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**Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2014-15**

**Director of Bureau : Secretary for Financial Services and the Treasury**

**Session No. : 3**

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**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)001**

**(Question Serial No. 0641)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 42 Page 12

Question (Member Question No. 15):

It is stated in the Budget Speech that “with the launch of the first Electronic Bill Presentment and Payment platform last year, the public can now receive and schedule payments for various types of electronic bills online. Major bill-issuing departments of Government are expected to be on board by the end of this year to facilitate the online receipt and settlement of bills such as water charges and rates.”

- (1) What is the total expenditure incurred by the Administration in developing the platform? What will be the estimated annual operating expenses involved?
- (2) Which departments are currently using the platform? Which departments will become its new users? How many members of the public are expected to use it?

Asked by: Hon. CHAN Kam-lam

Reply:

- (1) Expenses related to the development of the Electronic Bill Presentment and Payment central platform are borne by the Hong Kong Monetary Authority. Participating banks will bear the operating expenses based on the user pay and cost recovery principles.
- (2) As at February 2014, a total of 15 merchants from different sectors have participated in the Electronic Bill Presentment and Payment service. It is expected that the number of merchants will increase to around 40 in April 2014. Government departments, such as the Water Supplies Department and the Rating and Valuation Department, are actively preparing for launching the service by the end of this year to facilitate the public. Individuals who have online bank accounts will be able to use the service to receive e-bills issued by Government departments and other merchants. At present, there are more than eight million personal online bank accounts.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)002**

**(Question Serial No. 1085)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 43 Page 12

Question (Member Question No. 22):

It is stated in the Budget that an "e-cheque service" is expected to be launched in the latter half of 2015.

What is the expenditure incurred in developing the service platform? What will be the annual operating expenses in subsequent years? How many members of the public and enterprises are expected to serve?

Asked by: Hon. CHAN Kam-lam

Reply:

E-cheque service allows individuals and corporates to issue and deposit e-cheque anytime and anywhere, thereby reducing banks' processing time for cheques and improving operational efficiency. The Hong Kong Monetary Authority is responsible for the expenses of developing the service platform, while participating banks will bear the recurrent costs. Individuals and corporates will be able to use the e-cheque service via internet banking as long as they have an online bank account. At present, there are more than eight million personal online bank accounts and around 800,000 business online bank accounts.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)003**

**(Question Serial No. 1554)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 1):

It is stated in *Matters Requiring Special Attention in 2014-15* under the programme of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will legislate for the establishment of an independent Insurance Authority ("IA"). Will the Administration advise this Committee of the timetable for the introduction of the relevant bill into the Legislative Council and the establishment of the IA? Moreover, how many full-time employees will the IA have and when will the recruitment work start? Are there any specific plans for the transitional arrangements? Has preparation work commenced and have any difficulties encountered so far?

Asked by: Hon. CHAN Kin-por

Reply:

We will introduce the relevant bill into the Legislative Council in the second quarter of 2014 with a view to establishing an independent Insurance Authority ("IA") in 2015.

According to a previous consultancy study, the staff size of IA would be about 230. The IA would recruit all of its staff through open recruitment.

We set up the "Working Group on Transition to the IA" in October 2013. We will continue to liaise with the industry (including insurers, the three self-regulatory organisations and insurance intermediaries) to work out the detailed transitional arrangements.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)004**

**(Question Serial No. 1555)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 2):

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), the Matters Requiring Special Attention in 2014-15 include the preparation of legislation for the establishment of a Policyholders' Protection Fund (PPF). According to the Government's proposals, the PPF will adopt a progressive funding model and impose a "stepped-up" levy rate as necessary. In this connection, will the Government consider the suggestions of the insurance industry to introduce a cap on the levy rate, with general insurance capped at 1% and life insurance capped at 0.175%? If the suggestions of the industry are not adopted, what are the reasons?

Asked by: Hon. CHAN Kin-por

Reply:

One of the objectives of the industry's suggestion to introduce a cap on the levy rate is to facilitate insurance companies to calculate their contingent liability. We will consider the industry's suggestion carefully, and make reference to experiences of similar schemes in other jurisdictions.

Nevertheless, the levy rate of the proposed Policyholders' Protection Fund ("PPF") would be prescribed in statute. When deciding whether the levy rate should be amended, we will consider the financial situation of the PPF, market performance at the time, and the likely impact on the industry and premium levels. Any change in the levy rate will require prior consultation with the industry and have to go through the relevant due process governing law making.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)005**

**(Question Serial No. 1556)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 3):

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), the Matters Requiring Special Attention in 2014-15 include the preparation of legislation for the establishment of a Policyholders' Protection Fund (PPF). According to the Government's proposals, the PPF will provide for continuity of coverage for the policies issued by insolvent insurers. The insurance industry is concerned that considerable inherent risks may be involved if the PPF has to take legal liability for the policies concerned for a long period of time because insolvent insurers generally have problems such as underwriting practice. Will the Government consider the industry's suggestions that the PPF should only provide coverage for the policies of insolvent insurers for a short period of time such as one month as a transitional arrangement so that the policyholders can purchase alternative coverage?

Asked by: Hon. CHAN Kin-por

Reply:

The objective of setting up a Policyholders' Protection Fund ("PPF") is to provide reasonable protection to policyholders in the event of an insurer insolvency. For life policies, we suggest that the PPF should provide a payment to facilitate the transfer of policies to another insurer. For non-life policies, we suggest that the PPF should provide continuity of coverage until expiry of the policies.

We have received many useful suggestions from the industry during the consultation. In this connection, we are studying the time required for policyholders to procure alternative coverage and relevant experiences of similar schemes in other jurisdictions. We consider that if the PPF is only to provide continuity of coverage to the affected non-life policies within a limited period, policyholders should be refunded with the unexpired portion of premiums so that their rights will be protected.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)006**

**(Question Serial No. 1557)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King Chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 413

Question (Member Question No. 4):

Under Subhead 000 Operational expenses of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned that there will be an anticipated increase in expenditure for employing non-civil service contract staff in the Office of the Commissioner of Insurance (OCI). Will the Administration inform this Committee of the reasons why the OCI has to employ additional contract staff and how many will be employed? Please provide details of the expenditure involved. What duties will the contract staff be responsible for? Is it related to the establishment of the Insurance Authority? If yes, will the contract staff migrate to the Insurance Authority in future?

Asked by: Hon. CHAN Kin-por

Reply:

The duties of non-civil service contract ("NCSC") staff in the Office of the Commissioner of Insurance ("OCI") include: prudential supervision of insurers, enforcement of the Anti-Money Laundering/Counter-Terrorist Financing regulatory regime in relation to insurance institutions, conduct regulation of Mandatory Provident Fund intermediaries from the insurance sector, and participation in the working groups of the International Association of Insurance Supervisors to develop global capital standard and related requirements for insurance groups, etc. The OCI has not recruited any NCSC staff solely for the establishment of the independent Insurance Authority ("IIA").

Comparing with 2013-14, there is an anticipated increase of \$6.905 million in the expenditure for employing NCSC staff in the OCI in 2014-15. The increased expenditure includes the anticipated adjustments in the salary, Mandatory Provident Fund contributions and contract gratuities for the 80 full-time / part-time NCSC staff of the OCI.

In addition, there were short-term vacancies for the NCSC positions during the year of 2013-14, which resulted in a lower than expected expenditure for NCSC staff in that year.

Similar to other statutory independent financial market regulators, we expect that IIA would recruit its staff through open recruitment according to due process. Staff currently working in the OCI may apply for the new posts in the IIA.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)007**

**(Question Serial No. 1558)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 5):

As mentioned in the programme of the Financial Services and the Treasury Bureau (Financial Services Branch), one of the matters requiring special attention in 2014-15 is to consult the public on the proposal of including in each MPF scheme a core fund as the default fund. Can this Committee be informed of the timing of the consultation and whether the industry will be consulted? According to the programme, the core fund will be subject to fee control and based on a long-term investment strategy. Has the Government mapped out the direction for the operation of the fund? What principles will be adopted in setting fee ceilings? Will the fund be managed by the Government or by the industry?

Asked by: Hon. CHAN Kin-por

Reply:

The Mandatory Provident Fund Schemes Authority ("MPFA") is following up on the proposal of including in each Mandatory Provident Fund scheme a core fund as the default fund. In the last few months, MPFA has engaged relevant sectors to help draw up the proposal. The current thinking is that the proposed fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. The proposed fund will be subject to fee control. We expect the relevant public consultation will commence later this year.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)008**

**(Question Serial No. 1559)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 6):

As mentioned in the programme of the Financial Services and the Treasury Bureau (Financial Services Branch), one of the matters requiring special attention in 2014-15 is to consult the public on the proposal of including in each Mandatory Provident Fund (MPF) scheme a core fund as the default fund. However, the industry has all along opined that attempts should first be made at automating and streamlining the administration processes to drive fees down by reducing the MPF's administration cost. Only when such attempts are to no avail should we consider other options such as fee control measures. Can this Committee be informed of the number of measures to automate and streamline administration processes implemented in the past year and whether their effectiveness has been assessed?

Taking into account the lower administration cost of index funds, will the Government consider stepping up promotion of these funds? Has the Government compared the index funds with the core fund?

Another way to help reduce the administration cost is to facilitate the public to consolidate their preserved accounts. What has the Government done in this respect in the past year and what is the outcome? How many preserved accounts are still there in Hong Kong?

Asked by: Hon. CHAN Kin-por

Reply:

Regarding the automation and the streamlining of MPF scheme administration processes, the Mandatory Provident Fund Schemes Authority ("MPFA") expects to launch the MPF Payment Settlement System in mid-2014 which enables trustees to transfer scheme members' accrued benefits between each other electronically and to further reduce the accrued benefits transfer time. In addition, we plan to introduce an Amendment Bill into the Legislative Council by July this year. The Amendment Bill will propose, among other things, simplifying certain statutory procedures and requirements with which trustees have to comply, with a view to further increasing their scope of fee reduction.

Since 2011, MPFA has been promoting index funds in the constituent fund approval process. For every application for approval of launching a new constituent fund, the applicant is required to provide reasons as to why the index fund option is not used for obtaining the proposed investment exposure. There are now a total of 126 index funds for investment by constituent funds. MPFA will continue to promote index funds.

The current thinking is that the proposed core fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. The proposed fund will be subject to fee control. We will study the role of index funds in the design of the core fund arrangement.

As regards the consolidation of personal accounts, MPFA sent over 180 000 letters, from September to December 2013, to scheme members holding multiple personal accounts to urge them to consolidate the accounts. Meanwhile, a series of large-scale publicity and outreach programmes were launched to raise scheme members' awareness of the benefits of account consolidation and enhance their understanding of related procedures, and to help them with their account consolidation. MPFA has also simplified the application form for account consolidation. As at 31 January 2014, the trustees have received 24 700 applications for consolidation of personal accounts. The number of personal accounts is affected by various factors, such as scheme members changing jobs. As at 31 January 2014, there were about 4.66 million MPF personal accounts.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)009**

**(Question Serial No. 1560)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 7):

As mentioned in the programme of the Financial Services and the Treasury Bureau (Financial Services Branch), one of the matters requiring special attention in 2014-15 is to introduce legislative amendments to simplify operational requirements for trustees of MPF schemes; and allow early withdrawal of MPF benefits on the ground of terminal illness as well as phased withdrawal of MPF benefits. Will the Government inform this Committee of the criteria it will adopt to define terminal illness and the considerations involved based on studies carried out by the Government?

Asked by: Hon. CHAN Kin-por

Reply:

Having regard to the feedback received during the consultation conducted earlier by the Mandatory Provident Fund Schemes Authority on withdrawal of Mandatory Provident Fund ("MPF") accrued benefits, the current thinking is that if a scheme member suffers from a life endangering illness that reduces his remaining life expectancy to 12 months or less, as certified by either a registered medical practitioner or a registered Chinese medicine practitioner according to the requirements, he would be eligible to make early withdrawal of MPF accrued benefits before the age of 65. The aforementioned conditions will be stipulated in the relevant legislative amendments.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)010**

**(Question Serial No. 1561)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 8):

Under the programme of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in *Matters Requiring Special Attention in 2014-15* that the Bureau will engage the industry and formulate proposals to promote the further development of our financial services industry through the Financial Services Development Council (FSDC) and other platforms. As the insurance industry is a component of the financial services industry in Hong Kong, what plans does the Government have to promote the further development of the insurance industry?

Meanwhile, the FSDC has stated that it will study the promotion of the development of reinsurance business in Hong Kong. What is the progress so far? On the other hand, the Administration is promoting the development of the offshore insurance business of captive insurance companies. However, the industry considers that concessions granted by the Government are few as compared to other jurisdictions, and hence less attractive. The industry hopes that the Government will increase the concessions after assessing the effectiveness of the plan. Will the Government consider the views of the industry?

Asked by: Hon. CHAN Kin-por

Reply:

We plan to introduce the enabling Bill for the establishment of an independent Insurance Authority (“IIA”) into the Legislative Council in the second quarter of 2014, with a view to establishing the IIA in 2015. The policy objectives of setting up the IIA are to modernise the regulatory infrastructure of the insurance industry to facilitate its stable development, provide better protection for policyholders, and align with international practice that financial regulators should be financially and operationally independent of the Government. In performing its regulatory functions, the IIA should give due regard to market innovation and the competitiveness of the insurance industry of Hong Kong. Therefore, one of IIA’s statutory functions would be to “promote the competitiveness of the insurance industry in the global insurance market”.

In the 2013-14 Budget, the Financial Secretary proposed to reduce by half the profits tax on insurance business of offshore risks of captive insurers. The relevant legislative amendments will soon be enacted. We will continue our promotional efforts and leverage our economic and trade networks to attract more enterprises to form captive insurers in Hong Kong. We will also continue to keep under review the need for further measures to promote captive insurance business in Hong Kong in the light of market developments.

In the 2014-15 Budget, the Financial Secretary highlighted the importance of developing professionals and skilled personnel in various areas of the financial services industry. In this connection, the Financial Services and the Treasury Bureau will consult the insurance industry on suggestions for talent training.

We understand from the Financial Services Development Council that development of reinsurance business in Hong Kong is one of its research subjects for 2014, and it has initiated discussions and relevant research activities together with industry stakeholders.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)011**

**(Question Serial No. 2814)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 41 Page 12

Question (Member Question No. 1):

As mentioned in the Budget Speech, the Government has been enhancing the financial infrastructure of Hong Kong, namely the interbank Real Time Gross Settlement (RTGS) systems, debt securities settlement and custodian systems, and system links for cross-border transactions. These provide multi-currency and multi-channel platforms to handle local real-time transactions in Hong Kong dollar and major foreign currencies, covering global banking, equity and debt markets. Will the Government provide more details, including how these systems operate and how they are related to the Hong Kong Exchanges and Clearing Limited? How does the Government assess the effectiveness of this measure in facilitating the promotion of Hong Kong as an international financial centre and attracting more overseas investors to invest here and deal in shares and bonds?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

Hong Kong has developed a sound financial infrastructure to expedite economic transactions and financial intermediation in the region based on a multi-currency, multi-dimensional platform, which covers diverse financial intermediation channels including banking, equities and debts, and helps strengthen Hong Kong's position as an international financial centre.

The Hong Kong Exchanges and Clearing Limited ("HKEx") currently has four clearing houses in operation, viz. Hong Kong Securities Clearing Company Limited ("HKSCC"), HKFE Clearing Corporation Limited ("HKCC"), SEHK Options Clearing House Limited ("SEOCH"), and OTC Clearing Hong Kong Limited ("OTC Clear"), providing integrated clearing, settlement, depository and nominee services for its participants or members. OTC Clear was launched in November 2013 to offer clearing services for over-the-counter derivative transactions. It currently provides clearing services for inter-dealer interest rate swaps and non-deliverable forwards. The launch of OTC Clear is part of HKEx's strategy to develop their fixed income and currency business, leveraging the internationalisation of Renminbi and Hong Kong's position as the premier offshore Renminbi centre. To improve transparency and reduce counterparty risks in the over-the-counter derivative markets, the Hong Kong Monetary Authority ("HKMA") has established a trade repository and developed a link with OTC Clear to allow eligible transactions to be passed to OTC Clear for central clearing.

Separately, the interbank Real Time Gross Settlement systems ("RTGS systems") allow interbank transfers in Hong Kong dollar, US dollar, Euro and Renminbi. In addition to settling large-value payments between banks, the Hong Kong dollar, US dollar and Renminbi RTGS systems also handle bulk clearing and settlement of cheques, stock market-related payments and other small-value bulk electronic payments such as auto-credit and auto-debit transactions. Money settlement in multi-currencies, including Hong Kong dollar, Renminbi, US dollar and Euro, of the HKEx's clearing houses is settled through settlement banks and designated banks of clearing participants using the RTGS systems.

The Central Moneymarkets Unit (“CMU”) of the HKMA provides an efficient clearing, settlement and custodian service for debt securities denominated in Hong Kong dollar and other major currencies. The CMU interfaces seamlessly with the Hong Kong dollar, US dollar, Renminbi and Euro RTGS systems in Hong Kong to enable simultaneous settlement of securities and funds involved. The three aforementioned clearing houses of the HKEx, namely HKSCC, HKCC, SEOCH, are members of HKMA’s CMU, holding debt instruments that issuers have lodged with the CMU. For the securities market, HKSCC holds debt securities in the CMU. For the futures market, HKCC also utilises services provided by the CMU to facilitate physical settlement of Exchange Fund Note Futures. Besides, there are links between the Central Clearing and Settlement System (“CCASS”) operated by HKSCC and the RTGS systems as well as CMU respectively. The link between the CCASS and RTGS systems enables securities listed on the Hong Kong Stock Exchange to be settled by delivery-versus-payment to reduce settlement risks; whereas the link between the CCASS and CMU enables CMU members and CCASS members to hold equity securities and debt securities which are lodged with CCASS and the CMU in their respective accounts.

In addition, the HKMA is taking a proactive approach in strengthening Hong Kong’s Renminbi related financial infrastructure to take advantage of the expanding offshore Renminbi business opportunities. The initiatives implemented by the HKMA include the extension of the operating hours of the Renminbi RTGS system; the development of a system link between Hong Kong’s Renminbi RTGS system with the Shenzhen Financial Settlement System; and the launch of cross-border collateral management service which offers an efficient channel for financial institutions to obtain offshore Renminbi liquidity from Hong Kong, etc. These arrangements facilitate financial institutions to use the Hong Kong platform for Renminbi financing activities (e.g. issuance of Renminbi-denominated bonds) and develop a wide range of Renminbi businesses.

