposits in Hong Kong increased significantly and RMB financing activities became more active. As at the end of January 2013, total RMB deposits and outstanding RMB certificates of deposits in Hong Kong amounted to RMB755 billion. Concurrently, through the development of RMB bonds, loans and equity products, Hong Kong has become the largest offshore RMB financing market. On bonds, from 2007 to the end of February 2013, there were 237 RMB bond issuances with total outstanding amount exceeding RMB248 billion. The issuers included multinational corporations like McDonald's and Caterpillar in US, Unilever and Volkswagen in Europe, and also international financial institutions like the World Bank and Asian Development Bank. On loans business, as at end-2012, the outstanding RMB loans amounted to RMB79 billion, more than double the amount of RMB31 billion as at end-2011. On equities, the first offshore RMB-traded share was listed in Hong Kong in October 2012 under the innovative "Dual Tranche, Dual Counter" model.

Various RMB investment products have also been launched, including RMB-denominated real estate investment trust ("REIT"), RMB currency futures, RMB-denominated gold exchange-traded funds ("ETF"), A-share ETF, shares traded in both RMB and HKD and RMB-denominated derivative products. Among them, total market capitalisation of the 4 listed A-share ETF exceeded RMB40 billion. Furthermore, Mainland regulators promulgated the revised rules on the Renminbi Qualified Foreign Institutional Investors

("RQFII") pilot scheme on 6 March 2013. Under the revised rules, Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered and have major operations in Hong Kong are eligible to apply for RQFII. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions. This will be conducive to the launch of more innovative and diversified RMB investment products in Hong Kong, further deepening the RMB offshore business in Hong Kong and enhancing the cross-border use and circulation of RMB funds between the Mainland and Hong Kong. This will help promote the internationalisation of RMB.

As at the end of 2012, there were a total of 204 banks participating in Hong Kong's RMB clearing platform. Of these, 181 were branches and subsidiaries of foreign banks and overseas arms of Chinese banks. They represented a global payment network capable of handling RMB transactions for different parts of the world, handling transactions between the Mainland and rest of the world as well as among the various offshore markets.

In the financial year of 2013-14, Hong Kong will continue to enhance the market infrastructure and consolidate the financial platform as well as maintain contacts with related Mainland authorities in order to facilitate the circulation of RMB funds between the onshore and offshore markets; promote the arrangements for expansion of RQFII; widen the channels and scale of cross-border flows of RMB funds in a risk controlled manner, bringing about mutual benefits to both places; promote RMB financial intermediation activities and endeavour to develop innovative and diversified RMB investment products so as to meet the needs of corporations, financial institutions and investors; continue to strengthen the RMB business links with overseas markets (e.g. London and Australia), with a view to enhancing our role and function as the global hub for offshore RMB business and as a wholesale platform serving the retail activities of international financial institutions; continue to conduct roadshows overseas, with an aim to assist and facilitate financial institutions and corporates around the world to expand their RMB business while promoting the use of Hong Kong's RMB financial platform, either directly or indirectly, to settle their transactions.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)103**

Question Serial No.

1984

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the item of “continue to promote the development of the bond market and asset management industry”, please advise on:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

**Asset management business**

To further promote Hong Kong's asset management business, we propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds. At the same time, we note that Open-ended Investment Companies have become an increasingly popular form used by the fund industry to set up investment funds. To this end, we are joining hands with the Securities and Futures Commission to formulate legislative proposals to permit the market to establish such companies and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. These proposals will broaden the variety and scope of our fund business and open up new business opportunities for professional services such as fund management, investment advice, and also legal and accounting services. We aim to launch a consultation on the relevant proposals within this year. Moreover, we have introduced the Trust Law (Amendment) Bill 2013 into the Legislative Council in February 2013 so as to reform the trust law. This will bolster the competitiveness of Hong Kong's trust services industry and attract settlors to set up trusts in Hong Kong. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in promoting the development of the asset management industry.

**Bond Market**

We are committed to promoting the further development of the bond market in Hong Kong. In 2013-14,

we will continue to implement the Government Bond Programme (including expanding the size of the Programme to \$200 billion and launching a further issuance of iBond worth not more than \$10 billion), and promote our bond market to overseas issuers and investors. Moreover, we introduced the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 into the Legislative Council in January 2013. It aims to enhance Hong Kong's Islamic finance platform, so as to meet the demands arising from the development of the Islamic bond market. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment. There are mainly one Deputy Secretary, one Principal Assistant Secretary and one Senior Executive Officer taking forward this task.

The expense involved in the above two tasks will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)104**

Question Serial No.

1985

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Financial Services Branch will “modernise the trust law to enhance the competitiveness of the trust services industry”. In this regard, please advise on:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

We introduced the Trust Law (Amendment) Bill 2013 into the Legislative Council in February this year. The Bill seeks to (a) facilitate effective administration of trusts through enhancing trustees’ default powers by amending two major ordinances of the trust law regime in Hong Kong, namely the Trustee Ordinance (Cap 29) and the Perpetuities and Accumulations Ordinance (Cap 257); (b) provide for appropriate checks and balances so that trustees will exercise the new default powers properly; as well as (c) modernise trust law. The Bill, if passed, will bolster the competitiveness of Hong Kong’s trust services industry and attract settlers to set up trusts in Hong Kong. This will enhance Hong Kong’s status as an international asset management centre.

We are supporting the Bills Committee’s scrutiny of the Bill. Upon passage of the Bill, we will undertake preparatory work for its commencement, including publicity work like organising briefings for stakeholders on the new provisions. The work will be taken up by one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary of the Financial Services Branch. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown. The Principal Assistant Secretary occupies a supernumerary post, the retention of which until 30 June 2014 was approved by the Finance Committee in March this year.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)105**

Question Serial No.

1986

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Financial Services Branch will “prepare for the implementation of the newly enacted Companies Ordinance, including the making of necessary subsidiary legislation”. In this regard, please advise on:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

For implementation of the new Companies Ordinance (“CO”), the Administration needs to make subsidiary legislation to provide for various administrative, procedural and technical matters. Drafting of and consultation on the subsidiary legislation commenced soon after passage of the Companies Bill by the Legislative Council (“LegCo”) in July last year. We are introducing the subsidiary legislation into LegCo by batches, while LegCo has set up a sub-committee in February this year to scrutinise the subsidiary legislation. The first and second batches, comprising seven pieces of subsidiary legislation altogether, were respectively published in the Gazette on 1 February and 22 March this year and introduced into LegCo on 6 February and 27 March. We aim to introduce the remaining subsidiary legislation into LegCo in May this year. Furthermore, we plan to take forward in the fourth quarter this year the legislative exercise for commencing the new CO, with a view to bringing the new legislation into operation in the first quarter of 2014.

On the other hand, the Companies Registry (“CR”) is making preparation on administrative and operational matters for implementing the new CO. The key tasks include design of new forms, review of workflows and major enhancement to its computer system having regard to new operational needs. CR will also launch publicity for the new CO, conduct briefings for stakeholders on the new legislation as well as set up a mechanism for responding to enquiries on the requirements under the new CO and relevant transitional and implementation issues. The Financial Services Branch will deal with policy matters involved in the abovementioned preparatory work.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary (“PAS”) and one Assistant Secretary participate in this subject matter. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown. The aforesaid PAS is occupying a supernumerary post, the retention of which until end June 2014 was approved by the Finance Committee in March this year.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)106**

Question Serial No.

1999

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Financial Services Branch will “improve the quality and competitiveness of the listing regime by a legislative proposal to strengthen the regulation of sponsors”. In this regard, please advise on:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

The Securities and Futures Commission (“SFC”) conducted a public consultation in May to July 2012 on a number of proposals to strengthen market confidence and to improve the overall quality of sponsors. SFC published the consultation conclusions in December 2012. The major reform measures include:

- (1) publishing the draft prospectus filed with a listing application on the website of the Stock Exchange of Hong Kong (“SEHK”);
- (2) clarifying sponsors’ roles and responsibilities in relation to expert reports and “Management Discussion and Analysis”;
- (3) enhancing sponsors’ “gatekeeping” role in the Initial Public Offering process and ensuring their role is not undermined by competitive tensions; and
- (4) clarifying the law, so as to set out sponsors’ civil and criminal liability for defective prospectuses clearly.

SFC plans to apply new requirements (1) – (3) above to listing applications submitted to the SEHK on or after 1 October 2013. In parallel, we are preparing for the legislative drafting work to clarify the legal liability of sponsors for defective prospectus. We plan to report to the relevant Panel in mid-2013 on the progress.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in the work. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)107**

Question Serial No.

2000

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “joining hands with the Financial Reporting Council (“FRC”) and the accounting profession to formulate proposals to further enhance the independence of the auditor oversight regime for listed companies”, please advise me of the following:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

Having regard to the international trend of enhancing the independence of auditor regulatory regimes, the Government is discussing with the Financial Reporting Council and the Hong Kong Institute of Certified Public Accountants the reform of our auditor oversight regime with a view to formulating proposals to further enhance the independence of the regime for listed companies. We will fully engage the stakeholders, the Legislative Council and the public when relevant proposals are formulated, so as to ensure that the proposals are not only benchmarked against international standards but are also appropriate in the local context.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary take charge of policies related to accountancy matters. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)108**

Question Serial No.