Moreover, we are finalising the draft law to enable the implementation of an uncertificated securities market with enhanced efficiency and investor protection. The broad regulatory framework for an uncertificated securities market will be set out in primary legislation. We briefed the Legislative Council Panel on Financial Affairs on the legislative proposal on 6 January 2014 and plan to introduce a Bill into the Legislative Council in the second quarter of 2014.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)012**

**(Question Serial No. 2815)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 75 Page 23

Question (Member Question No. 2):

As mentioned in the Budget Speech, “the RMB Qualified Foreign Institutional Investors (RQFII) Scheme was further expanded last year, bringing the total investment quota to RMB 270 billion, exceeding the aggregate quota of all other offshore RMB centres.” Does the Government have any plan in the coming year to strive for expanding business in this respect? Will it consider to introduce any changes to the issue or pattern of sale with a view to extending the scope of participation and increasing the number of participating organisations?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

The Renminbi Qualified Foreign Institutional Investors (“RQFII”) Scheme was expanded further in March 2013, bringing the total investment quota to RMB 270 billion, and allowing financial institutions which are registered and have major operations in Hong Kong to apply for RQFII status as well as relaxing the investment restriction of RQFII funds so that institutions can design the proportion to invest in equity and debt markets in accordance with market conditions. This has facilitated the development of more diversified RMB investment products.

According to the statistics published by the State Administration of Foreign Exchange (“SAFE”), as at end February 2014, 59 Hong Kong financial institutions were granted RQFII quota, with a total approved investment quota of RMB180.4 billion, accounting for 67% of the total investment quota of RMB270 billion.

In the financial year 2014-15, we will continue to maintain close liaison with relevant Mainland authorities to expand the RQFII Scheme in order to enrich our RMB platform with more diversified and innovative investment products. As regards the issuance or sale of products, it will be a matter for market participants to decide in accordance with relevant regulations and prevailing market circumstances.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)013**

**(Question Serial No. 2817)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 109 Page 36

Question (Member Question No.5):

As mentioned in paragraph 109 of the Budget Speech, the Government will conduct an in-depth study on issues concerning professionals and skilled personnel in various areas of the financial services industry. Will the Government advise on the objectives and scope of the study? Will the study explore at the same time the greater development opportunities for local professionals in various areas of the financial services industry?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

To have a better understanding of the aspirations of the financial services sector, we have been engaging the industry through various channels to gauge their views on talent training and development. In this connection, the Securities and Futures Commission has set aside \$20 million in their 2014-15 budget for talent training for intermediaries in the securities sector. Concurrently, there are more common views expressed by the industry that there is a need to enhance talent training for the insurance and asset/wealth management sectors to complement industry development. In response to these views, we intend to first carry out studies in these two areas. We shall collect views from the relevant industries and formulate initial proposals, and then consult them thereon before finalising the proposals. Our aim is to submit our recommendations to the Financial Secretary within a year.

The focus of the studies is on local talent training to meet the development need of our financial market. We believe that the study outcome could pave the way for further enhancing talent training and development of different sectors of the financial services industry, which would in turn be conducive to providing more opportunities for development of local professionals.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)014**

**(Question Serial No. 2820)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 9):

Regarding the *Subhead* of *General non-recurrent*, while the original estimated expenditure for hosting the Asia-Pacific Economic Cooperation Finance Ministers' Meeting is excluded, the expenditures on Educational campaign on insurance policy replacement and Financial Dispute Resolution Centre are both decreasing. What are the reasons?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

Since 2002, the Office of the Commissioner of Insurance (“OCI”) has been publishing a pamphlet entitled “Life Insurance Policy Replacement – What you need to know” highlighting the areas to which policyholders should pay attention when considering life policy replacement. The industry is required to provide a copy of the pamphlet to all customers who are considering to replace their life policies. In general, the industry nowadays will download the e-version of the pamphlet from OCI’s website for distribution to customers. With the e-version becoming increasingly popular, the demand for the printed version has decreased, and a lower budget for printing is set accordingly.

Under Head 148 of the 2014-15 Estimates, the “accumulated expenditure to 31.3.2013” and “revised estimated expenditure for 2013-14” for the item “Financial Dispute Resolution Centre” (“FDRC”) reflect the Administration’s funding arrangement, as approved by the Legislative Council Finance Committee in June 2011, to support the establishment of FDRC and its operating costs.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)015**

**(Question Serial No. 2831)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 20):

The estimated expenditure of the Financial Services Branch (FSB) for the next year will be 30% higher than the revised estimate for this year. The Administration has explained that the increase is due to the original arrangement of hosting the Asia-Pacific Economic Cooperation Finance Ministers' Meeting (APEC FMM) in Hong Kong in September. As Hong Kong is no longer hosting the APEC FMM, how will the estimated expenditure of the FSB for the next year be adjusted? Of the FSB's expenditure, how much funds will be used for supporting the work of the Financial Services Development Council (FSDC)? What is the work plan of the FSDC for the next year?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

The increase in 2014-15 includes a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, which is for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting originally scheduled to be held in Hong Kong this September. Such provision will be reserved in the Center according to the established procedures. No expenditure shall be incurred against the provision reserved.

The expenditure for the Financial Services Development Council ("FSDC") will be met from within the existing resources of the Financial Services Branch. We will provide \$6.5 million to support FSDC's work in 2014-15. We understand from the FSDC that it will continue to conduct study on the sustainable development of the local financial services industry (including opportunities associated with the "going-out" of Mainland enterprises, offshore Renminbi business and reinsurance business, etc.), promote Hong Kong's financial services industry (for example, through participation in overseas roadshows conducted by organisations such as the Hong Kong Trade Development Council), and consider ways to boost human capital development. It will also consult the industry on the development of the financial services industry and make recommendations to the Government.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)016**

**(Question Serial No. 0850)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 18):

1. The central authority announced earlier that to facilitate meeting arrangements and the logistics, the Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Meeting, which was originally scheduled to be held in Hong Kong in September this year, would be shifted to Beijing. Has the Hong Kong Government assessed if the decision of the central authority has any negative impact on the economy and reputation of Hong Kong in the world?

2. Will the Administration consider if remedial measures should be adopted to reinforce Hong Kong as an international financial centre to reduce the impact of the ad-hoc issue regarding the change of meeting place?

3. Has the Hong Kong Government planned to seek to host other international financial and monetary meetings in Hong Kong in the future?

Asked by: Hon. CHUNG Shu-kun, Christopher

Reply:

1. The Government of the Hong Kong Special Administrative Region received on 25 February the Central People's Government ("CPG") decision on the APEC Finance Ministers' Meeting ("FMM"). Hong Kong has a good track record of organising international conferences and events, such as the World Bank/International Monetary Fund Annual Meetings in September 1997, the sixth ministerial conference of the World Trade Organization in December 2005, the ITU TELECOM WORLD in December 2006, and the co-hosting of Olympic Equestrian Events in August 2008. The CPG decision would not affect Hong Kong's status as an international financial centre or a capital for meetings, incentive travels, conventions and exhibitions ("MICE") tourism.

2. To enhance the status of Hong Kong as a major international financial centre, we have been striving to promote the sustainable development of Hong Kong's financial services sector, enhance market infrastructure and quality, and consolidate Hong Kong's position as an offshore renminbi business centre, international asset management hub as well as a leading global capital formation platform. These help strengthen Hong Kong's economic competitiveness and provide a wide spectrum of employment opportunities to the labour market. We will further fortify financial cooperation with the Mainland, striving for greater market access for local financial services, while contributing to the reform and opening of the Mainland financial market in a mutually beneficial manner. We will also continue to collaborate with the industry in unleashing Hong Kong's strength in financial and professional services and encouraging development of new businesses to nurture a more diversified financial market in Hong Kong. To maintain financial stability and enhance the local regulatory regime, we will, together with regulators, closely follow the latest development of international financial reforms as well as assess local development needs, and keep our regulatory framework up-to-

date in a timely manner. We shall continue to join hands with the industry and the relevant regulators and development bodies to organise promotional events and roadshows overseas with the support of our Economic and Trade Offices. These efforts aim to introduce the latest development of the Hong Kong financial sector to overseas markets, particularly the opportunities we offer as an offshore renminbi centre. Every year, we co-organise the Asian Financial Forum with the Hong Kong Trade Development Council. The Forum, which is the seventh this year attracting 2 400 participants from all over the world, is highly regarded by the Asian financial sector. As for the Financial Services Development Council established in early 2013, its terms of reference include, inter alia, promotion of Hong Kong's financial services industry in the Mainland and overseas and of Hong Kong as an international financial centre through seminars, road shows, publications, and active participation in international events.

3. As stated above, Hong Kong has a wealth of experience in organising international conferences and events. We will continue to seek the hosting of international events in Hong Kong to promote MICE tourism.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)017**

**(Question Serial No. 2576)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 415

Question (Member Question No. 30):

Regarding the records management work of the Bureau and its departments over the past 3 years:

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 meters 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 meters 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 meters 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, FSB and departments under our purview have designated Departmental Records Managers and Assistant Departmental Records Managers to coordinate records management matters.

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	1975 – 2013	369 files (about 18 lm)	1 – 5 years or retain until superseded/ obsolete	44 files are confidential
Programme Records	1946 – 2013	71 340 files (about 923 lm)	2 – 20 years*	984 files are confidential

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

3.

Category of records	Years covered by the records	Number and linear meters of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Administrative Records	1982 – 1994	2 files (about 0.1 lm)	2013	Permanent retention	No
Administrative Records	1984 – 2000	15 files (about 1 lm)	2012 – 2013	Retain until superseded or obsolete, then refer to Public Records Office for appraisal	No
Programme Records	1988 – 1995	62 files (about 7 lm)	2012	Permanent retention	No

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	1968 – 2011	8 238 files and 38 500 accounting records (about 410 lm)	Not applicable	Less than 12 months – 7 years	No
Programme Records	1963 – 2003	14 271 files (about 455 lm)	Not applicable	2 – 7 years	No

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)018**

**(Question Serial No. 2402)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 80 Page25

Question (Member Question No. 30):

The introduction of an open-ended fund company structure can provide more flexibility for funds and attract more fund companies that intend to focus on businesses in the Asia region to establish in Hong Kong, bringing Hong Kong in line with the European countries. In addition to this model, has the Administration considered expediting mutual recognition of fund companies incorporated overseas to facilitate their business operation in Hong Kong?

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

Reply:

We welcome overseas investment funds that meet the applicable product and disclosure requirements to seek Securities and Futures Commission ("SFC")'s authorisation for public offering. Currently, over 75% of the authorised public investment funds distributed in Hong Kong are from overseas jurisdictions. To promote the development of Hong Kong's fund industry, the SFC has been in close liaison with overseas regulators, so as to reinforce cooperation between the regulators and enhance supervision of funds. The SFC currently has separate bilateral arrangements on mutual recognition of different types of funds with Australia, Malaysia and Taiwan. Moreover, the SFC and relevant Mainland authorities have reached general consensus on the mutual recognition of funds, pending formal approval from the State Council. Upon implementation, this arrangement will further promote the diversity of fund products in the Mainland and Hong Kong. On the premise that investors could be protected and mutual benefits served for both markets, the SFC is open to arrangements of mutual recognition of funds at different levels with other jurisdictions.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)019**

**(Question Serial No. 2403)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 81 Page 25

Question (Member Question No. 31):

Please specify the actual benefits to the Hong Kong financial market such as employment and actual income growth anticipated to be brought by a full waiver of ETF stamp duty in the promotion of the development of the local ETF market.

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

Reply:

The exchange traded funds (“ETFs”) sector is a key component of the asset management industry worldwide, and has been growing strongly. Since the Administration extended the stamp duty concession in 2010 to cover ETFs that track indices comprising not more than 40% of Hong Kong stocks, the number of ETFs listed in Hong Kong has increased substantially from 69 at end-2010 to 116 by the end of 2013, and the daily average turnover has increased from \$2.4 billion to \$3.7 billion. The proposed extension of the stamp duty waiver to all ETFs can reduce the trading cost of ETFs with a higher percentage of Hong Kong stocks. It is expected that this will help promote the development, management and trading of ETFs in Hong Kong, enhance the overall competitiveness of the Hong Kong ETF market and strengthen Hong Kong’s position as an asset management centre and regional hub for ETFs. Specifically, this would attract ETF issuers to launch ETF products in Hong Kong, especially those that track Asian markets. In addition, this would allow the asset management industry to grow in a more diversified manner, and would increase businesses for ETF issuers, intermediaries (brokers, market makers, banks), and their service providers such as lawyers and accountants, which would in turn lead to more employment opportunities and the development of knowhow in Hong Kong. Investors, including retail and institutional investors, will also benefit from not having to pay the stamp duty, the improved liquidity and a greater range of ETFs on offer.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)020**

**(Question Serial No. 2404)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 83 Page 26

Question (Member Question No. 32):

Please give an account of the other types of Government bonds that can be considered to be issued apart from the inflation-linked retail bonds ("iBond") and the priority of issuance.

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

Reply:

We endeavour to promote the diversified development of bond market in Hong Kong. When considering the types of bonds to be issued under the Government Bond Programme ("GBP") and their priority, we shall take into account relevant factors including the prevailing market conditions such as interest rates, inflation rate and the potential impact on other prospective bond issuers in Hong Kong, as well as the sustainability of the Bond Fund. To this end, the Loans (Amendment) Ordinance 2014 enacted by the Legislative Council on 26 March 2014 enables the issuance of sukuk (i.e. Islamic bonds) under the GBP, so as to broaden the product types and investors' base and promote the further development of the local bond market. We will consider issuing sukuk under the GBP having regard to the prevailing market conditions and needs.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)021**

**(Question Serial No. 2412)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 42):

Regarding the 30.9% increase in the estimate of the Financial Services and the Treasury Bureau (Financial Services Branch), please give a detailed distribution of the increased resources.

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

Reply:

The increase in 2014-15 includes a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, which is for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting originally scheduled to be held in Hong Kong this September.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)022****(Question Serial No. 0204)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 6):

It is mentioned in the programme that the Financial Services Branch will legislate for the establishment of an independent Insurance Authority ("IIA"). In this connection, please advise this Committee of:

1. the respective numbers of existing registered insurance agents and insurance brokers;
2. the annual amounts of operating expenses for the Office of the Commissioner of Insurance ("OCI") for the past 3 years with a breakdown of all expense items and particulars;
3. the numbers and proportions of civil servants, non-civil service contract staff, agency workers and outsourced workers in the OCI for the past 3 years and the arrangements for their transition to the IIA; and
4. the timetable for the establishment of the IIA as well as the estimated manpower and expenditure required for the transfer of functions from the OCI to the IIA.

Asked by: Hon. KWOK Wai-keung

Reply:

1. According to the information provided by the three self-regulatory organisations<sup>1</sup>, as at 31 January 2014, the total number of insurance agents was 70 643, comprising 2 437 insurance agencies, 40 740 individuals and 27 466 responsible officers or technical representatives of insurance agencies. The total number of insurance brokers was 9 905, comprising 633 broker firms and 9 272 chief executives or technical representatives of the broker firms.
2. The annual operating expenses for the OCI in the past 3 years are –

Financial Year	Salaries/Allowances/ Provident Funds (\$'000)	Other Operating Expenses (\$'000)	Total Operating Expenses (\$'000)
2013-14 (as at 3/3/2014)	80,131	9,307	89,438
2012-13	81,337	9,113	90,450
2011-12	71,829	8,715	80,544

<sup>1</sup> The three self-regulatory organisations are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers, and the Professional Insurance Brokers Association.

3. The numbers and proportions of civil servants and full-time non-civil service contract (NCSC) staff in the OCI in the past 3 years are –

	as at 3/3/2014	as at 31/3/2013	as at 31/3/2012
Civil Servant	71 (48%)	71 (53%)	73 (56%)
Full-time NCSC Staff	77 (52%)	62 (47%)	58 (44%)
Total	148	133	131

There were no agency workers nor outsourced workers in OCI in the past 3 years.

Similar to other statutory independent financial market regulators, we expect that IIA would recruit its staff through open recruitment according to due process. Staff currently working at the OCI may apply for the new posts in the IIA.

4. The Administration will introduce the enabling Bill into the Legislative Council in the second quarter of 2014, with a view to establishing the IIA in 2015. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary, two Assistant Secretaries and one Senior Executive Officer participate in the legislative exercise and handle the transitional arrangements. The expenses involved will be absorbed from within our existing resources.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)023**

**(Question Serial No. 1930)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 43):

As the Asia-Pacific Economic Cooperation Finance Ministers' Meeting (APEC FMM) will be held in Beijing instead of Hong Kong, has the Administration approached the Central Government for an understanding of the situation and to evaluate the impact on Hong Kong? If so, what are the details? If not, what are the reasons? How will the Administration handle the original estimated expenditure and staffing arrangement? Will the Administration continue to pursue hosting the APEC FMM with the Central Government in future?

Asked by: Hon. LAM Tai-fai

Reply:

The Government of the Hong Kong Special Administrative Region received on 25 February the Central People's Government ("CPG") decision on the APEC Finance Ministers' Meeting ("FMM"). Hong Kong has a good track record of organising international conferences and events, such as the World Bank/International Monetary Fund Annual Meetings in September 1997, the sixth ministerial conference of the World Trade Organization in December 2005, the ITU TELECOM WORLD in December 2006, and the co-hosting of Olympic Equestrian Events in August 2008. The CPG decision would not affect Hong Kong's status as an international financial centre or a capital for meetings, incentive travels, conventions and exhibitions ("MICE") tourism.

The provision related to the FMM in the 2014-15 Estimates, including a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, will be reserved in the Center according to the established procedures. No expenditure shall be incurred against the provision reserved. On manpower arrangements, the two supernumerary directorate posts created have lapsed. For the small number of staff who were internally redeployed to assist in the preparatory work, they have been reassigned within the Government. No civil service posts will be created in 2014-15 for the FMM.

As stated above, Hong Kong has a wealth of experience in organising international conferences and events. We will continue to seek the hosting of international events in Hong Kong to promote MICE tourism.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)024**

**(Question Serial No. 3047)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 46):

1. Please tabulate the companies listed through initial public offerings in Hong Kong over the past three years by region, business type, the amount of funds raised and the percentage of total amount of funds raised such funds account for.
2. Regarding the facilitation of market innovation to deepen and broaden the market, has the Bureau conducted any detailed research on this policy besides the study on the Financial Services Development Council? If so, what are the relevant resources and manpower?

Asked by: Hon. LEE Wai-king, Starry

Reply:

It is an ongoing task of the Financial Services Branch to formulate policies and measures to facilitate the development of our financial market. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown. Please refer to Annex for information concerning initial public offerings.