2001

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the work to “oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) in respect of the financial sectors”, please inform this Committee of:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

The strengths of Hong Kong’s anti-money laundering and counter-financing of terrorism (“AML/CFT”) regime has long been recognised by relevant international organisations. In October 2012, Hong Kong has successfully become one of the few member jurisdictions being removed from the Financial Action Task Force (“FATF”)’s “follow-up process”. In future, Hong Kong will sustain our efforts to enhance our AML/CFT regime, through legislation, law enforcement, regulation of financial institutions, issuance of guidelines, education and publicity, and international cooperation, etc., in light of the prevailing international standards. We will also evaluate and seek continuous improvement of the effectiveness of our AML/CFT measures. In parallel, we will continue to represent Hong Kong, China at FATF’s meetings.

Within the Financial Services Branch, there are mainly four officers, including one Deputy Secretary, one Principal Assistant Secretary, one Assistant Secretary and one Executive Officer, taking charge of this work currently. The expense involved in the above work will be absorbed from within the existing resources of the Financial Services Branch. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)109**

Question Serial No.

2002

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “introducing legislation to establish a regulatory regime for the over-the-counter derivative market to fulfill international obligations and to enhance financial stability”, please advise me of the following:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

With regard to “introducing legislation to establish a regulatory regime for the over-the-counter (“OTC”) derivative market to fulfill international obligations and to enhance financial stability”, we are in the final stage of the law drafting exercise. The regulatory regime for the OTC derivative market will be set out in the primary legislation. We briefed the Legislative Council Panel on Financial Affairs on the legislative proposal on 4 March 2013 and plan to introduce the Bill into the Legislative Council in the second quarter of 2013.

The above work is led by the Financial Services Branch, with support from the Hong Kong Monetary Authority and the Securities and Futures Commission, which will be responsible for enforcing the law in future. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary participate in this exercise. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)110**

Question Serial No.

2003

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “introducing legislation for the establishment of an independent Insurance Authority”, please advise me of the following:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plan; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. SIN Chung-kai

Reply:

For the establishment of an independent Insurance Authority (“IIA”), our main task during 2013-14 is to draft the relevant legislation and engage relevant stakeholders intensively. We seek to introduce the bill into the Legislative Council within 2013 with a view to establishing the IIA in 2015.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and two Assistant Secretaries participate in this exercise. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)111**

Question Serial No.

2004

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Mandatory Provident Fund (“MPF”) System, how much will the Administration spend on studying the arrangements for establishing a central trustee as well as ways to reduce the time for transferring the benefits among MPF schemes under the "MPF Semi-Portability"? What is the specific work?

Asked by: Hon. SIN Chung-kai

Reply:

The Government and the Mandatory Provident Fund Schemes Authority (“MPFA”) are focusing on a basket of short, medium and long-term measures with a view to achieving substantial reduction in MPF fees. These include formulating a proposal of introducing a cap on MPF fees in case of market failure for public consultation. At present, we have no plan to study the arrangement for establishing a central trustee.

As regards the reduction of time for transferring the benefits among MPF schemes under the Employee Choice Arrangement (“ECA”), the MPFA has been urging trustees to shorten the transferal time as much as possible since the preparation for the ECA. The MPFA has also launched an electronic platform to complement the implementation of ECA. It facilitates trustees to transmit data related to scheme members' benefit transfers among themselves. According to the information provided by MPF scheme trustees, the actual time required for benefit transfers in most cases was around five weeks, which is shorter than the time period previously expected (six to eight weeks).

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)112**

Question Serial No.

0437

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the numbers of new cases shown under Indicators, bankruptcy cases are on the rise every year. In this regard, will the Administration inform this Committee of:

- (a) the age distribution and gender of the bankruptcy petitioners or the bankrupts over the past 5 years (i.e. from 2008 to 2012)?
- (b) the amount of indebtedness and sources of debts (e.g. credit cards, mortgages, income shortfall) of the bankruptcy cases as well as the types of creditors (e.g. the government, banks, financial companies, personal debts) over the past 5 years (i.e. from 2008 to 2012)?
- (c) whether the Administration will consider establishing a relevant database if the above information is unavailable?

Asked by: Hon. TANG Ka-piu

Reply:

(a) & (b) Based on statistical information collected in bankruptcy cases with bankruptcy orders made during the period from 2008 to 2012, the distributions of age and liabilities of the bankrupts are as follows:

Age of Bankrupts	Percentage
30 or below	17.69%
31-40	25.57%
41-50	30.35%
51 or above	26.39%
Total	100.00%

Liabilities of Bankrupts	Percentage
\$200,000 or below	36.74%
above \$200,000 - \$400,000	38.69%
above \$400,000 - \$600,000	11.77%
above \$600,000 - \$800,000	4.44%
above \$800,000 - \$1,000,000	2.04%

above \$1,000,000 - \$2,000,000	3.21%
above \$2,000,000 - \$6,000,000	1.92%
above \$6,000,000	1.19%
Total	100.00%

Besides the above, the Official Receiver's Office ("ORO") also keeps separate statistics of the age, liabilities, monthly income, residence type and cause of bankruptcy of the bankrupts. However, it has not kept separate statistics on the gender and sources of debt of the bankrupts, and the types of creditors involved.

(c) The ORO regularly keeps its service under review and will explore the feasibility of keeping separate statistics on the gender and sources of debt of the bankrupts, and the types of creditors involved.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)113**

Question Serial No.

2921

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the programme that the Financial Services Branch will “join hands with the MPFA to drive down MPF fees and enhance the MPF System, including withdrawal of MPF accrued benefits”. In this connection, will the Administration advise the Committee on the following:

1. the number of cases of withdrawal of MPF accrued benefits, and the average and median amounts withdrawn in the past three years (i.e. 2010-2011 to 2012-2013);
2. the time (including the longest, shortest, median and average time) taken for processing cases of withdrawal of MPF accrued benefits in the past three years;
3. the number of complaints against MPF trustees, the number of substantiated complaints, and the nature of complaints (e.g. unreasonable charge, customer service, products, etc.) in the past three years;
4. if information on the above items is not available, will the Administration obtain such information from the trustees and set up a database on this?
5. how does the Administration supervise the sponsors at present? Will it consider allocating resources for the supervision?

Asked by: Hon. TANG Ka-piu

Reply:

- (1) The information which trustees are required to provide to the Mandatory Provident Fund Schemes Authority (“MPFA”) pursuant to the Mandatory Provident Fund Schemes Ordinance (“Ordinance”) does not cover the requested data. The data on the total amount of benefits paid in the past three years is as follows -

<b>Year</b>	<b>Amount of Benefits Paid from the MPF Schemes (HK\$ Million)</b>
2010-11	8,362
2011-12	9,353
2012-13 (as at 31 January 2013)	10,387#

# provisional figure

- (2) The information which trustees are required to provide to the MPFA pursuant to the Ordinance does not cover the requested data. Section 166 of the Mandatory Provident Fund Schemes (General) Regulation requires that a trustee must complete the processing of a claim for payment of accrued benefits not later than 30 days after the claim has been lodged, provided that no contribution or contribution surcharge is outstanding in respect of the scheme member at the time of the lodgement of the claim.
- (3) Statistics on the complaints against MPF trustees for the period of 1 April 2010 to 28 February 2013 are as follows -

	<b>Total number of Complaint Cases</b>	<b>Total number of Substantiated Complaint Cases</b>
<b>Complaint Cases</b>	<b>851</b>	<b>78</b>
Top 3 categories of complaint allegations#		
Issues relating to contribution payment	210	22
Issues relating to transfer of benefits	111	13
Issues relating to customer service	130	32

# multiple allegations may be involved in one case

- (4) The Ordinance empowers the MPFA to issue guidelines setting out the information that trustees are required to submit to the MPFA. In this connection, the MPFA will review from time to time the information required and issue guidelines to request the trustees to provide further information as necessary.
- (5) Currently, the MPFA primarily regulates trustees who operate provident fund schemes and intermediaries who market these schemes pursuant to the Ordinance. Moreover, the MPFA also liaises with sponsors and urge them to offer and promote low-fee funds.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)114**

Question Serial No.

5047

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the purposes of the Bond Fund as set out in 2009, the Government can borrow from any person from time to time such sums not exceeding in total \$100 billion or equivalent. In this connection, will the Administration advise this Committee:

- (a) on the amount of funds raised from issuance of government bonds in each of the financial years since 2009 and the total amount of funds raised thus far? What is the amount of bonds still outstanding? What account will such amount be credited to and for what purposes?
- (b) on the 10 creditors who are the largest bond holders, and the percentage of their holdings?
- (c) whether the Government has assessed if bonds are concentrated in the hands of a certain cross-border financial conglomerates?

Asked by: Hon. TANG Ka-piu

Reply:

Since the establishment of the Bond Fund in 2009, the amount of bonds issued under the Government Bond Programme is as follows –

<u>Financial Year</u>	<u>Amount of Bonds Issued</u>
2009-10	\$11.5 billion
2010-11	\$16.0 billion
2011-12	\$29.0 billion
2012-13	\$28.0 billion
<b>Total:</b>	<b>\$84.5 billion</b>

As at end March 2013, the total outstanding amount of government bonds is \$70.5 billion. Under the Government Bond Programme, all sums borrowed are to be credited to the Bond Fund to meet the expenses of the Fund (including interest payments, principal repayment as well as other relevant administration expenses), and placed with the Exchange Fund for investment purposes.

As government bonds can be held by accounts on a nominee basis (say, institutions holding such bonds for their clients), we do not have the details of the holders of these bonds.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)115**

Question Serial No.

5111

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The estimated payments of the Bond Fund in 2013-14 are \$8,795,726,000. In this connection, will the Administration advise this Committee on the details of the other payments of the Bond Fund (amounting to \$26 million) as stated under Expenditure Analysis on page 190 of Volume II of the Estimates?