**Information on listed companies which raised funds through initial public offering (IPO)  
on the Hong Kong Exchanges and Clearing Limited from 2011-12 to 2013-14**

Breakdown by Country / Region	04/2011 – 03/2012		04/2012 – 03/2013		04/2013 – 02/2014	
	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	4,487.24	1.78%	-	-	-	-
Hong Kong	30,542.54	12.13%	1,524.43	1.72%	33,381.36	17.58%
Indonesia	545.92	0.22%	-	-	-	-
Italy	19,227.22	7.63%	-	-	-	-
Japan	1,604.60	0.64%	1,568.00	1.77%	516.06	0.27%
Luxembourg	10,090.55	4.01%	-	-	-	-
Macau	1,145.38	0.45%	-	-	2,196.84	1.16%
Malaysia	-	-	-	-	487.50	0.26%
Mainland China	82,845.63	32.90%	85,104.84	96.26%	150,882.15	79.48%
Singapore	1,559.16	0.62%	216.13	0.24%	80.00	0.04%
Switzerland	77,745.76	30.87%	-	-	-	-
Taiwan / France <sup>(1)</sup>	9,471.06	3.76%	-	-	-	-
US	12,568.66	4.99%	-	-	2,289.85	1.21%
<b>Total<sup>(2)</sup></b>	<b>251,833.72</b>	<b>100.00%</b>	<b>88,413.40</b>	<b>100.00%</b>	<b>189,833.76</b>	<b>100.00</b>

(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

**Information on listed companies which raised funds through initial public offering (IPO)  
on the Hong Kong Exchanges and Clearing Limited from 2011-12 to 2013-14**

Breakdown by Industry	04/2011 – 03/2012		04/2012 – 03/2013		04/2013 – 02/2014	
	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
Consumer Goods	81,471.01	32.35%	8,889.33	10.05%	35,477.18	18.69%
Consumer Services	23,936.57	9.50%	3,499.90	3.96%	10,061.85	5.30%
Energy	7,267.09	2.89%	9,806.45	11.09%	13,944.00	7.35%
Financials	26,488.14	10.52%	42,323.63	47.87%	71,846.54	37.85%
Industrials	542.40	0.22%	3,159.79	3.57%	11,918.98	6.28%
Information Technology	1,017.16	0.40%	241.80	0.27%	6,570.28	3.46%
Materials	84,053.76	33.38%	8,529.82	9.65%	3,614.13	1.90%
Properties & Construction	6,404.52	2.54%	9,210.36	10.42%	11,738.32	6.18%
Telecommunications	9,301.69	3.69%	-	-	-	-
Utilities	11,351.36	4.51%	2,752.32	3.11%	24,662.49	12.99%
<b>Total<sup>(3)</sup></b>	251,833.70	100.00%	88,413.40	100.00%	189,833.77	100.00%

(3) Figures may not add up to the total due to rounding.

Source: The Hong Kong Exchanges and Clearing Limited

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)025**

**(Question Serial No. 0371)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 14):

With respect to the provision of \$312.9 million for 2014-15 under the programme of "Financial Services", how will the Administration carry out the following work?

- (1) the promotion of the new Companies Ordinance (Cap. 622); and
- (2) the public consultation on the proposal of including in each MPF scheme a core fund as the default fund.

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

- (1) The new Companies Ordinance (Cap.622) ("new CO") has come into operation since 3 March this year. To facilitate the operation of the new CO, we have launched various publicity efforts to enhance public awareness of its implementation. The Companies Registry is also conducting a series of promotional activities and the expenditure involved is absorbed by the Companies Registry Trading Fund. These activities include:
  - (a) organising and participating in briefing sessions for professional bodies, business organisations, tertiary institutions and the general public;
  - (b) providing information relating to the new CO through disseminating external circulars, guidelines, posters and pamphlets, as well as issuing letters to relevant professional bodies and more than one million companies on the Companies Register;
  - (c) setting up a thematic section on the website of the Companies Registry to make available briefing materials on each part and subsidiary legislation of the new CO, highlights on key changes, answers to frequently asked questions, procedures and points to note on document delivery and application, new forms, etc.;
  - (d) setting up an enquiry hotline in the Companies Registry to answer public enquiries during the initial implementation period of the new CO;
  - (e) publishing articles in a number of local newspapers, having interviews with the media and issuing press releases to introduce the main content of the new CO; and
  - (f) broadcasting Announcements of Public Interest on television and radio to remind the public of the commencement of the new CO.

- (2) The Mandatory Provident Fund Schemes Authority (“MPFA”) is following up on the proposal of including in each Mandatory Provident Fund scheme a core fund as the default fund. In the last few months, MPFA has engaged relevant sectors to help draw up the proposal. The current thinking is that the proposed fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. The proposed fund will be subject to fee control. We expect the relevant public consultation will commence later this year.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)026****(Question Serial No. 1012)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 413

Question (Member Question No. 11):

On Page 408, it is mentioned that there are 19 directorate posts in the Financial Services Branch this year. Regarding those who hold these 19 posts, please list, in table form:

1. their ranks,
2. their emoluments, including salaries, allowances, job-related allowances and personnel related expenses (if any), and
3. the percentage of the expenditure on the above emoluments for all these 19 posts to the total expenditure on relevant items in the Branch.

Asked by: Hon. LEUNG Kwok-hung

Reply:

(1) and (2): Excluding the two supernumerary directorate posts originally created for the Asia-Pacific Economic Cooperation Finance Ministers' Meeting, we have 17 directorate posts in 2014-15. The relevant information is as follows –

<b>Rank</b>	<b>Number</b>	<b>Emoluments(including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)</b>
Administrative Officer Staff Grade A1	1	2.78
Administrative Officer Staff Grade B1	1	2.23
Administrative Officer Staff Grade B	2	4.04
Administrative Officer Staff Grade C	8	14.41
Commissioner of Insurance	1	2.23
Assistant Commissioner of Insurance	4	6.96
<b>Total</b>	<b>17</b>	<b>32.65</b>

- (3) The total emoluments of the above 17 directorate posts account for approximately 23% of the Branch's total expenditure on the relevant items in 2014-15.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)027**

**(Question Serial No. 1013)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 413

Question (Member Question No. 12):

The provision for *Operational expenses* for this year is 8.3% higher than that for last year. As known, this is mainly due to the additional salary provision for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in Hong Kong. Now the meeting will no longer be held in Hong Kong. Please advise me of the reduction in expenses as a result as well as the percentage of additional provision such reduction accounts for.

Asked by: Hon. LEUNG Kwok-hung

Reply:

The estimated salary provision for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in 2014-15 was about \$10 million, which accounted for approximately 57% of the increase in provision. The provision earmarked will be reserved in the Centre according to the established procedures. No expenditure shall be incurred against the provision reserved.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)028****(Question Serial No. 1014)**

**Head:** (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

**Subhead (No. & title):** (000) Operational expenses

**Programme:** (1) Financial Services

**Controlling Officer:** Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

**Director of Bureau:** Secretary for Financial Services and the Treasury

**This question originates from:** Estimates on Expenditure Volume 1 Page 413

**Question (Member Question No. 10):**

The increase in the provision for *Operational expenses* for this year takes into account the expenditure for employing non-civil service contract staff in the Office of the Commissioner of Insurance ("OCI"). In this regard, please provide the following information in table format:

1. the establishment of the OCI, as well as the amounts of salaries and fringe benefits for all its staff (both civil servants and non-civil service contract staff) and the percentages of the total of the respective items under the Financial Services Branch such amounts account for; and
2. the number of directorate staff in the OCI and their ranks, as well as the amounts of their salaries and fringe benefits and the percentages of the total of the respective items under the OCI such amounts account for.

**Asked by:** Hon. LEUNG Kwok-hung

**Reply:**

1.

<b>Establishment of OCI</b>	<b>Provision for salaries (Civil servants and non-civil service contract (NCSC) staff) # (\$'000)</b>	<b>Percentage of the total provision of the respective items under FSB</b>
158 <sup>^</sup>	97,601	53.8%

2.

<b>No. of directorate staff in OCI</b>	<b>Ranks</b>	<b>Provision for salaries of directorate staff # (\$'000)</b>	<b>Percentage of the total provision of the respective items under OCI</b>
5	Administrative Officer Staff Grade B1 (1 officer) Assistant Commissioner of Insurance (4 officers)	9,186	9.4%

# The provision of fringe benefits for civil servants which is not an expenditure item under Head 148 is excluded. Fringe benefits for NCSC staff, i.e. the contribution to Mandatory Provident Fund and contract gratuity, are included.

^ Includes civil service posts and NCSC positions. The present strength (excluding part-time NCSC staff) is 148.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)029**

**(Question Serial No. 1323)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi )

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 82 Page 25

Question (Member Question No. 4.08):

The Government proposes to review the Inland Revenue Ordinance as soon as possible, with a view to attracting more multinational enterprises to make use of Hong Kong as a platform to carry out their global or regional treasury functions through interest deductions in taxation for these enterprises. Will the Government advise this Committee of when the review will commence? What is the anticipated time needed to complete the review?

Asked by: Hon. LEUNG, Kenneth

Reply:

The Financial Services and the Treasury Bureau has just set up a task force in collaboration with the Hong Kong Monetary Authority and the Inland Revenue Department to review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities of multinational enterprises, in order to draw more of these corporate treasury functions to Hong Kong. The task force will come up with concrete proposals for reporting to the Financial Secretary within one year.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)030****(Question Serial No. 1324)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 78 Page 24

Question (Member Question No. 4.09):

The Financial Services and the Treasury Bureau has promoted offshore Renminbi business in Hong Kong over the past five years. What are the staffing establishments involved? What are the estimated changes in the provision of staff in this area for the next three years?

<b>Financial year</b>	<b>Full-time staff establishment</b>	<b>No. of part-time staff</b>	<b>Total no. of staff</b>
2013-14			
2012-13			
2011-12			
2010-11			
2009-10			

Asked by: Hon. LEUNG, Kenneth

Reply:

Promotion of offshore Renminbi business in Hong Kong is pursued by the Government with the joint efforts of relevant financial regulators and the market. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The Principal Assistant Secretary is occupying a supernumerary post which lasts until 12 April 2016. We will review the situation nearer the time in light of the prevailing circumstances.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)031**

**(Question Serial No. 0602)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 410

Question (Member Question No. 29):

It is noted that the provision for 2014-15 is about 31% higher than the revised estimate for 2013-14, representing an upsurge compared with the 10% increase between 2012-13 to 2013-14. Please advise us on which item accounts for the largest part of the provision? Of the total amount of provision, what percentage does it account for? To what extent will the estimate be affected as the APEC Finance Ministers' Meeting scheduled to be held in Hong Kong has been called off?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

Salaries account for the largest part of our provision for 2014-15, which represent approximately 41% of the total provision. The provision related to the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in the 2014-15 Estimates, including a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, will be reserved in the Centre according to the established procedures. No expenditure shall be incurred against the provision reserved.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)032**

**(Question Serial No. 0603)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 30):

It is noted that the Bureau will have to handle more tasks in 2014-15, but it is estimated that only two non-directorate posts will be created while two directorate posts will be deleted. 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 2014-15. Relevant information of the two non-directorate posts to be created and two directorate posts to be deleted is as follows:

	<u>Rank</u>	<u>Number</u>	<u>Reasons for creation/deletion</u>	<u>Salaries involved (\$ million)</u>	<u>Provisions involved (\$ million)</u>
<u>Creation of two non-directorate posts</u>					
1.	Senior Administrative Officer	1	To be seconded to the Financial Action Task Force (FATF) Secretariat based in Paris to provide support for the deliberations and business of FATF, for demonstrating Hong Kong's concrete commitment to the work against money laundering.	1.15	1.15
2.	Personal Secretary I	1	To provide secretarial support for Principal Assistant Secretary (Financial Services) International and Mainland Affairs.	0.36	0.36

Deletion of two non-directorate posts

1.	Administrative Officer Staff Grade B	1	} These posts were created for the Asia-Pacific Economic Cooperation Finance Ministers' Meeting 2014. They were originally scheduled for deletion upon completion of the meeting in September 2014.	1.01	1.01
2.	Senior Principal Executive Officer	1		0.87	0.87



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)033**

**(Question Serial No. 0604)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 31):

Regarding financial dispute resolution centre, the revised estimated expenditure for 2013-14 is significantly reduced by 35% when compared with the accumulated expenditure to 31 March 2013. What are the reasons? What is the anticipated growth rate of the estimated expenditure for 2014-15 in respect of financial dispute resolution centre?

Asked by: Hon. LIAO Cheung-kong, Martin

Reply:

Under Head 148 of the 2014-15 Estimates, the “accumulated expenditure to 31.3.2013” and “revised estimated expenditure for 2013-14” for the item “Financial Dispute Resolution Centre” (“FDRC”) reflect the Administration’s funding arrangement, as approved by the Legislative Council Finance Committee in June 2011, to support the establishment of FDRC and its operating costs, rather than FDRC’s actual or estimated expenditure.

FDRC’s expenditure for the period from its incorporation on 18 November 2011 to the end of 2012 was about \$21 million. The financial statements setting out the expenditure for 2013 are being audited by an independent auditor, and are expected to be released later this year following approval at the Annual General Meeting.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)034**

**(Question Serial No. 1895)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 413

Question (Member Question No. 37):

As the Asia-Pacific Economic Cooperation Finance Ministers' Meeting originally scheduled to be held in Hong Kong in September is cancelled, how will the Administration handle the provision of 63.45 million approved by the Finance Committee earlier on?

Asked by: Hon. MO, Claudia

Reply:

The non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013 is for meeting the costs of organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in 2014-15. No expenditure has been incurred from this provision. The Administration will reserve this provision in the Centre according to the established procedures, and no expenditure shall be incurred against the provision reserved.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 0304)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 10):

The Financial Dispute Resolution Centre Limited was established by the Government and has been in operation for 2 years. How well does it operate and what results has it achieved? For instance, how many resolution cases have been taken up and how many cases have been successfully resolved?

Asked by: Hon. NG Leung-sing

Reply:

From the commencement of operation on 19 June 2012 up to end-2013, the Financial Dispute Resolution Centre ("FDRC") has received 3 246 enquiries and 47 applications for mediation services (of which 44 were accepted and three cases fell outside FDRC's Terms of Reference). Regarding the mediation services, of the 34 cases handled, 26 were settled, representing a success rate of about 80%. During the period, over 80% of the users of the mediation services rated FDRC's services "satisfactory" or "very satisfactory" in the customer satisfaction surveys.

In order to raise public awareness of its services, FDRC has also reached out to the financial institutions, professional bodies and the general public through -

- organising 232 public enquiry meetings and in-person interviews, 34 seminars, 24 talks, as well as 26 sharing sessions and visits, promoting FDRC's services to a total of 4 290 representatives from financial institutions, and members of professional bodies and the general public;
- enhancing public awareness of its services through various media channels; and
- promoting FDRC's services to District Councils and their committees, and extending services to local districts. For example, FDRC set up booths twice at the Sheung Wan Promenade Fair organised by the Central and Western District Council to promote its services and handle enquiries from the public.

In addition, with a view to further enhancing its services, FDRC organised two user feedback forums to exchange views with representatives of financial institutions on its services, and conducted 13 training courses and continuing professional training workshops for mediators and arbitrators.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)036****(Question Serial No. 0308)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408-409

Question (Member Question No. 14):

The estimate for 2014-15 provision for Financial Services is increased by 30.9% or \$73.8 million. The additional provision is mainly earmarked for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting (FMM). Recently, as informed by the Central Government, the FMM will be held in Beijing instead. Does the Administration has any other contingency plan to enhance the status of Hong Kong as a major international financial centre in order to make up for the tangible and intangible losses resulted from such a change? What will be the resources incurred?

Asked by: Hon. NG Leung-sing

Reply:

To enhance the status of Hong Kong as a major international financial centre, we have been striving to promote the sustainable development of Hong Kong's financial services sector, enhance market infrastructure and quality, and consolidate Hong Kong's position as an offshore renminbi business centre, international asset management hub as well as a leading global capital formation platform. These help strengthen Hong Kong's economic competitiveness and provide a wide spectrum of employment opportunities to the labour market. We will further fortify financial cooperation with the Mainland, striving for greater market access for local financial services, while contributing to the reform and opening of the Mainland financial market in a mutually beneficial manner. We will also continue to collaborate with the industry in unleashing Hong Kong's strength in financial and professional services and encouraging development of new businesses to nurture a more diversified financial market in Hong Kong. To maintain financial stability and enhance the local regulatory regime, we will, together with regulators, closely follow the latest development of international financial reforms as well as assess local development needs, and keep our regulatory framework up-to-date in a timely manner. We shall continue to join hands with the industry and the relevant regulators and development bodies to organise promotional events and roadshows overseas with the support of our Economic and Trade Offices. These efforts aim to introduce the latest development of the Hong Kong financial sector to overseas markets, particularly the opportunities we offer as an offshore renminbi centre. Every year, we co-organise the Asian Financial Forum with the Hong Kong Trade Development Council. The Forum, which is the seventh this year attracting 2 400 participants from all over the world, is highly regarded by the Asian financial sector. As for the Financial Services Development Council established in early 2013, its terms of reference include, inter alia, promotion of Hong Kong's financial services industry in the Mainland and overseas and of Hong Kong as an international financial centre through seminars, road shows, publications, and active participation in international events. The expenses involved for implementing the above initiatives will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)037**

**(Question Serial No. 0309)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 411

Question (Member Question No. 15):

Has the establishment as at 2015 taken into account the manpower required for supporting the Financial Services Development Council? Will there be long-term resources allocation for the work to achieve better results?

Asked by: Hon. NG Leung-sing

Reply:

In 2014-15 the Financial Services Branch will continue to deploy one Senior Economist, one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer from its establishment to support the secretariat of the Financial Services Development Council ("FSDC"). Besides, the FSDC is supported by three other staff members seconded respectively from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission, the cost for whom will be borne by the organisations they come from. This arrangement will be maintained for the initial three years subject to review later.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 1676)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 82 Page 25

Question (Member Question No. 3):

“Hong Kong is a popular platform for multinational enterprises to manage their global or regional treasury functions. To draw more of these functions to Hong Kong and to enhance our strengths in financial and professional services, I have asked the Financial Services and the Treasury Bureau (FSTB) to set up a task force in collaboration with the HKMA. The task force will review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities, and clarify the criteria for such deductions. It will come up with concrete proposals within one year.” In this regard,

- (a) what is the Bureau's estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?