Asked by: Hon. TANG Ka-piu

Reply:

In relation to the issuance schedule in 2013-14, the estimated other expenses (i.e. non-interest payment or non-principle repayment expenses) of the Bond Fund in the year will be \$26 million, covering mainly arranger fees for co-arranger institutions, placing fees, listing fees, expenses for external services such as legal fees, etc.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)116**

Question Serial No.

1890

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

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In respect of the “Annual Survey of Economic Activities” conducted by the Census and Statistics Department, please advise the survey scope, type and number of respondents, manpower required and expenditure involved by year in the past 3 years (2010-11, 2011-12 and 2012-13) and the Draft Estimates of 2013-14?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The Annual Survey of Economic Activities (“ASEA”) collects detailed data in respect of the business performance and operating characteristics of major economic sectors. The following sectors are covered: (a) industrial sector; (b) building, construction and real estate sector; (c) import/export, wholesale, retail, accommodation and food services sector; (d) transportation, storage and courier services sector; (e) information and communications, financing, insurance, professional services and business services sector; and (f) social and personal services sector. The respondents of ASEA are establishments of the major economic sectors. The number of establishments enumerated, manpower required and expenditure involved are provided below:

Year	Number of establishments enumerated	Manpower required (number of posts)	Expenditure involved (\$million)
2010-11	21 000	75	22.3
2011-12	20 000	75	22.5
2012-13	19 800	75	24.0
2013-14 (Estimate)	20 000	75	24.0

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)117**

Question Serial No.

1891

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

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department indicated that in 2013-14, it will continue to enhance the labour statistics compilation framework so that comprehensive, timely and reliable statistics can be made available to facilitate the related policy reviews and formulation. Please advise the details of the related work and breakdown of the expenditure involved.

Asked by: Hon. TIEN Pei-chun, James

Reply:

The Census and Statistics Department (“C&SD”) will continue to enhance the labour statistics compilation framework in 2013-14 in order to produce statistics which are comprehensive, timely and reliable. The details are as follows:

- (i) Based on the data analysis required for the review of the Statutory Minimum Wage rate, C&SD will review the survey methodology of the Annual Earnings and Hours Survey as and when necessary.
- (ii) Based on the information collected from an ad hoc Survey on Employment Benefits concluded in February 2013, C&SD will compile statistics relating to the provision of employment benefits to employees by employers to facilitate the assessment of employers’ compliance cost in providing statutory employment benefits.
- (iii) Based on the latest manpower requirement situation and training needs in the industries concerned and Vocational Training Council (“VTC”)’s new data demands for planning its training programmes, C&SD will review the survey methodology of the various Manpower Surveys conducted on behalf of VTC.

No additional expenditure will be incurred by C&SD for the above items. C&SD will absorb the additional resources required as appropriate while related data users such as VTC and Labour Department will be responsible for the additional costs incurred for individual projects.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)118**

Question Serial No.

1900

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Financial Services Development Council to be established by the Financial Services Branch in 2013-14, would the Administration please inform this Committee of the estimated staffing establishment of the Financial Services Development Council and the expenditure involved in each of the coming five years (2013-14, 2014-15, 2015-16, 2016-17, 2017-18)?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The secretariat of the Financial Services Development Council (“FSDC”) comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch, and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. The cost for the seconded staff will be borne by the organisations they come from. This arrangement will be maintained for the initial three years subject to review later. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)119**

Question Serial No.

1927

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2013-14, the Official Receiver's Office plans to continue to contract out four items of work, including summary liquidation cases, non-summary liquidation cases, preliminary examination of bankrupts and a certain number of debtor-petition summary bankruptcy cases to practitioners in the private sector. In this regard, will the Administration inform this Committee of the effectiveness of outsourcing each of the above four items of work (including manpower, provision of expenditure and time saved and expected to be saved) over the past five financial years (from 2008-09 to 2012-13) and in the year 2013-14?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The average number of liquidation and bankruptcy cases per year has increased from 1 616 in 1998 to around 9 000 to 10 000 in the past few years. Implementation of the outsourcing schemes enables the Official Receiver's Office (ORO) to make use of the private sector expertise to alleviate its increasing workload arising from the upsurge in the liquidation and bankruptcy cases without corresponding increase in its staff establishment. The schemes also help enhance the expertise of the liquidation / bankruptcy sector in the process.

The Companies Ordinance (Cap. 32) and Bankruptcy Ordinance (Cap. 6) stipulate the relevant requirements for the administration of liquidation and bankruptcy cases. As the amount of work and time involved in administering those cases vary considerably, depending on the legal and practical complexity of individual cases and the amount of investigation required and work involved in the realization of assets and distribution of dividends to creditors, it is very difficult to estimate the costs that would have been incurred by the Government if those cases had been administered by the ORO instead of being outsourced. On the other hand, it should also be noted that ORO performs certain monitoring and regulatory roles in regard to the performance of practitioners in the private sector under the outsourcing schemes. In overall terms, it is difficult to estimate the savings in manpower and expenditure for outsourcing the administration of summary and non-summary liquidation and debtor-petition summary bankruptcy cases.

As for the outsourcing of preliminary examination of bankrupts, because the work and time involved in each case are rather similar, we are able to work out the average time savings per case which is about 1.5 man-hours. The estimated amount of time saved over the past five financial years (from 2008-09 to 2012-13) is about 54 774 man-hours. Based on the assumption that there will be 8 400 new bankruptcy cases in the year 2013-14, the number of cases to be outsourced will be around 5 970 and the expected saving in this regard will be about 8 955 man-hours during the year.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)120**

Question Serial No.

1928

Head: 116 – Official Receiver's Office

Subhead (No. & title): 000 Operational Expenses

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Why is it that "Hire of services and professional fees" of the Official Receiver's Office increased from \$4,080,000 in 2011-12 to \$7,524,000 in the revised estimate for 2012-13, and further increased to \$14,613,000 in the estimate for 2013-14? Has the Administration assessed the effectiveness generated by such expenses? If yes, what are the details? If not, what are the reasons?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The increase in the Official Receiver's Office (ORO)'s expenditures for "Hire of services and professional fees" is mainly due to the expected increase in litigation costs and additional expenditure to engage outside counsel to provide legal advice and to appear in bankruptcy and winding-up proceedings. ORO will also hire legal, accounting and supporting services to strengthen the monitoring of private practitioners and to assist in the investigation and prosecution of bankruptcy and winding-up related offences.

The majority of the expenses are for engaging outside legal services. These services are required because court proceedings taken out by or against the ORO are often complex involving interpretation or application of different laws, so that obtaining outside legal opinion and sometimes a second legal opinion may be necessary.

As for the hire of accounting and supporting services, the agency staff hired have effectively assisted ORO to complete 2 445 audits and examinations of accounts submitted by private practitioners from July 2012 up to 28 February 2013 and processed 8 590 release cases during the same period.

ORO will assess the effectiveness of professional services and other services hired by the department on a regular basis.

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 27.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)121**

Question Serial No.

3204

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2013-14, the Financial Services Branch will introduce legislation for the establishment of an independent Insurance Authority. In this regard, how much resources will be allocated by the Government for the establishment of such a body and its sustainable operation?

Asked by: Hon. TIEN Pei-chun James

Reply:

For the establishment of an independent Insurance Authority (“IIA”), our main task during 2013-14 is to seek to introduce the relevant bill into the Legislative Council within 2013 with a view to establishing the IIA in 2015. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and two Assistant Secretaries participate in this exercise. The expenses involved will be absorbed from within our existing resources.

According to our proposals, the IIA will recover its cost from levy on insurance policies and various licence and user fees. The Government plans to provide a lump sum of HK\$500 million to the IIA on its inception to help meet part of its expenses in the initial five years, and as contingency reserve.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)122**

Question Serial No.

3271

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How much resources in estimation will be allocated to develop Islamic bonds in Hong Kong by the Financial Services Branch in each of the following 5 years starting from 2013-14? Has the Administration evaluated what results can be achieved? If so, what are the details? If not, what are the reasons?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The development of the Islamic finance is largely market-driven. Together with the industry, the Administration will continue to promote the development of the sukuk market in Hong Kong. We introduced the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 into the Legislative Council in January this year to provide a comparable taxation framework for common types of sukuk vis-à-vis conventional bonds, with a view to facilitating the issuance of sukuk, and promoting the development of Islamic finance in Hong Kong. We will actively facilitate the work of the Bills Committee to complete the scrutiny of the Bill as early as possible. At the same time, we will continue to strengthen market infrastructure, encourage product development, advance co-operation with other Islamic financial markets and actively promote the Islamic financial platform in Hong Kong, in order to further promote the development of Islamic finance in Hong Kong. We will assess the effectiveness of relevant measures from time to time. The relevant expenses will be absorbed from within our existing resources.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)123**

Question Serial No.

4579

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services Branch will continue to promote the development of the bond market and asset management industry in 2013-14. In respect of this, what specific plans does the Administration have? What are the expenditures involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

**Asset management business**

To further promote Hong Kong's asset management business, we propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds. At the same time, we note that Open-ended Investment Companies have become an increasingly popular form used by the fund industry to set up investment funds. To this end, we are joining hands with the Securities and Futures Commission to formulate legislative proposals to permit the market to establish such companies and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. These proposals will broaden the variety and scope of our fund business and open up new business opportunities for professional services such as fund management, investment advice, and also legal and accounting services. We aim to launch a consultation on the relevant proposals within this year. Moreover, we have introduced the Trust Law (Amendment) Bill 2013 into the Legislative Council in February 2013 so as to reform the trust law. This will bolster the competitiveness of Hong Kong's trust services industry and attract settlors to set up trusts in Hong Kong. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment.