Asked by: Hon. SIN Chung-kai

Reply:

The Financial Services and the Treasury Bureau has just set up a task force in collaboration with the Hong Kong Monetary Authority and the Inland Revenue Department to review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities of multinational enterprises, in order to draw more of these corporate treasury functions to Hong Kong. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in this exercise. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)039**

**(Question Serial No. 1681)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 77 Page 24

Question (Member Question No. 8):

The Financial Services Branch will “continue to support our country’s accelerated drive to realise capital account convertibility and internationalisation of the RMB by acting as a bridge between our nation and the rest of the world, and serving as a platform for Mainland funds and enterprises to reach out to the international market.” In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi (“RMB”) business in Hong Kong since 2004. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world’s largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2014-15, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and healthy circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

Besides, we will continue to promote Hong Kong as a platform for Mainland enterprises to conduct relevant financing and asset management business for reaching out to the international market.

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 existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 1682)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 98 Page 31

Question (Member Question No. 9):

“Last year, we completed the reform to modernise our trust law, making our trust services industry more competitive. Government will work with the industry to promote our strengths in this respect, and encourage settlors all over the world to choose Hong Kong as their base for trust administration.” In this regard,

- (a) what is the Bureau's estimated expenditure on promoting our strengths in this respect for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

The Trust Law (Amendment) Ordinance 2013 has commenced operation in December 2013, strengthening the competitiveness of Hong Kong's trust services industry against other major common law jurisdictions and enhancing Hong Kong's status as an international asset management centre. The Administration and the relevant industry organisations have been enhancing the awareness of various new initiatives among trust practitioners and potential settlors both locally and overseas through various means. Specifically, we have issued a press release and letters to stakeholders, and also proactively attended local and overseas conferences, seminars and various other occasions of relevance in promotion of the major reform initiatives. Besides, we have provided information relating to the trust law reform to the Hong Kong Economic and Trade Offices overseas and on the Mainland to facilitate their promotion of our strengths in this respect. On the other hand, we have been keeping in close contact with industry organisations, and learned that they have published articles on the newspapers and publications of professional organisations to promote the benefits of the new initiatives. We have also arranged for the industry organisations to communicate with the Hong Kong Trade Development Council (“HKTDC”) for exploring the promotion of the trust services industry of Hong Kong through overseas exhibitions and roadshow activities held by the HKTDC. We will continue to keep in close contact with the industry and relevant organisations and collaborate with them in various promotional efforts on an ongoing basis.

The Financial Services Branch will seek the approval of the Finance Committee in May this year for additional resources to retain two supernumerary directorate posts (namely, one Administrative Officer Staff Grade B and one Administrative Officer Staff Grade C posts) up to the end of December 2016 for handling policy matters and taking forward legislative exercises in respect of a number of policy areas, including matters concerning the reformed trust law. The staffing proposal was supported by the Establishment Subcommittee in February 2014. The two directorate officers are supported by one Senior Administrative Officer and other clerical staff in respect of the work relating to the reformed trust law, and the expenditure involved is absorbed from within existing resources. We do not have a separate breakdown.



**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 1685)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 44 Page 13

Question (Member Question No. 12):

“In last year’s Budget, I proposed to introduce a licensing scheme to regulate stored value facilities (SVF), in order to ensure financial stability of SVF issuers, and to protect and manage the transactions properly. The proposed regulatory regime will foster the development of local e-commerce and relevant information technology (IT) sectors. We received general support as well as constructive suggestions from the public during consultation. We seek to introduce the relevant bill into this Council in the next legislative session.” In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

We propose amending the Clearing and Settlement Systems Ordinance to establish a more comprehensive licensing and supervision regime for stored value facilities, and empower the Hong Kong Monetary Authority to designate and supervise relevant retail payment systems. In this connection, after receiving comments from the public, we have commenced the drafting of a Bill, and plan to introduce the Bill into the Legislative Council in the next legislative year. We will brief the Legislative Council Panel on Financial Affairs on 7 April.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)042**

**(Question Serial No. 1686)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 45 Page 13

Question (Member Question No. 13):

“We are committed to strengthening the capacity of our trading platforms. We are set to implement a scripless securities market with enhanced efficiency and investor protection. Government plans to introduce the relevant bill into this Council in the first half of this year.” In this regard,

- (a) what is the Bureau's estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

We are finalising the draft law to enable the implementation of an uncertificated (i.e. scripless) securities market. The broad regulatory framework for an uncertificated securities market will be set out in primary legislation. We briefed the Legislative Council Panel on Financial Affairs on the legislative proposal on 6 January 2014 and plan to introduce a Bill into the Legislative Council in the second quarter of 2014.

The above work is led by the Financial Services Branch, with support from 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 existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)043**

**(Question Serial No. 1687)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 80 Page 25

Question (Member Question No. 14):

In last year's Budget, I proposed to allow private equity funds also to enjoy tax exemption for offshore funds to attract them to expand their business in Hong Kong. We have completed an industry consultation and shall take forward the legislative work as soon as possible. As for my proposal on introducing an open-ended fund company structure to attract more funds to establish in Hong Kong, relevant regulatory frameworks have been drawn up and consultation will begin next month." In this regard,

- (a) what is the Bureau's estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

Regarding the proposal to introduce a new open-ended fund company ("OFC") structure to enhance Hong Kong's legal infrastructure for investment fund vehicles, we have just launched a 3-month public consultation. When the public consultation ends in June this year, we will take into account the comments received and formulate the details of the OFC regime with the Securities and Futures Commission and relevant departments.

Regarding the proposal to extend the profits tax exemption regime for offshore funds to private equity funds, we are preparing the relevant legislative work having regard to views gathered from industry consultation.

Within the Financial Services and the Treasury Bureau, one Administrative Officer Staff Grade B1 oversees the relevant functions and is supported by one Administrative Officer Staff Grade C and one Senior Administrative Officer. The expense involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)044****(Question Serial No. 0209)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 1):

It is mentioned in the programme that the public will be consulted on the proposal of including in each MPF scheme a core fund as the default fund, which will be subject to fee control and based on a long-term investment strategy. In this connection, will the Administration advise the Committee on the following:

1. At present there are 41 registered MPF schemes, each having its own default fund. What are the default funds of these registered schemes?
2. What are the respective annual asset values, annualised returns and fund expense ratios of these default funds for the past three years?
3. What are the requirements in respect of the fee control and long-term investment strategy of the proposed core funds?
4. What is the timetable for the introduction of the core funds? What will be the manpower and expenditure involved?

Asked by: Hon. TANG Ka-piu

Reply:

1. At present, the majority of the registered schemes have mixed asset funds or Mandatory Provident Fund ("MPF") Conservative Funds as their default funds. Other types of default funds include equity funds, guaranteed funds, bond funds and money market funds.
2. According to information from the Mandatory Provident Fund Schemes Authority ("MPFA"), the annualised net rate of return of default funds over a period of five years ranges from -0.2% to 16.6% (Note 1). The asset value and fund expense ratio of those funds for the past three years are set out below –

<b>Year</b>	<b>Approximate Asset Value of Individual Funds (HKD)</b>	<b>Fund Expense Ratio</b>
2011	1.5 million – 7.3 billion	0.17% - 3.86%
2012	120,000 – 7.8 billion	0.23% - 3.83%
2013	1.2 million – 8.9 billion	1.11% - 2.03% (Note 2)

3. MPFA is following up on the proposal of including in each MPF scheme a core fund as the default fund. In the last few months, MPFA has engaged relevant sectors to help draw up the proposal. The current thinking is that the proposed fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. Its fee will be subject to control.
4. We expect the relevant public consultation will commence later this year. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary assist in handling the relevant task. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

Note 1: According to the Performance Presentation Standards for MPF Investment Funds, a fund fact sheet for each constituent fund of the scheme should set out the annualised rate of return over one year, five years and ten years and since launching.

Note 2: The fund expense ratio is a historical figure based on data from the most recent financial statements. Due to the different timing in preparing the financial statements, the fund expense ratio for 2013 of over 80% of the default funds is not yet available.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)045****(Question Serial No. 0312)**

- Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)
- Subhead (No. & title): (-) Not Specified
- Programme: (1) Financial Services
- Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)
- Director of Bureau: Secretary for Financial Services and the Treasury
- This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 02):

It is mentioned in the programme that the Financial Services Branch will introduce legislative amendments to simplify operational requirements for trustees of Mandatory Provident Fund ("MPF") schemes, and allow early withdrawal of MPF benefits on the ground of terminal illness as well as phased withdrawal of MPF benefits. In this connection, please advise this Committee of:

- the respective total annual amounts of MPF contributions and accrued benefits paid in the past three years;
- the respective numbers of claims for withdrawal of MPF accrued benefits and the total amounts withdrawn for reasons set out in the table below in the past three years; and

Year: \_\_\_\_\_

Reason for withdrawal of accrued benefits	Reaching the retirement age of 65	Early retirement	Permanent departure from Hong Kong	Total incapacity	Small balance account	Death of account holder	To offset severance payments	To offset long service payments	Total
Number of claims									
Total amount withdrawn									

- whether an additional independent database will be set up to record the number of withdrawal of accrued benefits from each MPF account and the amount withdrawn each time to cater for phased withdrawal of MPF benefits; and whether additional resources and manpower will be required? If so, what are the expenditure and manpower involved?

Asked by: Hon. TANG Ka-piu

Reply:

1. According to information from the Mandatory Provident Fund Schemes Authority (“MPFA”), the amounts of contributions received and benefits paid in the past three years are set out below-

(\$million)

Year	Contributions Received	Benefits Paid
2011	41,745	8,871
2012	47,694	11,516
2013	53,641	14,937

2. According to information from MPFA, the amounts of accrued benefits withdrawn on account of the following grounds in the past three years are set out below-

(\$million)

Year	Retirement / Early retirement (Notes 1 and 2)	Permanent departure from Hong Kong (Number of cases)	Total incapacity (Note 2)	Small balance account (Note 2)	Death (Note 2)	Offsetting severance payments (“SP”) or long service payments (“LSP”) (Notes 2 and 3)	Total (Note 4)
2011	1,922	1,856 (23 900)	106	1	247	2,332	6,463
2012	2,926	1,971 (25 100)	134	1	338	2,270	7,640
2013	3,976	2,646 (28 000)	155	1	377	2,678	9,834

3. Having regard to the feedback received during the consultation conducted earlier by MPFA on withdrawal of Mandatory Provident Fund (“MPF”) accrued benefits, we are drafting an Amendment Bill to allow phased withdrawal of MPF accrued benefits, including prescribing the minimum number of withdrawals per year that a trustee must accept from a scheme member, and the minimum withdrawal amount per occasion, etc. Trustees will devise the administration details and arrange record keeping for individual scheme members’ accounts according to the requirements. As such, it will not be necessary for MPFA to set up a separate independent database. MPFA will enquire trustees about the implementation of the arrangement and request them to provide statistics regularly.

Note 1: MPFA does not have the breakdown of accrued benefits paid in retirement and early retirement cases.

Note 2: MPFA does not have the number of cases for accrued benefits withdrawn on account of the relevant grounds.

Note 3: MPFA does not have the breakdown of accrued benefits paid in respect of offsetting SP and LSP.

Note 4: The figures may not add up to the total due to rounding. The figures do not include accrued benefits that are withdrawn on account of grounds not set out in the table, including withdrawal of accrued benefits derived from voluntary and special voluntary contributions based on other grounds. Thus the figure is lower than the total accrued benefits paid in the same year.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)046**

**(Question Serial No. 0561)**

Head: (148) Government Secretariat: Financial Services And The Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 13):

The location of the Asia-Pacific Economic Cooperation Finance Ministers' Meeting scheduled for September 2014 has been changed from Hong Kong to Beijing. In this regard, will the Administration inform this Committee of the preparation work done previously and a breakdown of the expenditure involved? What is the percentage of such expenditure in the \$63.45 million provision approved by the Legislative Council in December last year?

Asked by: Hon. TIEN Pei-chun, James

Reply:

Before receiving the decision of the Central People's Government ("CPG"), the Event Co-ordination Team and the Police Planning Team set up under the Financial Services Branch of the Financial Services and the Treasury Bureau ("FSTB") and the Hong Kong Police Force respectively have undertaken some preliminary preparatory work for the Finance Ministers' Meeting ("FMM"), including site visits; liaison with the relevant CPG ministries, government bureaux and departments, and concerned organisations; and preparation for the tender for procurement of services and equipment. The expenses include staff salaries (\$4.78 million), administrative expenses (\$0.68 million) and purchase of office equipment (\$0.32 million). They have been met by the existing resources approved for FSTB in 2013-14.

The non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013 is for meeting the costs of organising the FMM in 2014-15. No expenditure has been incurred from this provision. The Administration will reserve this provision in the Center according to the established procedures, and no expenditure shall be incurred against the provision reserved.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)047**

**(Question Serial No. 0562)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 14):

The Financial Services Branch will continue to advance financial and related co-operation with the Mainland. Apart from reinforcing the offshore Renminbi business platform and pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks, does the Government have any other initiatives to tie in with the development? If so, what is the action plan? How much expenditure is estimated to be involved? If not, what are the reasons?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The Financial Services Branch will further promote the development of offshore Renminbi ("RMB") in Hong Kong and advance financial cooperation between Hong Kong and the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") and other cooperation platforms.

On offshore RMB business, we will continue to engage the Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and healthy circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

Moreover, we will continue to seek to facilitate further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms covering Hong Kong/Guangdong, Hong Kong/Shanghai and Hong Kong/Shenzhen (including Qianhai). Measures include lowering the threshold for market entry by Hong Kong financial institutions, expanding the scope of services provided, and allowing Hong Kong financial institutions to set up wholly-owned business, etc. With the establishment of Shanghai Free Trade Zone and the deepening of economic and financial reforms in the Mainland, there will be more cooperation opportunities with the Mainland. We will continue to maintain close communication with relevant Mainland authorities to seize and capitalise on the opportunities arising from Mainland's economic and financial development.

The above work will be pursued jointly by the Government and relevant financial regulators. The related expenses will be absorbed from within existing resources in the Financial Services Branch. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)048****(Question Serial No. 0564)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 15):

During 2014–15, the Financial Services Branch plans to continue to promote the development of the bond market, Islamic finance and asset management industry. In this connection, will the Administration advise this Committee on their specific plans and the estimated expenditure to be involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:**Asset Management**

In the light of the growing popularity among the fund industry to use open-ended investment fund companies as a vehicle for setting up investment funds, the Financial Services and the Treasury Bureau, together with the Securities and Futures Commission (“SFC”) and relevant departments, has formulated relevant proposals to permit the market to establish such companies and provide for a regulatory framework, so as to attract more funds to base in Hong Kong and serve Asia. We have just launched a public consultation on introducing an open-ended fund company structure. We are also preparing the legislative work 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 Hong Kong properties nor carry out business in Hong Kong. This will allow private equity funds to enjoy the same exemption for offshore funds to attract them to expand their business in Hong Kong. Moreover, the SFC and relevant Mainland authorities have reached general consensus on the mutual recognition of funds, pending the formal approval from the State Council. Upon implementation, this arrangement will further promote the diversity of fund products in the Mainland and Hong Kong. The abovementioned measures will broaden the variety and scope of our fund business and open up new business opportunities for professional services such as fund management, investment advisory, legal and accounting services.

In addition, the Trust Law (Amendment) Ordinance 2013 has come into operation since 1 December 2013. It implements various reform initiatives which enhance the competitiveness of our trust services industry as compared with other major common law jurisdictions. The Administration will continue to work with the industry to promote our strengths in this respect.

**Bond Market and Islamic Finance**

In 2014-15, we will continue to implement the Government Bond Programme (“GBP”). This will include implementing measures to allow market makers to acquire institutional bonds with varying maturities more easily, and launching a further issuance of iBond worth not more than \$10 billion. Separately, the Loans (Amendment) Ordinance 2014 enacted by the Legislative Council on 26 March 2014 enables the issuance of

sukuk (i.e. Islamic bonds) under the GBP, so as to broaden the product types and investors' base and promote the further development of the local bond market. We will consider issuing sukuk under the GBP having regard to the prevailing market conditions and needs. In addition, the Government and the regulators will continue to promote our bond market to overseas issuers and investors to further the development of the bond market.

The expense involved in the above initiatives will be absorbed from within existing resources, whilst the expense relating to the GBP will be borne by the Bond Fund. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)049**

**(Question Serial No. 0565)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 16):

During 2014-15, the Financial Services Branch will legislate for the establishment of an independent Insurance Authority. In this regard, will the Administration inform this Committee of how much resources will be allocated continually by the Government for the establishment of the Authority and its commencement of operation?

Asked by: Hon. TIEN Pei-chun, James

Reply:

For the establishment of an independent Insurance Authority ("IIA"), our main task during 2014-15 is to introduce the relevant bill into the Legislative Council in the second quarter of 2014 with a view to establishing the IIA in 2015. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary, two Assistant Secretaries and one Senior Executive Officer participate in the legislative exercise and discussions with the industry on transitional arrangements. The expenses involved will be absorbed from within 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.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)050**

**(Question Serial No. 0566)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 17):

In 2014-15, the Financial Services Branch plans to consult the public on the proposal of including in each Mandatory Provident Fund scheme a core fund as the default fund. In this connection, will the Administration advise this Committee if there is a specific work plan? What is the estimated expenditure involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The Mandatory Provident Fund Schemes Authority ("MPFA") is following up on the proposal of including in each Mandatory Provident Fund scheme a core fund as the default fund. In the last few months, MPFA has engaged relevant sectors to help draw up the proposal. The current thinking is that the proposed fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. The proposed fund will be subject to fee control. We expect the relevant public consultation will commence later this year. Within the Financial Services Branch, the expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)051**

**(Question Serial No. 0567)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 18):

In 2014-15, the Financial Services Branch plans to consult the public on proposals to further enhance the independence of the auditor regulatory regime from the profession. In this respect, will the Administration inform this Committee of any specific work plans and the estimated expenditures involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

Auditors play the role as a key gatekeeper in assuring the integrity and accuracy of the financial reports of listed companies. Therefore, it is important that there is a robust regime for regulating the conduct and upholding the professional standards of auditors of listed companies, in order to uphold the integrity of Hong Kong's capital market and safeguard the interests of the investing public. In view of the international trend that the regulatory oversight of auditors is to be independent of the profession itself, we are discussing with the Financial Reporting Council and the Hong Kong Institute of Certified Public Accountants ways to enhance the independence of our regulatory regime for aligning with international standards. This will enhance the quality of our capital market and international recognition of our auditors.

We plan to put forward reform proposals for public consultation later this year. Subject to the outcome of the consultation, we will prepare detailed legislative proposals with a view to introducing the necessary legislation into the Legislative Council in the 2014-15 legislative session. The expenses for the consultation exercise will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)052**

**(Question Serial No. 0568)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 19):

In 2014-15, the Financial Services Branch plans to consult the public and develop legislative proposals on establishing an effective resolution regime for financial institutions in Hong Kong. In this respect, will the Administration inform this Committee of any specific work plans and the estimated expenditures involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

In the wake of the global financial crisis in 2008, a group of major economies have pledged to pursue a series of regulatory reform initiatives to enhance the resilience and stability of the global financial system. One such initiative proposed by the Financial Stability Board ("FSB") is the development of an effective resolution regime to resolve systemically important financial institutions in the event they become insolvent. The resolution regime aims to ensure continuity of systemically important financial services, and payments, clearing and settlement systems.

As a member jurisdiction of the FSB, it is incumbent upon Hong Kong to establish an effective resolution regime in Hong Kong in order to meet the latest international standards.

To this end, the Government and the financial regulators, namely the Hong Kong Monetary Authority ("HKMA"), the Securities and Futures Commission ("SFC") and the Insurance Authority ("IA"), launched the first stage of a three-month public consultation on 7 January 2014. We aim to conduct the second stage of public consultation on the more specific details and operation of the resolution regime later this year and plan to introduce the proposed legislation into the Legislative Council in 2015.

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

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)053**

**(Question Serial No. 3145)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 410

Question (Member Question No. 61):

The additional provision of \$73.8 million for 2014–15 is mainly made for hosting the Asia-Pacific Economic Cooperation Finance Ministers' Meeting (APEC FMM) in Hong Kong in September 2014. It is now confirmed that the APEC FMM will not be held in Hong Kong. Will the provision be cancelled?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The provision related to the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in the 2014-15 Estimates, including a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, will be reserved in the Centre according to the established procedures. No expenditure shall be incurred against the provision reserved.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)054**

**(Question Serial No. 1489)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 54):

My Councillor's Office has received several complaints and requests for assistance from resigned insurance intermediaries. In most cases, claims were made by insurance companies against the complainants after their resignation for recovery of unreasonably large amounts of job allowances and commissions as compensation. (A recent case involved a complainant who had worked in an insurance company for two years before resignation and was pursued for recovery of over \$70,000, a sum amounting to almost two years of his/her income.)

Is there any policy in place to handle the aforesaid complaints and requests for assistance? Which government departments are responsible for this work?

In the past three financial years, how many cases of such complaints and requests for assistance were received by the departments concerned? How were these cases handled?

As most of the complainants were unable to afford legal assistance, they could do nothing, in confronting the legal teams of insurance companies, but be forced to give in. In this connection, is it possible for the Financial Services Branch to specially earmark manpower and resources in the 2014-15 financial year to help those helpless ones as aforesaid? If possible, how much manpower and resources will be allocated? If not, what are the reasons?

Asked by: Hon. TSE Wai-chun, Paul

Reply:

The Office of the Commissioner of Insurance ("OCI") handles complaints against insurance companies, including those raised by insurance agents against their appointing insurance companies. In the past three years, the numbers of complaints lodged by insurance agents against their appointing insurance companies were as follows –

<u>2013</u>	<u>2012</u>	<u>2011</u>
18	17	10

These complaints were mostly related to disputes between insurance agents and the insurance companies on the terms of their agency contracts. Since an agency contract is a private contract between an agent and an insurance company, OCI does not have the authority to intervene but would try to facilitate dialogues between the two parties. There is no dedicated establishment under the OCI solely to handle such complaints. The expenses involved will be absorbed from within existing resources.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)055****(Question Serial No. 0124)**

Head: (148) Government Secretariat: Financial Services and The Treasury Bureau (Financial Services Branch)

Subhead(No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question(Member Question No. 31):

As informed by the Central Government, Hong Kong would not be hosting the Asia-Pacific Economic Cooperation Finance Ministers' Meeting scheduled for September 2014. In this connection, would the Administration advise this Committee on:

1. How much funds were spent on the preparatory work?
2. How would the unspent funds be handled?
3. What was the original staffing requirement for the project? What are their work arrangements upon project cancellation?

Asked by: Hon. WONG Kwok-hing

Reply:

1. Before receiving the decision of the Central People's Government ("CPG"), the Event Co-ordination Team ("ECT") and the Police Planning Team ("PPT") set up under the Financial Services Branch ("FSB") of the Financial Services and the Treasury Bureau ("FSTB") and the Hong Kong Police Force ("HKPF") respectively have undertaken some preliminary preparatory work for the Finance Ministers' Meeting ("FMM"), including site visits; liaison with the relevant CPG ministries, government bureaux and departments, and concerned organisations; and preparation for the tender for procurement of services and equipment. The expenses include staff salaries (\$4.78 million), administrative expenses (\$0.68 million) and purchase of office equipment (\$0.32 million). They have been met by the existing resources approved for FSTB in 2013-14.
2. The provision related to the FMM in the 2014-15 Estimates, including a non-recurrent commitment of \$63.45 million approved by the Finance Committee ("FC") of the Legislative Council ("LegCo") in December 2013, will be reserved in the Center according to the established procedures. No expenditure shall be incurred against the provision reserved.
3. The LegCo FC approved in December 2013 the creation of two supernumerary directorate posts to plan and implement the organisational arrangements for the FMM. To support the two directorate officers to undertake the preparatory and organisation work for the FMM, 36 time-limited non-directorate civil service posts were proposed to be created in 2014-15. Given the tight timeframe for completing the preparatory work for the FMM, prior to the creation of these posts in 2014-15, a small number of staff, including Administrative Officers, Executive Officers and police officers have been internally redeployed to set up a dedicated ECT in the FSB of the FSTB and a PPT in the HKPF respectively to commence the preparatory work since late 2013.

With the CPG decision, the two supernumerary directorate posts have lapsed, and no civil service posts will be created in 2014-15 for the FMM. The civil servants in the ECT and PPT have been redeployed within the Government in accordance with the established procedures.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)056**

**(Question Serial No. 0227)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 39):

Regarding Item 853 Financial Dispute Resolution Centre (FDRC), please inform this Committee of the following:

1. How many enquiry cases had been received and dispute cases handled by the FDRC last year? Please provide a breakdown by type of cases. Among the cases, how many involve London gold fraud?
2. What are the amounts of claims of the dispute cases handled by the FDRC last year?
3. How many staff members have been employed by the FDRC and what is the payroll cost for them?
4. If the above information is not available, will a database be set up? If so, what will be the manpower and expenditure involved?

Asked by: Hon. WONG Kwok-hing

Reply:

- (1) In 2013, the Financial Dispute Resolution Centre ("FDRC") received 2 192 enquiries. Of them, 1 182 involved complaints about financial products and services (including 79 London gold-related cases), and the remaining 1 010 enquiries were mainly related to FDRC's services and related administrative issues. As for mediation services, FDRC received 31 applications during 2013. Of the 30 applications accepted, 20 involved allegations of misrepresentation or mis-selling, eight involved financial institutions' administrative and operational issues, such as allegations of inadequate information disclosure, and the remaining two involved investment performance. None of the mediation applications was related to London gold.
- (2) In 2013, the claimable amount of the applications for mediation handled by the FDRC ranged from \$10,000 to \$500,000 (i.e. the maximum claimable amount under the Financial Dispute Resolution Scheme).
- (3) As at end 2013, FDRC had a total of 17 staff including the Chief Executive Officer. FDRC's financial statements setting out the staff costs for 2013 are being audited by an independent auditor, and are expected to be released later this year following approval at the Annual General Meeting.
- (4) Please refer to (3) above.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)057**

**(Question Serial No. 0230)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 43):

The Financial Services Branch will draw up legislative proposals and set up a regulatory system to regulate stored value facilities and retail payment systems in Hong Kong. In this regard, will the Administration inform this Committee of the following:

1. How many types of stored value facilities and retail payment systems are currently in use in Hong Kong? How many active users does each of the stored value facilities and retail payment systems have?
2. Currently, there is a number of stored value facilities and retail payment systems such as "Alipay", "Yu'e Bao" (餘額寶), "Ding Tou Bao" (定投寶) and "Paypal" on the internet. Have the regulatory and cross-border enforcement problems arising from those stored value facilities and retail payment systems not registered in Hong Kong been considered in the legislative proposals? What measures will be taken in the legislative proposals to address these issues?
3. Have the issues of personal data privacy and disclosure been considered in the legislative proposals?
4. What is the timetable for putting forward the legislative proposals? How much manpower and expenditure are involved?

Asked by: Hon. WONG Kwok-hing

Reply:

Stored value facilities ("SVF") can be classified into two broad categories according to the scope of their usage, namely multi-purpose and single-purpose SVF. As for retail payment systems ("RPS"), it covers credit card schemes, debit card schemes, large merchant acquirers, and payment gateways, etc. The current stored value card regime under the Banking Ordinance only applies to device-based multi-purpose stored value products, such as Octopus cards which have more than 24 million cards in circulation at present. Because of technological advancements, the scope of the existing multi-purpose stored value card regime may not capture emerging SVFs which store value on network-based account, mobile network account or computer server. As a result, some of these SVFs are currently not subject to any regulation in Hong Kong. Therefore, we propose amending the Clearing and Settlement Systems Ordinance to establish a more comprehensive licensing and supervision regime for SVFs, and empower the Hong Kong Monetary Authority ("HKMA") to designate and supervise relevant RPS.

We propose that a foreign company which intends to issue SVF in Hong Kong will need to incorporate a company under Hong Kong law and apply to the HKMA for a licence. At the same time, the Bill also seeks to expand the HKMA's existing designation and regulatory arrangements on large clearing and settlement systems under the Clearing and Settlement Systems Ordinance and empower the HKMA to, subject to a

series of designation criteria, designate and supervise a RPS to ensure the safety and robustness of the system. The legislative proposal would ensure that SVF and RPS under the proposed regulatory regime will protect customer information in a safe and sound manner.

We will brief the Legislative Council Panel on Financial Affairs on 7 April 2014 and plan to introduce a Bill into the Legislative Council in the next legislative year. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in this exercise. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)058**

**(Question Serial No. 1041)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 109

Question (Member Question No. 82):

It is mentioned in the Budget Speech that professionals and skilled personnel in various areas of the financial services industry are of vital importance to the sustained development and expansion of the sector. In this connection, the Financial Services and the Treasury Bureau will consult the industry and conduct an in-depth study on related issues, and submit their recommendations to the Financial Secretary.

1. What are the specific plans and timetable of its implementation? Will it involve the setting up of a research team? If so, what will be its composition and the expenditure involved?
2. Instead of importing a large number of financial workers, will the Administration first consider focusing on the development, training and enhancement of professionals and skilled personnel in various areas of the local financial services industry?

Asked by: Hon. WONG Kwok-hing

Reply:

To have a better understanding of the aspirations of the financial services sector, we have been engaging the industry through various channels to gauge their views on talent training and development. In this connection, the Securities and Futures Commission has set aside \$20 million in their 2014-15 budget for talent training for intermediaries in the securities sector. Concurrently, there are more common views expressed by the industry that there is a need to enhance talent training for the insurance and asset/wealth management sectors to complement industry development. In response to these views, we intend to first carry out studies in these two areas. We shall collect views from the relevant industries and formulate initial proposals, and then consult them thereon before finalising the proposals. Our aim is to submit our recommendations to the Financial Secretary within a year. The focus of the study is on local talent training to meet the development need of our financial market. Importation of labour is not within the scope of the study.

The Financial Services Branch will be responsible for the relevant work. The expense involved will be absorbed from within existing resources.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)059**

**(Question Serial No. 1002)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 26):

During 2014-15, the Financial Services Branch will continue to advance financial and related co-operation with the Mainland, 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. What progress has been made in these areas? What are the tasks that have been completed? And what are the tasks that need to be pursued or rolled out in the coming year?

Asked by: Hon. WONG Ting-kwong

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. As at the end of 2013, six Hong Kong banks set up 61 cross-location sub-branches in such locations as Foshan, Zhongshan, Huizhou, etc. Also, pursuant to measures under Supplement VIII and Supplement IX to CEPA, Hong Kong banks have started to engage in the sale of mutual funds and offer custodian services for margin deposits on futures transactions.

On securities, under Supplement VI to CEPA, Hong Kong securities companies and Mainland securities companies which satisfy the requirements can set up joint venture securities investment advisory companies in Guangdong Province. The first such joint venture company was established in August 2012. Under Supplement VII to CEPA, Exchange-traded Funds ("ETFs") constituted by Hong Kong listed stocks can be launched in the Mainland. 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 Renminbi ("RMB") Qualified Foreign Institutional Investor ("RQFII") scheme. 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 expanded. Apart from Hong Kong subsidiaries of Mainland fund management and securities companies, Hong Kong subsidiaries of Mainland commercial banks and insurance companies, and financial institutions which are registered or have their principal place of business in Hong Kong may also apply. The investment restriction of RQFII funds has also been relaxed to allow institutions to design the types of products in accordance with market conditions. As at end of February 2014, the Securities and Futures Commission authorised 29 unlisted retail RQFII funds and 14 RQFII ETFs.



Moreover, Supplement X to CEPA signed in 2013 allows Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies to set up one full-licensed joint venture securities company each in Shanghai, Guangdong Province and Shenzhen in accordance with relevant Mainland requirements. The maximum percentage of aggregate shareholding of the Hong Kong-funded institutions is 51%. The Mainland shareholders are not restricted to securities companies. It also allows Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies to set up one new full-licensed joint venture securities company in accordance with relevant Mainland requirements each in certain reform experiment zones for “piloting financial reforms” as approved by the Mainland. The Mainland shareholders are not restricted to securities companies. The percentage of aggregate shareholding of the Hong Kong-funded financial institutions in the joint venture should not exceed 49%, and the requirement for a single Mainland shareholder to hold 49% of shareholding in the joint venture is removed. Also, it allows Hong Kong-funded securities company to hold more than 50% shareholding in joint venture securities investment advisory companies in certain reform experiment zones for “piloting financial reforms” as approved by the Mainland. These measures have further made way for Hong Kong securities industry enter to the Mainland market.

On insurance, CEPA allows Hong Kong insurance companies to enter the Mainland market subject to established market access conditions. At present, one Hong Kong insurance company has entered the Mainland market via this channel. Supplement IV to CEPA allows Hong Kong insurance agency companies to set up wholly-owned companies in the Mainland to provide insurance agency services for the Mainland insurance companies. So far, approval has been given for three Hong Kong insurance agency companies to set up wholly-owned companies in the Mainland. Supplement VIII to CEPA also allows eligible Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in Guangdong Province on a pilot basis.

For the accounting profession, 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 accounting firms in Qianhai. The Shenzhen Municipal Government issued in January 2013 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, setting out the requirements on procedures, criteria and implementation timetable. The Shenzhen Municipal Government subsequently announced the procedural requirements in relation to the aforesaid Provisional Measures in July 2013.

In 2014-15, we will continue to advocate further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms covering Hong Kong/Guangdong, Hong Kong/Shanghai and Hong Kong/Shenzhen (including Qianhai). Measures to pursue include lowering the threshold for market entry by Hong Kong financial institutions, expanding the scope of services provided, allowing Hong Kong financial institutions to set up wholly-owned business, etc. With the establishment of the Shanghai Free Trade Zone and the deepening of economic and financial reforms in the Mainland, there will be more cooperation opportunities with the Mainland. We will continue to maintain close communication with relevant Mainland authorities to seize and capitalise on the opportunities arising from Mainland’s economic and financial development, with a view to create “win-win” benefits.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)060**

**(Question Serial No. 1003)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 27):

In 2014-15, the Financial Services Branch will promote the new Companies Ordinance (Cap. 622) and ensure its smooth implementation. What will be the promotional efforts? What are the estimated manpower and expenditure involved?

Asked by: Hon. WONG Ting-kwong

Reply:

The new Companies Ordinance (Cap.622) ("new CO") has come into operation since 3 March this year. To facilitate the operation of the new CO, we have launched various publicity efforts to enhance public awareness of its implementation. The Companies Registry is also conducting a series of promotional activities and the expenditure involved is absorbed by the Companies Registry Trading Fund. These activities include:

- (a) organising and participating in briefing sessions for professional bodies, business organisations, tertiary institutions and the general public;
- (b) providing information relating to the new CO through disseminating external circulars, guidelines, posters and pamphlets, as well as issuing letters to relevant professional bodies and more than one million companies on the Companies Register;
- (c) setting up a thematic section on the website of the Companies Registry to make available briefing materials on each part and subsidiary legislation of the new CO, highlights on key changes, answers to frequently asked questions, procedures and points to note on document delivery and application, new forms, etc.;
- (d) setting up an enquiry hotline in the Companies Registry to answer public enquiries during the initial implementation period of the new CO;
- (e) publishing articles in a number of local newspapers, having interviews with the media and issuing press releases to introduce the main content of the new CO; and
- (f) broadcasting Announcements of Public Interest on television and radio to remind the public of the commencement of the new CO.

The Financial Services Branch will seek the approval of the Finance Committee in May this year for additional resources to retain two supernumerary directorate posts (namely, one Administrative Officer Staff Grade B and one Administrative Officer Staff Grade C posts) up to the end of December 2016 for handling

policy matters and taking forward legislative exercises in respect of a number of policy areas, including matters concerning the implementation of the new CO. The staffing proposal was supported by the Establishment Subcommittee in February 2014. The two directorate officers are supported by one Senior Administrative Officer and other clerical staff in respect of the work for implementation of the new CO, and the expenditure involved is absorbed from within existing resources. We do not have a separate breakdown of expenditure concerning the promotion of the new CO.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)061**

**(Question Serial No. 1004)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 410

Question (Member Question No. 28):

The provision for 2014-15 is \$73.8 million (30.9%) higher than the revised estimate for 2013-14. This is mainly due to the additional provision for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in Hong Kong in September 2014. However, as announced by the Central Government last month, the meeting would be postponed to the latter half of September and held in Beijing instead of Hong Kong. Now will there be any changes to the provision for the expenditure so involved?

Asked by: Hon. WONG Ting-kwong

Reply:

The provision related to the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in the 2014-15 Estimates, including a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, will be reserved in the Centre according to the established procedures. No expenditure shall be incurred against the provision reserved.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)062**

**(Question Serial No. 1220)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 81 Page 25

Question (Member Question No. 17):

As mentioned in the Budget Speech, the Financial Secretary proposes to waive the stamp duty for the trading of all exchange traded funds (ETFs) so as to help promote the development, management and trading of ETFs in Hong Kong. How many ETFs in Hong Kong are now chargeable to stamp duties? Apart from waiving the stamp duty, does the Administration have measures to promote the development of ETFs in Hong Kong? If so, what are the details? How much resources are expected to be allocated?