**Bond market**

We are committed to promoting the further development of the bond market in Hong Kong. In 2013-14, we will continue to implement the Government Bond Programme (including expanding the size of the Programme to \$200 billion and launching a further issuance of iBond worth not more than \$10 billion), and promote our bond market to overseas issuers and investors. Moreover, we introduced the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 into the Legislative Council in January 2013. It aims to enhance Hong Kong's Islamic finance platform, so as to meet the

demands arising from the development of the Islamic bond market. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment.

The expense involved in the above two tasks will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)124**

Question Serial No.

4580

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services Branch will continue to advance financial and related co-operation with the Mainland in 2013-14. In respect of this, what specific measures does the Administration have? What are the expenditures involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

In the financial year 2013-14, we will continue to enhance the financial cooperation between Hong Kong and the Mainland by means of measures such as deepening and expanding Hong Kong's offshore Renminbi ("RMB") business, and further promoting the implementation of policy initiatives pursued under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") and other cooperation frameworks.

On promotion of offshore RMB business, we will continue to enhance the market infrastructure and consolidate the financial platform as well as maintain contacts with related Mainland authorities in order to facilitate the circulation of RMB funds between the onshore and offshore markets; promote the arrangements for expansion of Renminbi Qualified Foreign Institutional Investors ("RQFII") Scheme; widen the channels and scale of cross-border flows of RMB funds in a risk controlled manner to bring about mutual benefits to both places; continue to strengthen the RMB business links with overseas markets (e.g. London and Australia), with a view to enhancing our role and function as the global hub for offshore RMB business and as a wholesale platform serving the retail activities of international financial institutions; continue to conduct roadshows overseas, with an aim to assist and facilitate financial institutions and corporates around the world to expand their RMB business while promoting the use of Hong Kong's RMB financial platform, either directly or indirectly, to settle their transactions.

Besides, the China Securities Regulatory Commission and the Securities and Futures Commission have started to study the arrangement for mutual recognition of funds. The arrangement will not only be beneficial to the development of asset management business and financial markets of the Mainland and Hong Kong, but also widen the variety and scope of RMB investment products in Hong Kong, further consolidating Hong Kong's role as an offshore RMB centre. We will also follow up with the relevant Mainland authorities on the proposed expansion of the Qualified Domestic Institutional Investors ("QDII") Scheme to individual investors.

In order to assist the local financial services industry to gain further access into the Mainland market, we will continue to maintain close liaison with relevant Mainland authorities in a bid to identify new business

opportunities for Hong Kong financial institutions in the Mainland, including relaxing the upper limit of their shareholding in joint venture companies, expanding the range of services that they may provide and setting up wholly-owned businesses, etc. Meanwhile, we will continue to strengthen the cooperation and exchange between Hong Kong and the Mainland in respect of financial institutions, financial instruments, capital and talents, through CEPA and other regional cooperation platforms including those forged with Guangdong, Shanghai and Qianhai.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)125**

Question Serial No.

5468

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

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 79 of the Budget Speech that rapid development was seen in the retail industry. The Administration also pointed out at the LegCo meeting of 6 February 2013 that considerable growth in the retail industry has been continuously recorded, whereas retail shop rents have also been spiraling upwards. In this connection, please advise the following:

- 1) The total sales value of the retail industry each year for the past 10 years (from 2003 to 2012);
- 2) The percentage of the value of the retail industry to the Gross Domestic Product each year for the past 10 years (from 2003 to 2012);
- 3) The total shop area and average retail shop rents each year for the past 10 years (from 2003 to 2012) (by the 18 Districts and overall area);
- 4) The number of employees and vacancy rate of the retail industry each year for the past 10 years (from 2003 to 2012); and
- 5) In the coming year (2013-14), will the Administration reserve resources for studying and planning as to how to increase the retail floor area? If yes, what are the details? What are the measures to be taken? If no, what are the reasons?

Asked by: Hon. TIEN Puk-sun, Michael

Reply:

- (1) Statistics on the value of total retail sales for the past 10 years are listed in the table below:

Year	Value of total retail sales (HK \$million)
2003	172,863
2004	191,612
2005	204,372
2006	219,002

2007	247,000
2008	273,126
2009	274,742
2010	324,966
2011	405,732
2012	445,498

- (2) Statistics on the percentage contribution of retail trade to GDP at basic prices for the past 10 years are listed in the table below:

Year	Percentage contribution of retail trade to GDP at basic prices (%)
2002	2.2
2003	2.1
2004	2.6
2005	2.7
2006	2.7
2007	2.7
2008	2.9
2009	3.0
2010	3.2
2011	3.9

Statistics for 2012 will be available in February 2014.

- (3) The stock and average rent of private retail premises in 2003-2012 are listed in the tables below.

Private retail – Stock at year end

District	Floor Area # ('000 m <sup>2</sup> )									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Central & Western	983	976	977	975	968	968	972	972	979	989
Wan Chai	821	825	826	804	809	813	812	828	863	893
Eastern	651	651	651	651	652	657	656	657	658	657

Southern	183	184	186	187	187	187	189	189	195	203
<i>Hong Kong</i>	<i>2 638</i>	<i>2 636</i>	<i>2 640</i>	<i>2 617</i>	<i>2 616</i>	<i>2 625</i>	<i>2 628</i>	<i>2 647</i>	<i>2 696</i>	<i>2 742</i>
Yau Tsim Mong	1 523	1 562	1 565	1 603	1 616	1 618	1 674	1 707	1 719	1 725
Sham Shui Po	559	562	569	572	579	587	587	588	588	592
Kowloon City	631	591	592	601	601	603	616	610	611	617
Wong Tai Sin	284	282	284	286	287	288	288	305	295	311
Kwun Tong	553	579	581	637	648	654	574	577	577	597
<i>Kowloon</i>	<i>3 549</i>	<i>3 576</i>	<i>3 590</i>	<i>3 699</i>	<i>3 730</i>	<i>3 751</i>	<i>3 738</i>	<i>3 786</i>	<i>3 790</i>	<i>3 841</i>
Kwai Tsing	313	313	313	313	309	312	312	312	312	313
Tsuen Wan	416	435	443	444	464	459	468	453	455	455
Tuen Mun	373	375	378	378	378	386	378	378	378	397
Yuen Long	404	404	406	406	413	413	408	421	424	424
North	214	214	213	214	215	215	214	215	215	215
Tai Po	209	209	211	211	211	211	211	211	211	210
Sha Tin	428	432	432	432	437	438	441	441	441	442
Sai Kung	251	253	255	271	271	271	272	272	285	285
Islands	187	190	191	209	286	290	292	293	293	297
<i>New Territories</i>	<i>2 796</i>	<i>2 826</i>	<i>2 842</i>	<i>2 878</i>	<i>2 983</i>	<i>2 996</i>	<i>2 996</i>	<i>2 995</i>	<i>3 015</i>	<i>3 037</i>
<i>Overall</i>	<i>8 982</i>	<i>9 038</i>	<i>9 073</i>	<i>9 195</i>	<i>9 330</i>	<i>9 371</i>	<i>9 363</i>	<i>9 429</i>	<i>9 500</i>	<i>9 621</i>

# Measured on the basis of "internal floor area" which is defined as the area of all enclosed space of the unit measured to the internal face of enclosing external and/ or party walls.

\* Provisional figures

Note: The sum of individual items might not add up to the respective total because of rounding.

Source: Rating and Valuation Department

#### Private Retail - Average Rent

Year	Rent ( \$ / m <sup>2</sup> per month )		
	Hong Kong	Kowloon	New Territories
2003	750	826	668
2004	844	898	710
2005	939	974	764
2006	1,001	999	778
2007	1,060	1,023	814





**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)126**

Question Serial No.

0830

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the establishment of the Financial Services Development Council, please advise:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. TO Kun-sun, James

Reply:

The Financial Services Development Council (“FSDC”) at its second meeting held on 19 March 2013 endorsed the initiatives proposed for its five committees, which have also concluded their first meetings shortly before the second council meeting. Detailed work plans are being considered by members.

According to the FSDC, it will study the development of the local financial services industry, particularly the elements required to enhance Hong Kong’s future as an international financial centre and implications on Hong Kong’s financial services industry arising from the future development of Mainland’s capital market. In parallel, it will engage the industry on such topics as opportunities in Qianhai, offshore RMB business and further development of our asset and wealth management sector. Also, it will seek to play the role of a strategic coordinator for marketing plans among our key “Hong Kong Inc.” stakeholders to maximise the overall impact of their promotion activities.

The FSDC plans to submit to the Government proposals and findings arising from its studies and industry engagement activities. It will also be holding activities such as seminars, workshops, visits and roundtables when taking forward its work plans.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures

Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)127**

Question Serial No.

0866

Head: 122 – Hong Kong Police Force                      Subhead (No. & title):

Programme: (2) Prevention and Detection of Crime

Controlling Officer: Commissioner of Police

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Matters Requiring Special Attention in 2013-14 that the Administration will enhance the capability in financial investigation. Please inform this Committee of:

- (a) the numbers of reported cases on money laundering in the past 5 years (i.e. 2008-09 to 2012-13); and the number of such cases that could be further investigated;
- (b) the number of outstanding cases that can be handled by the Administration every year;
- (c) the estimated expenditure involved in 2013-14;
- (d) the percentage of the 5 Hong Kong banks dealing with the highest number of money laundering cases against the total number of reported cases in the past year (i.e. 2012-13) as shown in the following table:

Bank	Percentage
A	
B	
C	
D	
E	
Other banks	
Total	100%

- (e) the percentage of the 5 countries involved in the highest number of money laundering cases against the total number of reported cases in the past year (i.e. 2012-13) as shown in the following table:

Country	Percentage
1.	
2.	
3.	
4.	
5.	
Other countries	
Total	100%

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) The numbers of cases categorised as money laundering by the Police are shown in the following table:

<b>Year</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Number of cases categorised as money laundering	212	236	221	277	421

- (b) The Administration does not maintain the relevant figures.
- (c) Various formations of the Force are responsible for investigating money laundering crime. The expenditure for investigating money laundering crime is part of the total expenditure for the Programme of "Prevention and Detection of Crime". The Police Force does not maintain a separate breakdown of the expenditure in this respect.
- (d&e) Owing to technological development, money laundering activities these days may involve different regions and sectors at the same time. At the moment, the international community has yet to come up with a recognized assessment methodology to analyze places of origin where crime proceeds are sourced.