Asked by: Hon. WONG Ting-kwong

Reply:

As of the end of 2013, there were 116 exchange traded funds ("ETFs") listed in Hong Kong. Twenty-eight of these ETFs, which track indices comprising more than 40% of Hong Kong stocks ("Hong Kong stock ETFs"), are subject to stamp duty at 0.1% on each sale or purchase, payable by both the buyer and the seller. A fixed duty of \$5 will also be required if an instrument of transfer is executed by the parties to transfer the legal title to the ETF. The remaining 88 ETFs are not subject to stamp duty. It is expected that the proposed waiver of stamp duty on Hong Kong stock ETFs will help facilitate the development, management and trading of such ETFs in Hong Kong, and will therefore enhance the overall competitiveness of the ETF market in Hong Kong.

We will continue to work closely with the industry on the development of the ETF market in Hong Kong. In particular, we will continue to facilitate and promote offshore Renminbi business and product innovation and diversification, including Renminbi Qualified Foreign Institutional Investors ("RQFII") ETF, to cater for the needs of different investors and corporates, which will in turn facilitate the development of the ETF market in Hong Kong. At present, 14 RQFII ETFs have been launched and listed in Hong Kong, with an aggregated asset under management ("AUM") of RMB 38.2 billion, which accounts for about 75% of the total AUM of RQFII products.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)063**

**(Question Serial No. 1221)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 82 Page 25

Question (Member Question No. 18):

As mentioned in the Budget Speech, Hong Kong is a popular platform for multinational enterprises to manage their global or regional treasury functions. To draw more of these functions to Hong Kong, the Financial Services and the Treasury Bureau will set up a task force in collaboration with the Hong Kong Monetary Authority to review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities. How many enterprises are currently managing their treasury functions in Hong Kong? What are the detailed requirements for interest deductions in the taxation of such activities? What are the detailed arrangements and schedule of the review?

Asked by: Hon. WONG Ting-kwong

Reply:

As production and sales activities are getting increasingly globalised, multinational enterprises in general have corporate treasury needs, including foreign exchange risk management, corporate finance within the group, using surplus funds in short-term investments for a return etc. The existing Inland Revenue Ordinance has prescribed the requirements on whether interest expense can be deducted in the calculation of Hong Kong's profits tax if an individual company borrows from its group's overseas affiliates or other non-financial institutions. The Financial Services and the Treasury Bureau has set up a task force in collaboration with the Hong Kong Monetary Authority and the Inland Revenue Department to examine the scale of corporate treasury activities in Hong Kong, and review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities, in order to draw more of these corporate treasury functions to Hong Kong. The task force aims to come up with concrete proposals for reporting to the Financial Secretary within one year.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in this exercise. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)064**

**(Question Serial No. 1222)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 78 Page 24

Question (Member Question No. 25):

It is mentioned in the Budget that Hong Kong, with its first-mover advantage, is well-positioned to provide RMB services to overseas financial institutions at the wholesale level, and should, at the same time, strengthen its existing services. What are the details of the work plan? Does it require additional resources for carrying out the work?

Consensus has been reached between the Securities and Futures Commission and relevant Mainland authorities on the mutual recognition of funds. When will relevant arrangements be implemented?

Asked by: Hon. WONG Ting-kwong

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi ("RMB") business in Hong Kong since 2004. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world's largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2014-15, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and healthy circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

The above work will be pursued jointly by the Government and relevant financial regulators. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

As regards mutual recognition of funds between Hong Kong and the Mainland, the Securities and Futures Commission has reached general consensus with relevant Mainland authorities. Upon implementation, this arrangement will further promote the diversification of fund products in the Mainland and Hong Kong.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)065**

**(Question Serial No. 2899)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 13 Page 4

Question (Member Question No. 15):

It is mentioned in the Budget Speech that the US economy may see some improvement in 2014. Nevertheless, there is still uncertainty over the Federal Reserve Board's exit strategy and interest rate policy. Possible market fluctuations and the risk of reversal of capital flows will cast shadows over global economic growth this year. In face of the uncertainty in the macro financial and investment environment, are there any measures to strengthen our resilience and minimise the impact of the associated risks? If so, what are the details and the additional resources involved?

Asked by: Hon. WONG Ting-kwong

Reply:

Investors expectation of an eventual normalisation of monetary environment amid the US Federal Reserve's tapering of asset purchase could lead to a reversal of capital flows and return of market gyrations. Hong Kong's financial markets continue to operate smoothly, and financial institutions remain sound. However, we must stay vigilant given the international financial market may turn turbulent.

Financial regulators in Hong Kong have introduced a number of measures to manage the systematic risks in the market and enhance the resilience of the financial system. For the banking sector, the Hong Kong Monetary Authority has strengthened banks' credit and liquidity risk management, increased the level of banks' regulatory reserve, and introduced six rounds of prudential supervisory measures for mortgage lending. For the securities sector, the Securities and Futures Commission keeps a close watch on fundflow and other developments in the local securities market, and monitor various fronts such as data pertaining to volatility of the stock market and the futures market as well as short selling activities. It also monitors and assesses the financial position of brokers. For the insurance sector, the Office of Commissioner of Insurance continue to monitor the financial position of insurers under its supervision, including their investment portfolio, asset quality and impact of interest rate changes to their financial position, and require insurers to regularly report their solvency ratios in order to ensure the financial soundness, capital adequacy and solvency of the insurers.

Regulators will conduct stress tests on the financial institutions under their purview from time to time to ensure they can function properly even during extremely volatile situations. They also maintain liaison with their overseas counterparts to keep track of the operating and financial situations of foreign financial institutions, in order to identify any risks to Hong Kong's financial markets.

The Government and the regulators have also established effective platforms to discuss the latest market and regulatory developments, monitor the overall functioning of Hong Kong's financial system, and coordinate cross-market risk management matters. We will closely monitor the latest development of the global and



local financial markets, and act swiftly as and when necessary to ensure the proper functioning of our financial markets.

The expense involved in the above initiatives will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)066**

**(Question Serial No. 1277)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (2) Social Statistics  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 23):

It is mentioned under this programme that the Department organises the Thematic Household Survey (THS) series to meet the statistical data requirements of bureaux and departments under a contracting-out mode. Please provide the following:

1. Tabulate the details relating to THS conducted in the past 5 years, including the themes and the costs involved;
2. Among those conducted as shown in the table for (1) above, is there any survey on mental health or disorders? If no, please give reasons; and
3. In addition, is there any survey on persons of different sexual orientation? If no, please give reasons.

Asked by: Hon. CHAN Chi-chuen

Reply:

1. The details of THS series conducted by the Census and Statistics Department (C&SD) in the past 5 years are at Annex.
2. The health-related surveys conducted in 2009-10, 2011-12 and 2013-14 covered a data item in respect of reported chronic diseases, including mental disorders.
3. The themes of THS are proposed by bureaux/departments and the surveys are contracted out to private research firms. C&SD is responsible for awarding the contract, as well as coordinating and managing the work of the commissioned research firm. The bureaux/departments concerned are responsible for the cost. So far, no bureaux/departments have proposed the topic on sexual orientation for THS.

## Thematic Household Surveys Conducted during 2009-10 to 2013-14

Survey title/theme	Contract cost (HK\$M)
2009-10	
THS on Information Technology Usage and Penetration	2.10
THS on Environmental Noise Issues, Utilisation of Services Provided by Managed Care Organizations and Studying Outside Hong Kong	2.28
THS on Health-related Issues and Enforcement of Maintenance Order	2.20
2010-11	
THS on Employment Concerns and Training Needs, Education Reform and Provision of Sports Facilities	2.00
THS on Smoking Pattern, Keeping of Dogs and Cats, Utilisation of Non-franchised Bus Services and Personal Computer and Internet Penetration	2.10
2011-12	
THS on Use of New Media, Provision of International School Places and Digital Terrestrial Television Take-up	2.20
THS on Health-related Issues	2.21
2012-13	
THS on Retirement Planning and the Financial Situation in Old Age, Utilisation of Child Health and Family Planning Services Provided by Maternal and Child Health Centres, Use of Language in Hong Kong, and Personal Computer and Internet Penetration	2.33
THS on Information Technology Usage and Penetration	2.24
THS on Smoking Pattern and Chiropractor Consultation	2.24
2013-14	
THS on Crime and Its Victims in Hong Kong, and Personal Computer and Internet Penetration	4.98
THS on Time Use Pattern and Hong Kong Residents Travelling Frequently and Regularly to the Mainland of China	2.58
THS on Health-related Issues	2.25

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)067**

**(Question Serial No. 1278)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (4) General Statistical Services  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 89 (if applicable)

Question (Member Question No. 24):

Under this programme, please provide details of the activities organised in the past year for “promoting statistical literacy and application of statistics in the community”, including the costs involved, number of participants/recipients, and the actual effectiveness.

Asked by: Hon. CHAN Chi-chuen

Reply:

In 2013, the Census and Statistics Department conducted over 50 statistical talks/seminars with a view to promoting statistical literacy and application of statistics in the community. More than 9 000 participants attended these talks/seminars. Participants generally reflected that these talks/seminars were useful in enhancing their awareness of government statistics and understanding of the application of statistics in social and economic analyses. The above activities are part of the day-to-day work of a team of professional staff in the Department. The expenditure involved will be absorbed from within our existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)068**

**(Question Serial No. 1799)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 645):

In relation to “*maintaining an up-to-date register of quarters*”, please list out by district in Hong Kong the numbers of roof-top structures, factory buildings, squatters, huts, illegal structures as well as the numbers of residents and households living in these units for the past 5 years.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

The register of quarters include the addresses of quarters for use as the sampling frame for population censuses/by-censuses and household surveys. The register does not include the requested information.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)069**

**(Question Serial No. 2104)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (1) Trade Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 93 (if applicable)

Question (Member Question No. 40):

According to the Analysis of Financial Provision, the actual provision for 2012-13 under this programme was \$148.4 million. Given that the original estimate for 2013-14 was \$165.4 million, the revised estimate for 2013-14 was \$145.6 million which was even lower than that for 2012-13. In this connection, what are the justifications for the Department to request for an estimated provision of \$161.4 million in 2014-15 instead of around \$145 million, which is comparable to that in the previous 2 years?

Asked by: Hon. CHIANG Lai-wan

Reply:

The increased provision of \$15.8 million for 2014-15, as compared with the revised estimate of 2013-14, is mainly for conducting a series of supplementary surveys to compile more analyses of processing trade, and for filling the vacancies in 2013-14.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)070****(Question Serial No. 3292)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (000) Operational Expenses

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 93 (if applicable)

Question (Member Question No. 57):

1. In this year's estimate, what is the estimated expenditure for the 2016 Population By-census?
2. The Department will create 62 posts under this programme. How many of them will be involved in conducting the 2016 Population By-census?
3. In relation to (2) above, please provide the relevant post titles, timing of creation and cost involved in the following table:

Post Title	No. of Posts	Timing of Creation	Cost Involved

4. What are the justifications for creating these posts in the current year while all of them are only operationally required in 2016?

Asked by: Hon. FAN Kwok-wai, Gary

Reply:

1. In 2014-15, the estimated expenditure for the preparation work for the 2016 Population By-census (16BC) is around \$29.0 million.
2. In 2014-15, 54 time-limited posts will be created to undertake the preparation work for the 16BC.
3. The post titles, timing of creation and cost involved for the above-mentioned 54 time-limited posts are listed below:

Post Title	No. of Posts	Timing of Creation	Cost Involved (in 2014-15)
Senior Statistician	1	1.4.2014	\$1,153,800
	1	3.10.2014	\$576,900
Senior Statistical Officer	3	1.4.2014	\$1,865,700
	2	3.10.2014	\$621,900
Statistical Officer I	5	1.4.2014	\$2,360,700
	3	3.10.2014	\$708,210
Chief Census and Survey Officer	1	3.10.2014	\$386,460
Senior Census and Survey Officer	5	1.12.2014	\$1,036,500
Census and Survey Officer	21	1.12.2014	\$3,018,120

Post Title	No. of Posts	Timing of Creation	Cost Involved (in 2014-15)
Senior Executive Officer	1	1.4.2014	\$845,880
Executive Officer I	1	1.4.2014	\$621,900
	2	3.10.2014	\$621,900
Supplies Officer	1	3.10.2014	\$296,970
Clerical Officer	2	1.4.2014	\$713,280
	1	3.10.2014	\$178,320
Assistant Clerical Officer	3	1.4.2014	\$667,260
Senior System Manager	1	1.4.2014	\$1,153,800
Total	54		\$16,827,600

4. The time-limited posts created in 2014-15 are responsible for formulation of data collection methods and operational procedures; setting up of the data collection, data processing and fieldwork systems; and planning for the conduct of a pilot survey in mid-2015.



**CONTROLLING OFFICER'S REPLY****FSTB(FS)071****(Question Serial No. 3264)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 17):

Please provide the following in the form of the table below:

The numbers of live births in Hong Kong for the past 5 years.

Table 1

Year	Total no. of live births	No. of live births born in Hong Kong to local women		No. of live births born in Hong Kong to non-local women			
		whose spouses are Hong Kong permanent residents	whose spouses are not Hong Kong permanent residents	whose spouses are Hong Kong permanent residents	whose spouses are not Hong Kong permanent residents	Unknown	Sub-total
2009							
2010							
2011							
2012							
2013							

Asked by: Hon. IP Kin-yuen

Reply:

Based on the information provided by the Immigration Department (ImmD) to the Census and Statistics Department (C&SD), the total number of live births in Hong Kong and the figures of live births born in Hong Kong to Mainland women from 2009 to 2013 are given in Table 1.

Table 1

Year	Total no. of live births <sup>(1)</sup>	No. of live births born in Hong Kong to local women and non-local women (excluding Mainland women) <sup>(2)</sup>	No. of live births born in Hong Kong to Mainland women			
			whose spouses are Hong Kong Permanent Residents	whose spouses are not Hong Kong Permanent Residents <sup>(3)</sup>	Others <sup>(4)</sup>	Sub-total
2009	82 095	44 842	6 213	29 766	1 274	37 253
2010	88 584	47 936	6 169	32 653	1 826	40 648
2011	95 451	51 469	6 110	35 736	2 136	43 982
2012	91 558	58 539	4 698	26 715	1 786	33 199
2013 <sup>#</sup>	57 138	51 641	4 670	790	37	5 497

- Notes :
- (1) The figures refer births actually taking place in that reference period.
  - (2) The information provided by ImmD to C&SD does not include breakdowns pertaining to the live births born to local women and non-local women, and those pertaining to the live births born to non-Mainland women whose spouses are Hong Kong Permanent Residents and whose spouses are not Hong Kong Permanent Residents.
  - (3) Include Hong Kong Non-permanent Residents (Persons from the Mainland having resided in Hong Kong for less than 7 years being grouped in this category) and non-Hong Kong residents.
  - (4) Mainland mothers chose not to provide the father's residential status during birth registration.
- # Provisional figure.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)072**

**(Question Serial No. 2349)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 92 (if applicable)

Question (Member Question No. 31):

Please advise the following:

- (a) The number, title and nature of the labour statistics surveys conducted under this programme for the past 3 years.
- (b) Has the Department considered conducting any independent special topic surveys on the effects on labour earnings and employment due to the implementation and adjustment of minimum wage? If yes, what is the estimated financial requirement? If no, what are the reasons?
- (c) Has the Department considered conducting any independent special topic surveys on the effects on labour earnings and employment due to standard working hours? If yes, what is the estimated financial requirement? If no, what are the reasons?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

- (a) Over the past 3 years (as at 2013-14), the Census and Statistics Department (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 the number of persons engaged and vacancies in major industries.
2) Quarterly Employment Survey of Construction Sites	Conducted quarterly for providing statistics on the 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.
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, C&SD conducted an ad hoc statistical survey entitled “2012 Survey on Employment Benefits” in 2012 to provide information relating to the provision of various employment benefits to employees by employers.

- (b) Currently, statistical data compiled from various sources are used to estimate the impact of Statutory Minimum Wage (SMW) and its adjustments on labour earnings and employment. The Administration has also commissioned a consultancy study on the impact of the revised SMW rate on pay hierarchies in the retail and restaurant sectors at a consultancy fee of \$0.61 million.
- (c) The Administration has commissioned a consultant firm to assist the Standard Working Hours Committee in conducting a dedicated survey to collect comprehensive data about working hours and views on working-hour related issues from employed persons. The budget for this survey is \$5.68 million.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)073**

**(Question Serial No. 0379)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (000) Operational Expenses  
Programme: (-) Not specified  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 3):

In relation to outsourced works, please provide the following:

1. For the past year, the expenditure incurred of the outsourcing contracts awarded by the Census and Statistics Department (including consultancy services), the total number of outsourced staff involved, as well as the categories of such contracts; and
2. For the coming financial year, the expenditure to be incurred of the outsourcing contracts awarded/to be awarded by the Census and Statistics Department (including consultancy services), the total number of outsourced staff involved, the categories of such contracts, the percentage of increase/decrease as compared with that of the past year, and the percentage of which to the total expenditure of the Department.

Asked by: Hon. LAU Wong-fat

Reply:

1. In 2013-14, the Census and Statistics Department (C&SD) appointed a consultancy firm to carry out a review on the management system and outsourced a data verification task to a private survey research firm. The expenditure incurred is around \$1.48M involving around 55 outsourced staff. In addition, C&SD contracted out 3 rounds of Thematic Household Survey (THS) to private research firms in 2013-14, at the request of individual government bureaux/departments. The expenditure incurred was \$9.8M and was borne by government bureaux/departments concerned. These contracts involved around 130 outsourced staff.
2. In 2014-15, having regard to the requests of government bureaux/departments, C&SD tentatively plans to contract out 3 to 4 rounds of THS to private research firms. All the expenditure incurred will be borne by the related government bureaux/departments. Details on the expenditure and the number of outsourced staff involved are not available at the present stage.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)074****(Question Serial No. 3231)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 76):

*“The Investigation Task Force on Statistical Data Quality Assurance put forward in March 2013 recommendations to strengthen the data quality assurance mechanism and fieldwork management system of the Department. They are in different stages of implementation.”* Please provide a timetable for implementing the relevant recommendations, the progress as well as the resources involved.