Name in block letters: TSANG WAI HUNG

Post Title: Commissioner of Police

Date: 23.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)128**

Question Serial No.

0869

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “overseeing the operation of the Census and Statistics Department, the Companies Registry and the Official Receiver’s Office”, please inform the Committee of:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the projects included in the specific work plans; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. TO Kun-sun, James

Reply:

**Census and Statistics Department**

Within the Financial Services Branch (“FSB”), one Deputy Secretary (“DS”), one Principal Assistant Secretary (“PAS”) and one Assistant Secretary (“AS”) participate in overseeing the overall operation of the Census and Statistics Department. Apart from its daily operation, the work in 2013-14 also includes following up relevant recommendations of the “Investigation Task Force on Statistical Data Quality Assurance”.

**Companies Registry and Official Receiver’s Office**

Regarding the operation of the Companies Registry (“CR”), apart from its daily operation, CR is making preparation on administrative and operational matters for implementing the new Companies Ordinance (“CO”) with a view to bringing the new legislation into operation in the first quarter of 2014. The key tasks include design of new forms, review of workflows and major enhancement to its computer system having regard to new operational needs. CR will also launch publicity for the new CO, conduct briefings for stakeholders on the new legislation as well as set up a mechanism for responding to enquiries on the requirements under the new CO and relevant transitional and implementation issues. We are overseeing CR in taking forward the abovementioned preparatory work and deal with policy matters involved.

The Official Receiver’s Office (“ORO”) is responsible for the effective administration of insolvency matters pertaining to compulsory liquidation of companies and individual bankruptcies. Apart from monitoring the overall operation of ORO, we are working together with ORO to improve the corporate insolvency law, and introduce a statutory corporate rescue procedure. We plan to consult the public by phase on relevant

legislative proposals starting this year, and will listen to the views of the Panel on Financial Affairs of the Legislative Council.

Within FSB, one DS, two PAses and two ASes participate in these subject matters. One of the PAses is occupying a supernumerary post, the retention of which until end June 2014 was approved by the Finance Committee in March this year.

The expenses involved in the above tasks will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)129**

Question Serial No.

0627

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) As advised by the Administration, the Financial Services Development Council (“FSDC”) will be established in 2013-14. Please provide the details of the estimated operational expenses, breakdown of expenditure involved, staff size and establishment of the FSDC in the first year upon inception.
- (b) The Administration stated that the FSDC will “explore ways to complement the internationalisation of the financial market of our country, facilitate the further development of Hong Kong’s financial services industry and tender advice and proposals to the Government”. Please advise on the types of studies to be conducted by the FSDC in this year and the expenditure involved.
- (c) The Government appointed 20 non-official members to the FSDC earlier. Please advise on the details of the members’ declaration of interest and the period for such declaration.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The FSDC has been established in January 2013. The FSDC at its second meeting held on 19 March 2013 endorsed the initiatives proposed for its five committees, which have also concluded their first meetings shortly before the second council meeting. Detailed work plans are being considered by members. According to the FSDC, it will study the development of the local financial services industry, particularly the elements required to enhance Hong Kong’s future as an international financial centre and implications on Hong Kong’s financial services industry arising from the future development of Mainland’s capital market. In parallel, it will engage the industry on such topics as opportunities in Qianhai, offshore RMB business and further development of our asset and wealth management sector.

The FSDC envisages that it will not incur significant operating cost in the initial years. Specifically, operating cost for the FSDC will mainly arise from the provision of secretariat service, office accommodation for staff, research activities, and promotion of the financial services industry in the Mainland and overseas. The operating cost will be absorbed through deployment of existing resources from within the Government. At present, the secretariat of the FSDC comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The cost for the seconded staff will be borne by the organisations they come from. If additional funding is required, the Government will seek funding from the Legislative Council according to the established procedures.



The FSDC has established a clear system for disclosure of interest, which follows that of any advisory bodies of comparable nature.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)130**

Question Serial No.

0629

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) It is stated that the Financial Services Branch will “prepare for the implementation of the newly enacted Companies Ordinance, including the making of necessary subsidiary legislation.” Please advise us of the preparatory work of the Administration for the submission of such subsidiary legislation.
- (b) What is the Administration’s plan to submit the draft subsidiary legislation of the Companies Ordinance on restricting public access to directors’ residential addresses and identity card numbers to the Legislative Council?
- (c) Will the Government proactively revise the primary legislation to retain public access to directors’ residential addresses and identity card numbers? If so, what are the details. If not, what are the reasons?
- (d) Will the Government consider extending the exemption to the media so that the media would continue to have the right to access to director’s residential addresses and identity card numbers? If so, what are the details? What will be the Government’s definition of media? Besides traditional media, will web-based media also be covered for exemption? If not, what are the reasons?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The commencement of the new Companies Ordinance (“CO”) is important for enhancing Hong Kong’s competitiveness as a major international business and financial centre, and we plan to bring the new CO into operation in the first quarter of 2014. To this end, we have been making subsidiary legislation to provide for various administrative, procedural and technical matters. Drafting of and public consultation on the subsidiary legislation commenced soon after passage of the Companies Bill by the Legislative Council (“LegCo”) in July last year. We are introducing subsidiary legislation into LegCo by batches, and LegCo has set up a sub-committee to scrutinise the subsidiary legislation. The first and second batches, together comprising seven pieces of subsidiary legislation, were respectively published in the Gazette on 1 February and 22 March this year and introduced into LegCo on 6 February and 27 March. We aim to introduce the remaining subsidiary legislation into LegCo in May this year.

The new CO introduces a new arrangement for the inspection of personal information on the Companies Register (“the new arrangement”), which seeks to strike a reasonable balance between satisfying public need to access information and protecting privacy. We have consulted the public on the new arrangement in the past three years where the majority of respondents supported enhancing the protection of privacy. The legislative processes for the primary legislation have also been completed after thorough scrutiny by LegCo. Nevertheless, we have taken note of the wide spectrum of views expressed by different stakeholders recently

on the new arrangement for the inspection of directors' personal information. Indeed, we are grateful to concerned parties who have come forward in the past few months to share their views with us on how the new arrangement may be modified. Given the complexity of the issues involved and very diverse views of different stakeholders, we believe that the community should be given more time to build consensus on the issue. This should not however delay our plan to implement the new CO.

In this regard, the Privacy Commissioner for Personal Data has consistently advised that the existing regime for inspection of the Companies Register should be improved to better protect privacy as it is privacy-intrusive. Proposals for modifying the new arrangement would require careful consideration of the complex legal, privacy and operational issues involved. We therefore propose to accord priority to the tasks necessary for commencing the new CO and consider matters relating to the new arrangement thereafter. We propose not making the subsidiary legislation concerning the new arrangement at this stage, and not including the relevant provisions in the commencement notice for the new CO to be made in the fourth quarter of this year. We will continue to listen to views and suggestions from LegCo and stakeholders on the new arrangement.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)131**

Question Serial No.

3102

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

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

“Matters requiring special attention in 2013-14” mentioned that “*The Department will host the 59<sup>th</sup> World Statistics Congress*”. Thus, there is a cash flow provision for the project. What is the required amount? When will the congress be held?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The 59<sup>th</sup> World Statistics Congress will be held during 25-30 August 2013 at the Hong Kong Convention and Exhibition Centre.

The Finance Committee of the Legislative Council approved in April 2010 the creation of a new commitment of HK\$15.2 million under Head 26 Census and Statistics Department with funding requirement to be absorbed from within the Secretary for Financial Services and the Treasury's operating expenditure envelope for hosting the event. The estimated expenditure of HK\$25.7 million will be partly offset by income from registration fee and rental of exhibition booths, estimated to be amounted to HK\$10.5 million.

The cash flow provision for organising this event in different financial years is as follows:

Actual expenditure in 2010-11	HK\$0.274 million
Actual expenditure in 2011-12	HK\$4.903 million
Revised estimated expenditure for 2012-13	HK\$3.200 million
Estimated expenditure for 2013-14	HK\$6.823 million

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)132**

Question Serial No.

3579

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) In his Budget Speech, Mr John TSANG, the Financial Secretary, stated that the Government is “now working with the Mandatory Provident Fund Schemes Authority (“MPFA”) on short, medium and long-term fee reduction measures. They include promoting electronic platforms, consolidating employees' accounts, and rationalising the types and numbers of MPF funds in order to reduce the administration costs. Meanwhile, we aim to cut down the fees and charges by maximising market forces”. In this connection, please provide details of the short, medium and long-term measures. How much could the fees and charges be reduced as expected by the Administration? Please give an account of the work schedule.
- (b) Will the Administration consider abandoning the arrangements of offsetting the severance payments and long service payments with MPF contributions? If so, what are the details? If not, what are the reasons?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

- (a) The Administration and MPFA are pursuing a basket of short, medium and long-term measures so as to achieve substantial reduction in MPF fees. The work plan and timetable are as follows-

Short-term measures: regarding the Consultancy Study on MPF Trustees' Administration Costs announced in November 2012, the MPFA is pressing ahead with those measures suggested by the consultant which can be implemented within the existing legislative framework to reduce administration costs. These include promoting electronic platforms, encouraging employees to consolidate their accounts, and encouraging trustees to consolidate MPF schemes/funds that are smaller in scale or less cost-efficient;

Medium-term measures: the Administration and MPFA are considering feasible options to enable the MPFA to better perform its functions, which include specifying regulatory requirements for seeking the MPFA's approval for MPF funds. We aim to introduce the proposed legislative amendments into the Legislative Council by July 2014; and

Long-term measures: we are discussing with the MPFA the rationalization of fund choices and introduction of a cap on MPF fees in case of market failure, with a view to preparing a proposal for public consultation within this year. The MPFA also seeks to complete mapping out the implementation of full portability before 2016.