Asked by: Hon. LEE Wai-king, Starry

Reply:

The Census and Statistics Department (C&SD) has completed implementation of five of the six recommendations put forward by the Investigation Task Force on Statistical Data Quality Assurance.

Regarding the first recommendation to identify high-risk data categories for close monitoring of data quality, cross-sectional and longitudinal analyses have been undertaken to identify such data categories in various surveys, and targeted data quality assurance measures have been implemented since October 2013.

Regarding the second and third recommendations to oversee the quality assurance of the General Household Survey (GHS) and enhance the sense of ownership among all staff involved in conducting the survey, a “Departmental Committee on Data Quality Assurance of General Household Survey” comprising members from various grades and ranks was set up in June 2013. The Committee is tasked to formulate measures to strengthen the operation of the quality assurance system of GHS and enhance communication among all stakeholders. These measures are at various stages of implementation.

On the fourth recommendation to assess the impact of response rate and rate of proxy reporting on the results of GHS, the assessment was completed in September 2013.

Regarding the fifth recommendation to introduce measures to raise public awareness of GHS and the work of C&SD in general, a TV Announcement of Public Interest (API), a radio API and a poster were produced with a view to appealing to the public for supporting Government statistical work. The APIs have been broadcast since January 2014 and the posters will be widely displayed at district level to achieve publicity effect.

As for the sixth recommendation to conduct a comprehensive review of the existing fieldwork management system, C&SD has commissioned a consultancy in end July 2013 and is expected to complete in the first half of 2014. C&SD will follow up on the recommendations of the consultant.

The expenditure involved in the comprehensive review on fieldwork management system is around \$1.4 million and that for the production of the TV and radio APIs and the poster is around \$1.0 million. The

expense involved in implementing the above recommendations will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)075**

**(Question Serial No. 1305)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 21):

“*Matters Requiring Special Attention in 2014-15*” mentioned that the Department would maintain an up-to-date register of quarters. What is the estimated expenditure concerned? Moreover, is the “register of quarters” the same as the property market information compiled by the Rating and Valuation Department (R&VD)? If not, will the Department provide the annually updated data from the register of quarters to the R&VD for compiling the property market information, so as to avoid the occasion that different departments under the same policy bureau to repeat compiling statistics on the same data type?

Asked by: Hon. LEUNG Che-cheung

Reply:

In 2014-15, the estimated expenditure for updating the register of quarters is around \$2 million.

The register of quarters include the addresses of quarters for use as the sampling frame for population censuses/by-censuses and household surveys. It does not contain the data required by the R&VD (e.g. rent and prices of the quarters) for compilation of property market statistics.



**CONTROLLING OFFICER'S REPLY****FSTB(FS)076****(Question Serial No. 1306)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 22):

Please outline by year the total number of Thematic Household Surveys (THSs) conducted on the requests of government bureaux/departments in the past 3 years. Please list out details on the requesting bureaux/departments, the titles of THS, the costs involved, and the organisations/companies which conducted the surveys.

Asked by: Hon. LEUNG Che-cheung

Reply:

The details of THSs conducted at the requests of government bureaux/departments in the past 3 years are set out below -

<b>Survey title</b>	<b>Sponsor bureau/ department</b>	<b>Name of contractor</b>	<b>Contract cost (HK\$M)</b>
2011-12			
THS on Use of New Media, Provision of International School Places and Digital Terrestrial Television Take-up	Central Policy Unit (CPU)/ Education Bureau (EDB)/ Commerce and Economic Development Bureau	MOV Data Collection Center Ltd.	2.20
THS on Health-related Issues	Food and Health Bureau (FHB)	The Nielsen Company (Hong Kong) Ltd.	2.21

<b>Survey title</b>	<b>Sponsor bureau/ department</b>	<b>Name of contractor</b>	<b>Contract cost (HK\$M)</b>
2012-13			
THS on Retirement Planning and the Financial Situation in Old Age, Utilisation of Child Health and Family Planning Services Provided by Maternal and Child Health Centres, Use of Language in Hong Kong, and Personal Computer and Internet Penetration	CPU/Department of Health/ EDB/Office of the Government Chief Information Officer (OGCIO)	MOV Data Collection Center Ltd.	2.33
THS on Information Technology Usage and Penetration	OGCIO	MOV Data Collection Center Ltd.	2.24
THS on Smoking Pattern and Chiropractor Consultation	FHB/Labour Department	MOV Data Collection Center Ltd.	2.24
2013-14			
THS on Crime and Its Victims in Hong Kong, and Personal Computer and Internet Penetration	Security Bureau/OGCIO	MOV Data Collection Center Ltd.	4.98
THS on Time Use Pattern, and Hong Kong Residents Travelling Frequently and Regularly to the Mainland of China	Labour and Welfare Bureau/Constitutional and Mainland Affairs Bureau	MOV Data Collection Center Ltd.	2.58
THS on Health-related Issues	FHB	The Nielsen Company (Hong Kong) Ltd.	2.25

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)077**

**(Question Serial No. 0226)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (2) Social Statistics  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 38):

The estimate for 2014-15 amounts to \$109 million, which is 37.9% higher than the original estimate for 2013-14. In respect of this, can the Department inform us:

1. Among the 37.9% increase in the estimate, how much of it will be spent on the preparation work for the 2016 Population By-census (16BC)? What is the percentage of which to the increase in the estimate?
2. On top of the establishment, how many staff will be recruited for the 16BC? What is the concerned pay level?
3. What is the expenditure for setting up the 16BC Office? Please briefly account for the numbers of staff within and on top of the establishment of the 16BC Office. What is the staff cost involved?

Asked by: Hon. WONG Kwok-hing

Reply:

1. In 2014-15, the estimated expenditure for the preparation work for the 2016 Population By-census (16BC) is around \$29.0 million, accounting for 97% of the increase in estimated expenditure.
2. The manpower requirement for the 16BC varies according to stages. In 2014-15, the Census and Statistics Department will employ 47 non-civil service contract (NCSC) staff to undertake the preparation work for the 16BC. During the By-census period, an additional 200 NCSC staff and some 6 500 temporary field workers will be employed to participate in the data collection work. The pay level of the staff will be based on that of equivalent civil service posts, ranging from the monthly salary of around \$11,000 of a general clerk to around \$36,000 of a research manager.
3. The 16BC Office will be set up in 2014-15, involving estimated expenditure of around \$29.0 million. In 2014-15, 54 time-limited posts and 47 NCSC posts will be created for the 16BC Office. The staff cost involved is expected to be \$20.9 million.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)078**

**(Question Serial No. 1006)**

Head: (31) Customs and Excise Department  
Subhead (No. & title): (-) Not Specified  
Programme: (1) Control and Enforcement  
Controlling Officer: Commissioner of Customs and Excise (Clement CHEUNG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 144

Question (Member Question No. 34):

Are there any figures regarding the prosecution of Unlicensed Money Service Operators since the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance came into effect on 1 April 2012? If yes, what are the details?

Asked by: Hon. WONG Ting-kwong

Reply:

From 1 April 2012 when the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance came into effect to 28 February 2014, 14 operators were prosecuted by the Customs and Excise Department for unlicensed operation of money service.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 0205)**

Head: (116) Official Receiver's Office

Subhead (No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (Ms. Teresa S W Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 778 (if applicable)

Question (Member Question No. 9):

Official Receiver's Office contracted out summary liquidation cases, liquidation cases under the Administrative Panel Scheme and debtor-petition summary bankruptcy cases to practitioners in the private sector. Will the Administration inform this Committee of the following-

1. Please list the number and percentage of contract-out summary liquidation cases with realisable assets for the past 3 years (Table 1);

Table 1  
Year\_\_\_\_\_

Value of realisable assets	Cases and Percentage
\$10,000 or below	
above \$10,000 - \$20,000	
above \$20,000 - \$30,000	
above \$30,000 - \$50,000	
above \$50,000 - \$100,000	
above \$100,000 - \$200,000	

2. Please list the number and percentage of contract-out liquidation cases under the Administrative Panel Scheme with realisable assets for the past 3 years (Table 2);

Table 2  
Year\_\_\_\_\_

Value of realisable assets	Cases and Percentage
\$10,000 or below	
above \$10,000 - \$20,000	
above \$20,000 - \$30,000	
above \$30,000 - \$50,000	
above \$50,000 - \$100,000	
above \$100,000 - \$200,000	

3. Please list the number and percentage of contract-out debtor-petition summary bankruptcy cases with realisable assets for the past 5 years (Table 3);

Table 3  
Year \_\_\_\_\_

Value of realisable assets	Cases and Percentage
\$10,000 or below	
above \$10,000 - \$20,000	
above \$20,000 - \$30,000	
above \$30,000 - \$50,000	
above \$50,000 - \$100,000	
above \$100,000 - \$200,000	

4. For the past 5 years, what were the amount involved in the insolvency cases outsourced to the private sector through the above 3 ways and their percentage in the department's expenses?

5. For the past 5 years, what were the number and percentage of civil servants and non-civil service contract staff in the department? How many of them were responsible for the said outsourcing work and for contacting the practitioners in the private sector?

Asked by: Hon. KWOK Wai-keung

Reply:

1&2. The numbers of contract-out summary liquidation cases (applicable to cases with estimated realisable assets of \$200,000 or below) and contract-out liquidation cases under the Administrative Panel Scheme (applicable to cases with estimated realisable assets over \$200,000) for the past 3 years are shown in the table below. ORO does not have a breakdown based on the realisable assets of those cases.

No. of contract-out liquidation cases	2011-12	2012-13	2013-14 (up to Jan 2014)
Summary cases	276	297	192
Cases under the Administrative Panel Scheme	8	13	8

3. The numbers of contract-out summary debtor-petition bankruptcy cases (applicable to cases with estimated realisable assets of \$200,000 or below) for the past 5 years are shown in the table below. ORO does not have a breakdown based on the realisable assets of those cases.

	2009-10	2010-11	2011-12	2012-13	2013-14 (up to Jan 2014)
Number of contract-out summary debtor-petition bankruptcy cases	2 245	3 568	2 801	1 879	1 805

4. For the past 5 years, the amount of fees for the above 3 types of work contracted out to the private sector and the ratio of that amount to the ORO's expenditure are shown in the table below:

	2009-10	2010-11	2011-12	2012-13	2013-14 (up to Jan 2014)
Amount of fees (\$)	1,000,000	1,700,000	1,430,000	950,000	500,000
Ratio to ORO's expenditure	0.87%	1.43%	1.13%	0.71%	0.43%

5. For the past 5 years, the numbers and percentages of civil servants and non-civil service staff in ORO are shown in the table below:

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14 (up to Jan 2014)</b>
Civil servants	224 (77.2%)	225 (77.9%)	225 (78.4%)	233 (78.7%)	235 (80.2%)
Non-civil service staff	66 (22.8%)	64 (22.1%)	62 (21.6%)	63 (21.3%)	58 (19.8%)

As at January 2014, a total of 39 staff members in ORO (including 26 civil servants and 13 non-civil service staff) needed to handle matters relating to contract-out cases as part of their daily job. Among them, 3 staff members (including 2 civil servants and 1 non-civil service staff) are dedicated to monitoring performance of practitioners in the private sector under the various contract-out schemes.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)080****(Question Serial No. 0220)**

Head: (116) Official Receiver's Office

Subhead(No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (Ms. Teresa S W Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 778 (if applicable)

Question(Member Question No. 8):

The Official Receiver's Office continues to encourage greater use of individual voluntary arrangements by debtors as an alternative to bankruptcy. In this regard, will the Administration inform this Committee of the following:

1. For the past 3 years, how many individual voluntary arrangement cases were handled by the Official Receiver's Office as an alternative to bankruptcy?
2. During the year, what measures were adopted by the Official Receiver's Office to encourage the use of individual voluntary arrangements by debtors? What were the relevant manpower and expenditure?
3. Last year, the Official Receiver's Office reduced the deposit payable for debtor-petition bankruptcy cases from \$8,650 to \$8,000 but there were still some debtors saying that they could not afford to pay the fees for applying for bankruptcy because of financial hardship, making them unable to solve the debt problems through bankruptcy. What was the number of requests for assistance received by the Official Receiver's Office? How many cases in which debtors could not afford the fees and use individual voluntary arrangement instead?
4. Some members of the public said that the procedures in applying for bankruptcy and filling out the relevant forms were complicated. Quite a lot of them had to seek assistance from outside profit making and non-profit making organisations. Will the Official Receiver's Office deploy extra resources and manpower to streamline the bankruptcy procedures and the relevant forms, and to enhance support measures for those apply for bankruptcy? If yes, what are the relevant manpower and expenditure? If not, what are the reasons?

Asked by: Hon. TANG Ka-piu

Reply:

1. Since September 2002, individual voluntary arrangements (IVA) cases have been dealt with by outside nominees. From 2011 to 2013, the numbers of approved IVA cases reported by the outside nominees to Official Receiver's Office (ORO) are as follows -

<b>Year</b>	<b>No. of approved IVA cases reported to ORO</b>
2011	822
2012	799
2013	810

2. The ORO informs the public that they can use IVA as an alternative to bankruptcy and enhances their understanding about the advantages of IVA as well as the respective rights and obligations through



various means including posters, pamphlets and the Internet. Besides, ORO's staff attend relevant seminars and talks for professional bodies, social workers and members of the general public from time to time. The ORO also provides counter and hotline services to the public for enquiry about IVA. The expenditure involved is absorbed from within our existing resources. We do not have a separate breakdown.

3. The ORO does not have the statistics.
4. The ORO has provided the *Debtor's Bankruptcy Petition Procedural Guide* (the Guide) for free download from ORO's website. The Guide sets out the procedures for filing a debtor's petition for reference by members of the public when completing the relevant forms as stipulated by the Bankruptcy Ordinance (Cap.6) whenever necessary. The ORO also provides counter and hotline services to the public for enquiry about the procedures for bankruptcy petition. The ORO will keep in view public feedbacks on the service provided, and continue to review and enhance the effectiveness of its service.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)081**

**(Question Serial No. 0221)**

Head: (116) Official Receiver's Office  
Subhead(No. & title): (-) Not Specified  
Programme: (1) Official Receiver's Office  
Controlling Officer: Official Receiver (Ms. Teresa S W Wong)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 777 (if applicable)

Question(Member Question No. 3):

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 the following:

- (a) the age distribution, residence types, marital status, levels of education, employment status, occupation types and income levels of the bankruptcy petitioners or the bankrupts over the past 3 years;
- (b) the amount of indebtedness (table 1), causes of bankruptcy (table 2) and types of creditors (table 3) of the bankruptcy cases over each of the past 3 years;

Table 1

Year \_\_\_\_

Amount of Indebtedness	Numbers and Percentage
\$30,000 or below	
above \$30,000 - \$50,000	
above \$50,000 - \$100,000	
above \$100,000 - \$200,000	
above \$200,000 - \$400,000	
above \$400,000 - \$600,000	
above \$600,000	

Table 2

Year \_\_\_\_

Causes of Bankruptcy	Numbers and Percentage
Credit card debts	
Mortgages	
Income shortfall	
.....	

Table 3

Year \_\_\_\_\_

Types of Creditors	Numbers and Percentage
The Government	
Banks	
Finance companies	
Personal debts	
.....	

(c) whether the Administration will consider establishing a relevant database if the above information is unavailable? If yes, what is the manpower involved in establishing a relevant database? If no, what are the reasons?

Asked by: Hon. TANG Ka-piu

Reply:

(a) Based on the information collected by the Official Receiver's Office (ORO) as provided by the bankrupts or relevant parties (such as creditors) in bankruptcy cases with bankruptcy orders made during the period from 2011 to 2013, the distributions of age, residence types, employment status and monthly income of the bankrupts are as follows:-

Age of Bankrupts	Percentage*
30 or below	17.73%
above 30 – 40	24.92%
above 40 – 50	28.12%
above 50	29.23%
Total	100.00%

Residence type of Bankrupts	Percentage*
Public Housing	57.07%
Private Apartment (owned by the bankrupts <sup>1</sup> )	1.71%
Private Apartment (not owned by the bankrupts)	41.22%
Total	100.00%

Employment status of Bankrupts	Percentage*
Employed	63.49%
Unemployed	36.51%
Total	100.00%

Monthly income of Bankrupts	Percentage*
No income	34.89%
\$10,000 or below	35.67%
above \$10,000 - \$15,000	20.47%
above \$15,000 - \$20,000	6.25%
above \$20,000 - \$25,000	1.67%
above \$25,000	1.05%
Total	100.00%

<sup>1</sup> The properties are under mortgage / charge.

- (b) Based on the information collected by the ORO as provided by the bankrupts or relevant parties (such as creditors) in bankruptcy cases with bankruptcy orders made during the period from 2011 to 2013, the distributions of indebtedness of the bankrupts and causes of bankruptcy are as follows:-

Indebtedness of Bankrupts	Percentage*		
	2011	2012	2013
\$30,000 or below	0.48%	0.29%	0.46%
above \$30,000 - \$50,000	0.46%	0.39%	0.29%
above \$50,000 - \$100,000	4.86%	4.43%	3.55%
above \$100,000 - \$200,000	29.97%	27.00%	24.45%
above \$200,000 - \$400,000	38.73%	40.34%	41.75%
above \$400,000 - \$600,000	12.15%	13.36%	14.80%
above \$600,000	13.35%	14.19%	14.70%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Causes of Bankruptcy	Percentage*		
	2011	2012	2013
Excessive Use of Credit			
Facilities	13.57%	15.02%	15.54%
Gambling	4.21%	5.53%	4.37%
Lack of Gainful Employment	41.69%	34.45%	33.70%
Loss in Business	10.59%	9.53%	6.81%
Loss in Investment	1.25%	1.28%	1.31%
Overspending	23.32%	29.11%	33.62%
Personal Guarantee Liabilities	2.18%	1.66%	1.31%
Speculation in Shares etc.	0.23%	0.51%	0.04%
Others	2.96%	2.91%	3.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

- (c) Maintaining separate statistics on information such as marital status, levels of education, occupation types and types of creditors are considered to have limited use on the handling of bankruptcy cases. ORO will nevertheless review the need to keep separate statistics on such information from time to time.

\* Figures are rounded to the nearest two decimal places

**CONTROLLING OFFICER'S REPLY****FSTB(FS)082****(Question Serial No. 1488)**

Head: (116) Official Receiver's Office

Subhead (No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (Ms. Teresa S W Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 776 (if applicable)

Question (Member Question No. 27):

In the past 3 financial years, what were the amounts of fees for debtor-petition bankruptcy cases? What was the year-on-year rate of increase? What criteria did the Official Receiver's adopt in setting the fees level?