The Administration and MPFA expect that there will be more significant reduction in MPF fees in the foreseeable future.

- (b) As for the offsetting arrangement, before the implementation of the MPF System in 2000, the Employment Ordinance already allows employers to offset severance payment or long service payment by their contributions in retirement schemes. The long-established arrangement was extended to MPF schemes after consultation and balancing different considerations. Reviewing offsetting arrangement is a complicated issue that has impact on the affordability of employers, business environment as well as employees' interests and the overall need of Hong Kong's socio-economic development. Any change would need thorough deliberation and consensus of different stakeholders. At this stage, we will focus on the measures mentioned in part (a) to bring down MPF fees.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)133**

Question Serial No.

3580

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the financial provision in the revised estimate of the Financial Services Branch for 2012-13 is \$217.9 million, while such provision in the estimate for 2013-14 is \$239.2 million, representing an increase of \$21.3 million or 9.8%. Please provide a breakdown of the additional expenditure items and their estimates.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The increase in 2013-14 estimate is mainly earmarked for non-civil service contract staff (around \$17 million) for the relevant government departments to facilitate the performance of new statutory functions in respect of the regulation of anti-money laundering and Mandatory Provident Fund intermediary activities, as well as for the Office of Commissioner of Insurance to commission a Risk-based Capital Consultancy Study in respect of the insurers (around \$4 million).

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)134**

Question Serial No.

3581

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary, Mr. John C Tsang, mentioned in the Budget Speech that “to attract more private equity funds to domicile in Hong Kong, we propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds. We shall conduct consultation on the amendments to relevant tax legislation and detailed proposals.” Please advise on the timetables for making amendments to the Inland Revenue Ordinance and for conducting the said consultation.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

We propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds. We believe that such tax arrangements would further enhance our competitiveness as an asset management centre. We aim to launch a consultation on the relevant proposals within this year, so as to commence the relevant legislative exercise as soon as possible.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)135**

Question Serial No.

3582

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Hong Kong Monetary Authority launched a consultation exercise on the amendments proposed to the Banking (Disclosure) Rules in November 2012. Please advise on the results of the consultation and the details of the proposed amendments.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The principal purpose of the Banking (Disclosure) (Amendment) Rules 2013 (“BDAR”) is to implement the Basel III disclosure standards associated with the first phase of Basel III capital standards, which already took effect in Hong Kong with the Banking (Capital) (Amendment) Rules 2012 commencing operation from 1 January 2013.

The new disclosure standards are designed to improve the consistency and comparability of banks’ disclosures in respect of their capital base by requiring all elements of regulatory capital to be disclosed along with a detailed reconciliation of such elements back to banks’ reported accounts. The requirements incorporated in the draft BDAR reflect the minimum standards promulgated by the Basel Committee. According to the Basel implementation timetable, the new standards are required to take effect from 30 June 2013.

Statutory consultation of the draft BDAR has been completed early this year. Comments received were mostly to seek clarification on the application of a few technical provisions. The Hong Kong Monetary Authority has responded to the comments and would provide, where appropriate, further guidance through the updating of existing supervisory guidance as well as the issuance of standard disclosure templates for use by authorized institutions. The Monetary Authority aims to table the BDAR before the Legislative Council for negative vetting in April 2013.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)136**

Question Serial No.

0096

Head: G01 – Bond Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Paragraph 58 of the Budget Speech states that the Government will launch a further iBond issue of up to \$10 billion under the Government Bond Programme. The iBond, with a maturity of three years, will target Hong Kong residents. Interest will be paid to bond holders once every six months at a rate linked to the inflation rates of the last half-year period. In fact, the previous iBond issues of the Government were well received and met with overwhelming demand. The maximum size of this issue however remains \$10 billion. What are the main reasons and principles behind? Will the Government consider increasing the maximum issue size? If so, under what circumstances and what is the estimated ceiling of adjustment? If not, why?

Asked by: Hon. TSE Wai-chuen, Tony

Reply:

The size of the coming issuance of iBond will be up to HK\$10 billion. Such an issuance size will strike a reasonable balance between satisfying the demand of Hong Kong residents for retail bonds and ensuring that the Government Bond Programme has a capacity to support the development of other segments of the bond market. When considering the details of the bond issuance, we will, based on the overriding objective of promoting the further development of the local bond market, take into account relevant factors including the prevailing market conditions such as interest rates, inflation rate and the potential impact on other prospective retail bond issuers in Hong Kong as well as the sustainability of the Bond Fund. In the long run, we should allow adequate room for the market to develop different types of bonds for a more diversified bond market in Hong Kong.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)137**

Question Serial No.

2932

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On putting into effect “the recommendations on anti-money laundering of the Financial Action Task Force with respect to the non-financial sectors” to combat money laundering activities, are money laundering activities from the Mainland included?

As far as money laundering activities in Hong Kong are concerned, has any assessment been made on the amount of illicit money from the Mainland involved every year? If yes, what is the outcome of the assessment? If no, will an assessment be made annually?

How much manpower and resources have been deployed every year to combat the laundering of illicit money from the Mainland in Hong Kong during the last 3 financial years (2010-11 to 2012-13) and how effective are they? What is the change when compared with the new financial year 2013-14?

Asked by: Hon. TSE Wai-chun, Paul

Reply:

As an international financial centre, Hong Kong is an active participant to international organisations including the Financial Action Task Force (“FATF”) on anti-money laundering (“AML”) and counter-financing of terrorism (“CFT”). The recommendations on AML measures stipulated by the FATF with respect to the non-financial sectors include the following two major aspects –

- (a) member jurisdictions are required to put in place a system requiring travelers entering or leaving the jurisdiction to make a declaration or disclosure where they carry currency or bearer negotiable instruments (“BNIs”) exceeding a specified limit. This is intended to guard against the abuse of cash courier services for money laundering and terrorist financing purposes; and
- (b) member jurisdictions are required to implement an AML/CFT regime which is applicable to “designated non-financial businesses and professions” (“DNFBPs”), including customer due diligence and record-keeping requirements. This should include requiring DNFBPs to develop internal procedures, policies and control pertaining to the effective monitoring of AML/CFT; putting in place measures to raise practitioners’ awareness and the effectiveness of suspicious transaction reporting; and formulating a monitoring or regulatory system on AML/CFT which best suits the DNFBPs, etc.

Recommendations of the FATF form the international standard of the existing AML regime and apply to all member jurisdictions. Regarding the non-financial sectors, the Security Bureau will follow up the relevant recommendations actively. We will use consistent standards to combat money laundering activities regardless of the source of funds.

Owing to technological development, money laundering activities these days may involve different regions at the same time. At the moment, the international community has yet to come up with a recognised assessment methodology to analyse places of origin where crime proceeds are sourced. The Administration and law enforcement agencies will maintain close liaison and exchange information with relevant international organisations and counterparts outside Hong Kong. We shall review continuously the effectiveness of the existing measures and sustain our efforts in combating money laundering.

The expense involved in the above work will be absorbed from within the existing resources of the relevant bureaux and departments. We do not have a separate breakdown. The effectiveness of our existing measures is well evidenced in the Department of Justice’s statistics on successful applications for restraint and confiscation orders. The amount of funds being restrained and confiscated under the Organized and Serious Crimes Ordinance and the Drugs Trafficking (Recovery of Proceeds) Ordinance over the past three years is as follows:

	<b>2010</b>	<b>2011</b>	<b>2012</b>
Restraint Order	17	31	36
Amount restrained (HK\$ Million)	348	1370	1387
Confiscation Order	11	16	17
Amount confiscated (HK\$ Million)	104	1784	50

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)138**

Question Serial No.

2933

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Has any assessment been made on the amount of illicit money from the Mainland laundered in Hong Kong during the last 3 financial years (2010-11 to 2012-13) and the new financial year 2013-14? If yes, what are the results? Does the amount show a rising trend? What are the estimated manpower and resources required?

In addition, has any assessment been made on the amount of illicit money flowing into Hong Kong property market from the Mainland during the same period that drives up the local property prices directly or indirectly? If yes, what are the assessment results? If no, is it possible to assess and estimate the manpower and resources required as soon as possible?

Asked by: Hon. TSE Wai-chun, Paul

Reply:

Owing to technological development, money laundering activities these days may involve different regions and sectors at the same time. At the moment, the international community has yet to come up with a recognised assessment methodology to analyse places of origin where crime proceeds are sourced. Since the implementation of the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance with effect from 1 April 2012, financial institutions are required to comply with the statutory requirements of customers due diligence and record keeping, thereby significantly enhancing our anti-money laundering and counter-financing of terrorism (“AML/CFT”) regime in the financial sector. In addition, the Organized and Serious Crimes Ordinance and the Drug Trafficking (Recovery of Proceeds) Ordinance require any person who knows or suspects that any property represents proceeds of drug trafficking or other crimes, to make a suspicious transaction report to the Joint Financial Intelligence Unit which is jointly set up by Hong Kong Police and Customs and Excise Department. In addition, the Security Bureau will follow up the relevant Financial Action Task Force’s recommendations on AML/CFT for “designated non-financial businesses and professions” (including estate agents), and to raise practitioners’ awareness of the need for suspicious transaction reporting. The Administration and law enforcement agencies will maintain close liaison and exchange information with relevant international organisations and counterparts outside Hong Kong. We shall review the effectiveness of the existing measures from time to time in order to sustain our efforts in combating money laundering.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)139**

Question Serial No.

4257

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

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

“Matters requiring special attention in 2013-14” under Programme (4) mention that “*to meet this need, the Department will continue to upgrade the quality of statistical services in respect of timeliness, relevance and user serviceability*”. In this connection, please advise this Committee:

1. There were reports early this year alleging that when conducting the monthly “General Household Survey”, about half number of the frontline survey officers were suspected to have been involved in forgery of data so as to upkeep their “work efficiency”. How will the Census and Statistics Department (“C&SD”) monitor and ensure that the indicators of “work efficiency” are truly met?
2. Are there any new statistical surveys being considered by C&SD?
3. Mainland people have been spending more money in Hong Kong over the past few years, causing impact to the daily lives of Hong Kong people. Are there any relevant statistical surveys conducted by C&SD on the spending pattern of Mainland people in Hong Kong? If no, will C&SD consider launching a survey on this?

Asked by: Hon. WONG Kwok-hing

Reply:

1. In managing survey operations, C&SD requires all field officers to make best endeavors in undertaking data collection work. The supervisors of field officers regularly assess the performance and quality of work of the field officers concerned (e.g. knowledge of work, judgment, organisation of work, efficiency, acceptance of responsibility, ability to work independently, accuracy, output and interviewing technique). The assessment of field officers is based on their work performance and work quality as a whole, instead of merely relying on quantitative assessment. The department will review the assessment mechanism of field officers from time to time. In addition, C&SD will implement the recommendations of the Investigation Task Force on Statistical Data Quality Assurance expeditiously, and at the same time continue to enforce the recently announced improvement measures.
2. & 3. Based on the data requests of some Government bureaux and departments, C&SD will contract out a few ad hoc thematic household surveys in 2013-14 to collect data on different topics, which does not include a survey on the spending pattern of Mainland people in Hong Kong.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)140**

Question Serial No.

4261

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please compare the median domestic household incomes of different family sized households, which are residing in public rental housing, with those of households residing in the respective Districts.

Asked by: Hon. WONG Kwok-hing

Reply:

According to the 2011 Population Census, the median monthly domestic household income of households residing in public rental housing by District Council districts and household size when compared to all households residing in the respective District Council districts are given below.

District Council district	Median Monthly Domestic Household Income (HK\$)							
	Households residing in public rental housing							All households
	Household Size						Total	
	1	2	3	4	5	6+		
Central and Western	6,000	11,040	19,200	20,500	48,290	31,300	14,770	33,000
Wan Chai	#	#	#	#	#	#	#	36,150
Eastern	4,520	9,150	15,040	20,000	24,500	26,500	13,200	25,400
Southern	5,000	9,000	15,500	21,000	24,000	29,670	14,000	25,700
Yau Tsim Mong	2,800	9,000	17,000	21,130	18,040	21,540	11,000	22,070
Sham Shui Po	3,750	8,080	14,300	17,110	22,000	23,870	11,000	16,280
Kowloon City	4,600	9,000	16,000	19,580	21,280	24,730	13,500	23,560
Wong Tai Sin	4,030	8,890	15,000	18,720	22,000	24,730	12,230	17,000
Kwun Tong	4,000	8,500	14,070	18,500	19,040	25,000	11,300	15,960
Kwai Tsing	4,220	9,100	15,000	19,000	20,540	24,000	12,800	17,000

District Council district	Median Monthly Domestic Household Income (HK\$)								
	Households residing in public rental housing							Total	All households
	Household Size								
	1	2	3	4	5	6+			
Tsuen Wan	6,080	8,540	15,200	18,000	18,640	25,750	12,000	24,100	
Tuen Mun	5,000	8,500	14,000	18,000	20,650	22,900	10,000	18,000	
Yuen Long	3,850	8,000	13,000	16,300	19,200	25,070	12,000	18,000	
North	3,700	7,200	12,500	16,000	20,000	25,000	11,000	18,580	
Tai Po	3,640	8,500	15,000	19,740	24,500	26,640	13,500	22,340	
Sha Tin	4,000	9,030	15,040	19,040	21,000	24,000	12,600	23,040	
Sai Kung	4,190	9,000	14,100	17,030	21,150	23,000	12,640	26,870	
Islands	6,700	9,500	16,000	18,000	20,600	20,180	15,000	21,000	
Land Total	4,040	8,740	14,700	18,270	21,000	24,750	12,000	20,500	

Note : # There is no public rental housing in Wan Chai District.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)141**

Question Serial No.

1409

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

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

“Matters Requiring Special Attention in 2013-14” under Programme (4) mentioned that “*Following the recommendations made in the Information Systems Strategy Study completed in 2004, the Department is implementing a number of strategic IT projects to set up two department-wide data capturing systems on top of other strategic IT projects already completed*”. In this connection, please advise the following:

- (1) Information technology has been advancing at a tremendous pace. After the elapse of 9 years, the Census and Statistics Department (“C&SD”) has, however, not yet fully implemented the recommendations made in 2004, resulting that some items may have become obsolete. Please explain the slow progress and reasons for continue implementing IT projects based on the recommendations made in 9 years ago, e.g. the selection of the two department-wide data capturing systems; and
- (2) please advise if C&SD has any plan to conduct another around of study on Information Systems Strategy.

Asked by: Hon. WONG Kwok-kin

Reply:

- (1) The Census and Statistics Department (“C&SD”) has updated the recommendations made in 2004 in response to information technology development. The latest progress of the two department-wide data capturing systems is as follows:
  - (a) Computer-assisted Telephone Interviewing (“CATI”) System: The C&SD has conducted a study on the feasibility of extending the CATI System to provide a common platform ready to support other electronic data collection modes, with due regard to the latest IT technologies, and updated the design of the system accordingly. Currently, tendering is in progress. If everything goes on smoothly, the project will start in 2013 at the earliest.
  - (b) Data Collection System using Imaging Technology: Results of the above-mentioned feasibility study also indicated that paper questionnaires used in surveys are gradually being replaced by electronic questionnaires along with the rapid IT developments. After deliberation, it was decided to implement an Online Questionnaire System. C&SD has planned to start this project later this year.
- (2) C&SD has planned to conduct an Information Systems Strategy Study interim review. Funding application for the interim review is expected to be submitted in 2014.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)142**

Question Serial No.

1233

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Administration will further develop the fund and asset management business. What is the present development of such business? What are the specific measures to be taken to enhance its development? How much manpower and expenditure will be required for these measures?

Asked by: Hon. WONG Ting-kwong

Reply:

We have been adopting multi-pronged measures to foster and promote Hong Kong's position as a major asset management center in Asia over the years. Latest example is that we have introduced the Inland Revenue & Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 and the Trust Law (Amendment) Bill 2013 into the Legislative Council in early 2013. These two bills aim to improve the Islamic finance platform and reform the trust law, with a view to further fostering an environment conducive to the asset management industry. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment.

As at end 2011, the total assets of Hong Kong's combined fund management business amounted to \$9,038 billion, representing 54.5% increase as compared with three years ago. Of the assets in the fund management businesses, two-thirds were sourced from non-Hong Kong investors. This shows that Hong Kong's asset management business has become highly international.

To further promote Hong Kong's fund and asset management business, we propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same exemption as offshore funds. We note that Open-ended Investment Companies have become an increasingly popular form used by the fund industry to set up investment funds. To this end, we are joining hands with the Securities and Futures Commission to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market, and attract more funds to base in Hong Kong and serve Asia. These proposals will broaden the variety and scope of our fund business and open up new business opportunities for professional services such as fund management, investment advice, and also legal and accounting services. We aim to launch the consultation on the relevant proposals within this year.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in promoting the development of the asset management industry. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)143**

Question Serial No.

1234

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What were the types, numbers and growth rates of Hong Kong-domiciled funds in the past 3 years (i.e. 2010-11, 2011-12 and 2012-13)? What measures will be taken by the Administration to attract more funds of various types to start up business in Hong Kong? How much manpower and expenditure are expected to be involved?

Asked by: Hon. WONG Ting-kwong

Reply:

According to the Fund Management Activities Survey published by the Securities and Futures Commission (“SFC”), the combined fund management business in Hong Kong amounted to \$10,091 billion and \$9,038 billion in 2010 and 2011 respectively. Of the assets in the fund management business, \$4,161 billion and \$3,851 billion were non-REIT assets managed in Hong Kong in 2010 and 2011 respectively. Data for 2012 is being compiled.

With economic gravity shifting to the East, more and more quality and competitive investment projects originate from Asia. Hong Kong is located at the centre of Asia and possesses advantages such as free flow of information, an independent judicial system as well as having the Mainland as our hinterland. With Hong Kong’s competitive edges, funds based in Hong Kong are able to explore investment opportunities in Asia or seek to attract Asian capital more easily. We are adopting multi-pronged strategies to further promote Hong Kong’s fund and asset management business. We seek to provide relevant legal and regulatory frameworks and a clear and competitive tax environment, with a view to attracting more funds of various types to base in Hong Kong. For example, we have introduced the Inland Revenue & Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 and the Trust Law (Amendment) Bill 2013 into the Legislative Council in early 2013. These two bills aim to improve the Islamic finance platform and reform the trust law, with a view to further fostering an environment conducive to the asset management industry. We will render our full assistance to the Bills Committee in the scrutiny of the Bill, and look forward to its early enactment. At the same time, we propose to extend the profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside Hong Kong and do not hold any Hong Kong properties nor carry out any business in Hong Kong. This will allow private equity funds to enjoy the same tax exemption as offshore funds. We note that Open-ended Investment Companies have become an increasingly popular form used by the fund industry to set up investment funds. To this end, we are also joining hands with the SFC to formulate legislative proposals to permit the market to establish such companies, and provide for a regulatory framework governing them, so as to offer an additional choice for the market and attract more funds to base in Hong Kong and serve Asia. These proposals will broaden the variety and scope of our fund business and open up new business

opportunities for professional services such as fund management, investment advice, and also legal and accounting services.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are performing functions in relation to promoting the development of the asset management industry. The expenses involved will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)144**

Question Serial No.

1235

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How effective is the development of the Renminbi Qualified Foreign Institutional Investors (“RQFII”) Scheme since its launching in 2011? It is mentioned in the Budget Speech that the Administration will continue its dialogue with the relevant Mainland authorities to expedite the next stage of RQFII's expansion. What is the timetable in this regard? Is it necessary to allocate more resources to cope with it? How much resources and manpower are expected to be involved?

Asked by: Hon. WONG Ting-kwong

Reply:

We have made good progress in promoting the Renminbi Qualified Foreign Institutional Investors (“RQFII”) scheme in Hong Kong.

Mainland regulators promulgated the “Rules on Pilot Scheme on Investment in Mainland Securities by RQFII” on 16 December 2011, which allows qualified RQFII holders to channel Renminbi funds raised in Hong Kong to invest into the Mainland securities markets. In the initial phase of the pilot scheme, the RQFII quota was RMB20 billion and the eligibility for applying for RQFII was restricted to Hong Kong subsidiaries of the Mainland fund management companies and securities companies. RQFII products must invest at least 80% of its funds raised in fixed-income securities issued in the Mainland. They may also invest no more than 20% of its funds raised in Mainland equities and equities funds. Shortly afterwards, Mainland regulators announced to increase the RQFII quota by RMB50 billion on 3 April 2012, allowing eligible institutions to invest in the A-share index shares and launch RMB-denominated A-share ETF products in Hong Kong. On 13 November 2012, Mainland regulators increased the RQFII quota by RMB200 billion. So far, the total RQFII investment quota has reached RMB270 billion. Meanwhile, we have maintained communication with Mainland regulators and have reflected views of the industry on the implementation of the scheme.

After the announcement of the Budget, Mainland regulators further announced the arrangements on expansion of the RQFII pilot scheme and promulgated the revised rules on the scheme on 6 March 2013. Under the revised rules, the types of institutions eligible for applying for RQFII have been enlarged to cover Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered and have major operations in Hong Kong. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions. This will be conducive to the launch of more innovative and diversified RMB investment products in Hong Kong, further deepening the RMB offshore business in Hong Kong and enhancing the

cross-border use and circulation of RMB funds between the Mainland and Hong Kong. In turn, it will promote the internationalisation of the RMB.

According to the information released by the China Securities Regulatory Commission, as at 6 March 2013, 27 Hong Kong subsidiaries of Mainland fund management companies and securities companies have been approved with the RQFII qualifications, with a total approved investment quota of RMB70 billion.

We will continue to maintain close communication with relevant Mainland authorities in order to facilitate the development of the RQFII scheme.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within our existing resources. We do not have a separate breakdown.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)145**

Question Serial No.

1236

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2013-14, the Financial Services Branch will establish the Financial Services Development Council (“FSDC”). At the outset, the FSDC will be staffed and funded by deployment of resources from the Financial Services and the Treasury Bureau and other relevant financial regulators. What are the estimated manpower required to be deployed and the expenditure involved? Has the Administration assessed whether the resources to be deployed are sufficient for the effective operation of the FSDC? After the deployment of resources, will the government departments and financial regulators concerned be affected in their work?

Asked by: Hon. WONG Ting-kwong

Reply:

The FSDC has been established in January 2013. The secretariat of the FSDC is staffed through internal re-deployment. It comprises a Senior Economist and four administrative staff (i.e. one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer) deployed from the Financial Services Branch (“FSB”) and a professional staff each seconded from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The expenditure for the government staff will be absorbed from within the existing resources of FSB and, for the seconded staff, the organisations they come from. The current staff arrangement should be sufficient for the FSDC to commence operation without causing adverse impact on the work of the government departments and financial regulators concerned.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)146**

Question Serial No.

1237

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How effective is the operation of the Financial Dispute Resolution Centre? How many cases had been received and resolved in the past? What is the estimated expenditure for 2013-14?

Asked by: Hon. WONG Ting-kwong

Reply:

The Financial Dispute Resolution Centre (“FDRC”) commenced its operation on 19 June 2012. It is still in its initial stage of operation. As at end February 2013, FDRC received 1 540 enquiries and 28 applications. Of the cases handled, 85% were settled. 87% of users rated FDRC service satisfactory or above on the evaluation forms.

According to the FDRC funding arrangement passed by the Legislative Council’s Finance Committee in June 2011, the Administration has committed \$28 million to support FDRC’s operation in 2013-14.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)147**

Question Serial No.

1254

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Securities and Futures Commission is studying with the Mainland authorities an arrangement for mutual recognition of funds. How does the study go? Is there any preliminary outcome? What is the expected completion time for the study?

Asked by: Hon. WONG Ting-kwong

Reply:

The Securities and Futures Commission (“SFC”) and China Securities Regulatory Commission (“CSRC”) have set up a joint working group in late 2012 to study the proposals on mutual recognition and cross-border offerings of retail funds between the Mainland and Hong Kong, as well as related technical issues.

We envisaged that under such a mutual recognition arrangement, qualified SFC-authorized funds domiciled in and operating from Hong Kong would enjoy the status of “recognised Hong Kong funds” in the Mainland, and qualified Mainland funds would enjoy the status of “recognised Mainland funds” in Hong Kong. These recognised funds could then obtain authorisation on the basis of a streamlined process and be sold directly in the other’s market.

Hong Kong has already entered into different forms of mutual recognition arrangements with Taiwan, Malaysia and Australia. SFC will leverage these experiences and work closely with Mainland authorities for early formulation of the mutual recognition arrangement. As mutual recognition of funds involves a number of cross-border regulatory and legal issues, regulators from both sides will need to study these issues in depth. It is therefore difficult to estimate the implementation timetable.

Name in block letters: Miss AU King-chi

Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: 5.4.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)148**

Question Serial No.

1263

Head: 26 – Census and Statistics Department      Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How many frontline survey officers are there now in the Census and Statistics Department? Can it fully meet the present workload? Are there any regular reviews on the service performance of the staff? How to upgrade the service quality?

Asked by: Hon. WONG Ting-kwong

Reply:

As at February 2013, the establishment of C&SD field officers was 335. The existing manpower can generally handle the regular surveys of C&SD. C&SD will employ additional temporary interviewers to handle ad hoc surveys.

C&SD has established a regular performance appraisal system in which the work performance of field officers is evaluated in terms of various objective work-related aspects of performance by the supervisors concerned. The department also attaches great importance to the training and development of field officers, with a view to improving and upgrading their quality of services.

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.3.2013

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)149**

Question Serial No.

2204

Head: 148 – Government Secretariat : Subhead (No. & title):  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “join hands with the MPFA to drive down MPF fees and enhance the MPF System, including withdrawal of MPF accrued benefits”, please inform this Committee of:

- (a) the estimated expenditure for this item in 2013-14;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2013-14.

Asked by: Hon. WU Chi-wai

Reply:

(a)&(b) The above work is jointly pursued by the Mandatory Provident Fund Schemes Authority (“MPFA”) and the Financial Services and the Treasury Bureau. Specifically, Division 3 in the Financial Services Branch is responsible for policy work on the MPF Schemes. A Principal Assistant Secretary leads the Division with the assistance of two Assistant Secretaries, and reports to a Deputy Secretary. We do not have a separate breakdown of the expenses involved.

(c)&(d) The Administration and MPFA are pursuing a basket of short, medium and long-term measures so as to achieve substantial reduction in MPF fees. The work plan and timetable are as follows-

Short-term measures: regarding the Consultancy Study on MPF Trustees’ Administration Costs announced in November 2012, the MPFA is pressing ahead with those measures suggested by the consultant which can be implemented within the existing legislative framework to reduce administration costs. These include promoting electronic platforms, encouraging employees to consolidate their accounts, and encouraging trustees to consolidate MPF schemes/funds that are smaller in scale or less cost-efficient;

Medium-term measures: the Administration and MPFA are considering feasible options to enable the MPFA to better perform its functions, which include specifying regulatory requirements for seeking the MPFA’s approval for MPF funds. We aim to introduce the proposed legislative amendments into the Legislative Council by July 2014; and

Long-term measures: we are discussing with the MPFA the rationalisation of fund choices and introduction of a cap on MPF fees in case of market failure, with a view to preparing a proposal for public consultation within this year. The MPFA also seeks to complete mapping out the implementation of full portability before 2016.

In addition, the MPFA is following up on the implementation details of the two proposals on “explicitly allowing scheme members to choose to withdraw their MPF benefits in a lump sum or in stages” and “allowing early withdrawal where a scheme member is certified to suffer from a terminal illness”. This includes discussing with trustees specific arrangements for implementing the proposals, and articulating the proposed legislative amendments. We aim to introduce the proposed legislative amendments into the Legislative Council by July 2014.

Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 5.4.2013