Has the ORO assessed the number of debtors who could not afford the fees for bankruptcy petition and could not petition for bankruptcy? If yes, what is the number? If not, can the ORO make an assessment immediately? Will the ORO reduce the fees as soon as possible? If yes, what are the reasons? If not, what are the reasons?

Asked by: Hon. TSE Wai-chun, Paul

Reply:

Rule 52 of the Bankruptcy Rules (Cap.6A) provides that the debtor shall pay a deposit upon presentation of a bankruptcy petition against himself. According to the Administration's established policy, the amount of various statutory fees, charges and deposits charged by the ORO should in general be set at levels adequate to recover the full costs of providing the services. This ensures that the costs for providing the services do not fall on the general tax-payers. In the past 3 years, the amounts of the above-mentioned deposit and the year-on-year change rate are as follows:

<b>Year</b>	<b>Amount of deposit for debtor-petition bankruptcy cases (\$)</b>	<b>Year-on-year change rate (%)</b>
2011	8,650	No change
2012	8,650	No change
2013	8,650 (up to 31October) 8,000 (since 1 November)	No change -7.5

Last year, the Legislative Council Panel on Financial Affairs and the Subcommittee responsible for scrutinizing, *inter alia*, the Bankruptcy (Amendment) Rules 2013 discussed whether the Government could consider possible measures to assist debtors who could not afford the deposit for applying for bankruptcy. As we have pointed out to the Panel and the Subcommittee, since most persons who petition for bankruptcy may claim affordability problem, it is very difficult to design a fair reduction/waiver mechanism. Furthermore, the arrangement adopted by the United Kingdom and Singapore is similar to that of Hong Kong and neither of them provides for a separate statutory mechanism to charge certain categories of persons a lower deposit or to waive the deposit for such persons. As such, we do not intend to consider a separate statutory mechanism to charge a lower deposit or waive the deposit and have not conducted the relevant assessment mentioned in the latter half of the question. Nevertheless, the ORO will keep in view the cost recovery situation of the relevant services and will consider reviewing the deposit amount where necessary.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)083****(Question Serial No. 2816)**

Head: (G01)Bond Fund

Subhead (No. & title): (-) Not Specified

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 85 Page 26

Question (Member Question No. 4):

It is mentioned in paragraph 85 of the Budget Speech that the Government is planning to make another issuance of iBond. How will the Government evaluate the effect of the arrangement for listing on the Hong Kong Exchanges and Clearing Limited ("HKEx") on enhancing bond transactions and liquidity of the secondary bond market? Will the next issuance of bonds continue to be offered only to Hong Kong residents holding Hong Kong Identity Cards and listed on the HKEx? Will bonds of other types be encouraged to adopt the said offering approach so as to promote the development of the local bond market?

Asked by: Hon. CHEUNG Wah-fung, Christopher

Reply:

The three iBond issuances have been listed on the Hong Kong Exchanges and Clearing Limited ("HKEx") to improve their liquidity. Investors may trade iBonds through exchange participants (e.g. securities brokers) in a manner that is similar to the trading of other listed products such as equities (i.e. the Exchange market). At present, the iBonds have the highest secondary market turnover amongst the bonds listed on the HKEx. In addition, investors may trade iBonds with placing banks that are appointed as market makers. The market makers undertake to quote bid prices to purchase the bonds when customers need to sell their bond holdings (i.e. the over-the-counter ("OTC") market). Having an Exchange market and an OTC market can satisfy the needs of different investors, and is conducive to the promotion of liquidity of bonds in the secondary market.

Most bond issuers will consider primarily the diversification and stability of funding sources at reasonable costs when raising funds. Individual issuers usually issue bonds in a way that best suits their needs.

As announced by the Financial Secretary in the 2014-15 Budget Speech, the new iBond issuance will target Hong Kong residents. The Administration will announce the detail after completing all the necessary preparatory work, and will continue to promote the development of the local bond market through implementing the Government Bond Programme.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)084**

**(Question Serial No. 4356)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 55):

The Asia-Pacific Economic Cooperation Finance Ministers' Meeting (APEC FMM) was originally scheduled to be held in Hong Kong in September 2014. The Administration, however, was notified that the APEC FMM would be held in Beijing instead of Hong Kong earlier on. Of the provision of \$63 million originally approved by the Legislative Council, how much has already been spent? What is the estimated administration expenses for the handover with Beijing?

Asked by: Hon. CHAN Chi-chuen

Reply:

The non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013 is for meeting the costs of organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in 2014-15. No expenditure has been incurred from this provision. The Administration will reserve this provision in the Center according to the established procedures, and no expenditure shall be incurred against the provision reserved. Since receipt of the Central People's Government ("CPG") decision on 25 February, our liaison with the relevant CPG ministries has not incurred any additional administrative expenses.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)085****(Question Serial No. 5362)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 413

Question (Member Question No. 119):

Please provide details of the government fleet under your purview:

	Number	Operational expenses for 2013	Estimated operational expenses for 2014-15
VIP Car			
Large Saloon Car (Grade A)			
Large Saloon Car (Grade B)			

Asked by: Hon. CHAN Wai-yip, Albert

Reply:

	Number	Operational expenses for 2013-14	Estimated operational expenses for 2014-15
Large Saloon Car (Grade A)	1	\$26,000	\$26,000



**CONTROLLING OFFICER'S REPLY****FSTB(FS)086****(Question Serial No. 6401)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 62):

In respect of the advisory and statutory bodies under the purview of the Financial Services and the Treasury Bureau, please provide the name, functions and number of members with a breakdown by gender and age (below 30, 30 and above) of each of these bodies. Please also provide their total expenditure for the past 5 years.

Asked by: Hon. CHEUNG Kwok-che

Reply:

At present, there are 23 Advisory and Statutory Bodies (“ASBs”) under the purview of Financial Services Branch (“FSB”). The responsibilities of these ASBs are –

	<b>Name</b>	<b>Functions</b>
1	Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Review Tribunal	Established under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) to review disciplinary decisions made by the relevant authorities under the Ordinance against financial institutions, as well as licensing decisions made by the Commissioner of Customs and Excise in respect of money service operators.
2	Banking Review Tribunal	Established under the Banking Ordinance (Cap. 155) to hear appeals against relevant decisions made by the Monetary Authority in relation to capital, liquidity and disclosure requirements that apply to authorised institutions under the Banking Ordinance.
3	Clearing and Settlement Systems Appeals Tribunal	Established under the Clearing and Settlement Systems Ordinance (Cap. 584) to hear appeals by any person who is aggrieved by a decision of the Hong Kong Monetary Authority on designation of a clearing and settlement system and related matters.

4	Deposit Protection Appeals Tribunal	Established under the Deposit Protection Scheme Ordinance (Cap. 581) to hear appeals by depositors or member banks of the Deposit Protection Scheme who are aggrieved by certain decisions made by the Hong Kong Deposit Protection Board and the Monetary Authority in relation to the Scheme.
5	Financial Reporting Council	Established under the Financial Reporting Council Ordinance (Cap. 588) to investigate possible auditing and reporting irregularities as well as to enquire into possible non-compliance with accounting requirements in relation to companies and collective investment schemes listed in Hong Kong.
6	Financial Reporting Review Panel	Established under the Financial Reporting Council Ordinance (Cap. 588) to enquire into possible non-compliance with accounting requirements in relation to companies and collective investment schemes listed in Hong Kong.
7	Financial Services Development Council	To engage the industry and formulate proposals to promote the further development of Hong Kong's financial services industry and map out the strategic direction for development.
8	Insurance Advisory Committee	Established under the Insurance Companies Ordinance (Cap. 41) to advise the Chief Executive on matters relating to the administration of the Insurance Companies Ordinance and the carrying on of insurance business in Hong Kong.
9	Leveraged Foreign Exchange Trading Arbitration Panel	Established under the Securities and Futures Ordinance (Cap. 571) to arbitrate disputes between corporations licensed by Securities and Futures Commission ("SFC") for carrying out leveraged foreign exchange trading and their clients.
10	Mandatory Provident Fund Industry Schemes Committee	Established under the Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Cap. 485) to monitor the effectiveness of industry schemes and advise on ways to improve the administration and operation of the schemes in the interests of scheme members.
11	Mandatory Provident Fund Schemes Advisory Committee	Established under the MPFSO (Cap. 485) to make recommendations to the Mandatory Provident Fund Schemes Authority ("MPFA") as to the operation of the MPFSO and the effectiveness or efficiency of the MPFA.
12	Mandatory Provident Fund Schemes Appeal Board	Established under the MPFSO (Cap. 485) to hear appeals against the decisions of the MPFA as specified in Schedule 6 to the MPFSO.
13	Mandatory Provident Fund Schemes Authority	Established under the MPFSO (Cap. 485) to regulate and supervise the operations of mandatory provident fund ("MPF") schemes and occupational retirement schemes pursuant to the MPFSO and the Occupational Retirement Schemes Ordinance ("ORSO").
14	Market Misconduct Tribunal	Established under the Securities and Futures Ordinance (Cap. 571) to hear and determine any question or issue arising out of or in connection with the proceedings on market misconduct instituted under the Securities and Futures Ordinance.

15	Occupational Retirement Schemes Appeal Board	Established under the ORSO (Cap. 426) to hear appeals against the decisions of the Registrar of Occupational Retirement Schemes (i.e. MPFA) as specified in the ORSO.
16	Process Review Panel for the Financial Reporting Council	To reviews cases handled by the Financial Reporting Council and considers whether the actions taken by the Financial Reporting Council are fair and consistent with its internal procedures and guidelines.
17	Process Review Panel for the Securities and Futures Commission	To review completed or discontinued cases handled by SFC and advise SFC on the adequacy of its internal procedures and operational guidelines.
18	Process Review Panel in relation to the Regulation of Mandatory Provident Fund Intermediaries	To review and advise the MPFA on its coordination and follow-up with the frontline regulators in relation to inspection and investigation of registered MPF intermediaries, as well as its internal procedures and operational guidelines governing its actions in respect of regulation of MPF intermediaries.
19	Risk Management Committee of the Hong Kong Exchanges and Clearing Limited (“HKEx”)	Established under the Securities and Futures Ordinance (Cap. 571) to formulate policies on risk management matters relating to the activities of the HKEx and its subsidiaries for consideration by the Board of the HKEx.
20	Securities and Futures Appeals Tribunal	Established under the Securities and Futures Ordinance (Cap. 571) to review and determine whether the decisions made by SFC, the Hong Kong Monetary Authority and a recognised investor compensation company are fair and reasonable.
21	Securities and Futures Commission	Established under the Securities and Futures Ordinance (Cap. 571) to ensure orderly securities and futures market operations, to protect investors and help promote Hong Kong as an international financial centre and a key financial market in China.
22	Standing Committee on Company Law Reform	To advise the Financial Secretary on amendments to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and to the Securities and Futures Ordinance on matters relating to corporate governance and shareholders’ protection.
23	Statistics Advisory Board	To advise the Commissioner for Census and Statistics on matters pertaining to government statistical work.

The above ASBs have a total of 257 government appointed non-official members, 67% of them are male and 33% are female. According to our available records, about 95% of the members are at or above the age of 30.

Most of the secretariat posts of the aforesaid ASBs are civil service posts and the posts are part of the establishment of FSB or departments concerned. The service of these civil servants to the ASB concerned is part and parcel of their duties for the relevant subject areas. The expenses involved for implementing the foregoing initiatives will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)087**

**(Question Serial No. 6440)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 581):

Will the Administration inform this Committee of how many seniors reaching 65 had withdrawn their own MPF from their MPF trustees since the implementation of MPF in 2000?

Asked by: Hon. CHEUNG Kwok-che

Reply:

As the information provided by the Mandatory Provident Fund approved trustees to the Mandatory Provident Fund Schemes Authority ("MPFA") does not cover the data requested in the question, MPFA is unable to provide the relevant statistics.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)088****(Question Serial No. 6441)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 582):

How much accrued benefits were withdrawn by seniors reaching 65 each year since the implementation of MPF in 2000? Up to February 2014, what is the total amount of accrued benefits withdrawn by seniors reaching 65?

Asked by: Hon. CHEUNG Kwok-che

Reply:

According to the information provided by the Mandatory Provident Fund ("MPF") approved trustees to the Mandatory Provident Fund Schemes Authority ("MPFA"), the amounts of MPF accrued benefits withdrawn by scheme members on the grounds of retirement (i.e. on reaching 65) and early retirement (i.e. permanently ceasing all employments and self-employments and on reaching 60-64) are set out below:

<b>Year</b>	<b>Amounts of MPF accrued benefits withdrawn on the ground of retirement and early retirement (HK\$ million) (Note)</b>
2001 (Since 1 July)	30
2002	170
2003	304
2004	426
2005	510
2006	662
2007	958
2008	908
2009	1,277
2010	1,762
2011	1,922
2012	2,926
2013	3,976
<b>Total</b>	<b>15,832</b>

Note: MPFA does not have the breakdown of accrued benefits paid in retirement and early retirement cases. The figures may not add up to the total due to rounding.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)089****(Question Serial No. 5669)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 81 Page 25

Question (Member Question No. 84):

It is stated in paragraph 81 of the Budget Speech that "In 2010, I extended the stamp duty concession to cover exchange traded funds (ETFs) that track indices comprising not more than 40 per cent of Hong Kong stocks. The number of ETFs listed in Hong Kong have since seen a substantial increase from 69 at end-2010 to 116 at the end of last year. The daily average turnover of ETFs also increased from \$2.4 billion to \$3.7 billion, making Hong Kong one of the largest ETF markets in the Asia-Pacific region. I propose to waive the stamp duty for the trading of all ETFs, so that the trading cost of ETFs with a higher percentage of Hong Kong stocks in their portfolios can be reduced as well. This will help promote the development, management and trading of ETFs in Hong Kong." In this regard, please advise this Committee of whether the Administration, while in consideration of attracting more ETFs to Hong Kong, has made any assessment on the possible excessive risks to investors and the market brought by certain ETFs of a complex or leveraged nature available on the market and whether tighter monitoring measures on such ETFs are thus required. If not, what are the reasons?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

The offering of all collective investment schemes to the public, including exchange traded funds ("ETFs"), are subject to the authorisation by the Securities and Futures Commission ("SFC") under the Securities and Futures Ordinance. One of the key requirements for authorisation is that an ETF must be subject to the ongoing management of a fund manager acceptable to the SFC. A fund manager licensed by the SFC must comply with the Fund Manager Code of Conduct, act in the best interest of unit holders and actively monitor the counterparty risk of the fund and the value of the collateral.

The SFC's Code on Unit Trusts and Mutual Funds imposes a number of requirements with regard to ETFs. For greater transparency, managers of synthetic ETFs (i.e. ETFs that invest in derivative instruments designed to replicate the performance of an index) are required to publish and update on their websites the gross and net counterparty exposure on a daily basis and information on collateral/invested assets on a weekly basis.

Since 2011, the SFC has further required domestic synthetic ETFs to have a collateral level of at least 100% of the ETF's gross total counterparty risk exposure. Domestic synthetic ETF managers are also required to publish the latest collateral management policy on the ETFs' websites on an ongoing basis.

In terms of conduct requirements, an intermediary, when making a recommendation or solicitation to a client to purchase an ETF, is required to, among other things, know its clients and ensure that the transaction is suitable for the client. The SFC has issued circulars reminding licensed corporations to put in place

appropriate measures when providing services to clients with respect to derivatives, including synthetic ETFs.

There are measures to raise investors' awareness of synthetic ETFs. For example, from 22 November 2010, a marker “X” is placed at the beginning of the stock short names of all synthetic ETFs listed on the Stock Exchange of Hong Kong Limited. From 16 January 2011, synthetic ETF managers are required to put an asterisk (\*) and an annotation “\*This is a synthetic ETF” right after the name of a synthetic ETF whenever it appears in offering documents and marketing materials for a synthetic ETF issued by the manager to investors in Hong Kong.

The regulatory approach for ETFs in Hong Kong is in line with that in other leading international markets, such as the United States and the European Union. We have asked the SFC to keep under review the market circumstances, with a view to formulating measures, as appropriate, to promote confidence in and healthy development of the ETF market in Hong Kong.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)090****(Question Serial No. 4578)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 73):

1. Regarding the expenses on entertainment and gifts of your bureau and the departments under its purview over the past 3 years, please provide details using the table below:

Bureau/ branch/ department and year	Estimated expenses on entertainment and gifts in the year	Actual expenses on entertainment and gifts in the year	Cap on entertainment expenses (including beverages) per head for the year	Cap on gift expenses per guest for the year	Number of receptions held and total number of guests entertained in the year

2. Regarding the expenses on entertainment and gifts of your bureau and the departments under its purview in 2013-14, please provide details using the table below:

Bureau/ branch/ department	Date of reception (day/ month/ year)	Departments/ organisations and titles of the guests entertained (grouped by department/ organisation and indicating the number of guests)	Food expenses incurred in the reception	Beverage expenses incurred in the reception	Gift expenses incurred in the reception	Venue of the reception (department office/ restaurant in government facilities/ private restaurant/ others (please specify))

3. Please provide the estimated expenses on entertainment and gifts for 2014-15 using the table below:

Bureau/ branch/ department	Estimated provision for expenses on entertainment and gifts	Cap on entertainment expenses per guest	Cap on gift expenses per guest

Asked by: Hon. HO Sau-lan, Cyd



Reply:

As a general rule, all civil servants should observe the same principles in the provision of official meals. They are required to exercise prudent judgement and economy in order to avoid any public perception of extravagance and act in accordance with the relevant regulations and administrative guidelines. According to the existing guidelines, the expenditure limits on entertainment in the form of official meals should not exceed \$450 per person for lunch or \$600 per person for dinner. In 2011-12, 2012-13 and 2013-14 (as at 28.2.2014), the actual expenses on official entertainment incurred by the Financial Services Branch and departments under its purview (i.e. Census and Statistics Department and Official Receiver's Office) are about \$110,000, \$130,000 and \$140,000 respectively. The estimated expenditure for 2014-15 is about \$270,000.

In line with the Government's green policy, public officers should as far as possible refrain from bestowing gifts/souvenirs to others during the conduct of official activities. According to the existing guidelines, where bestowal of gifts/souvenirs is necessary or unavoidable due to operational, protocol or other reasons, the gift/souvenir items should not be lavish or extravagant and the number should be kept to a minimum. Also, the exchange of gifts/souvenirs should only be made from organisation to organisation. As we do not specifically maintain separate accounts for the expenses on the procurement of gifts and souvenirs, relevant statistics are not available.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)091**

**(Question Serial No. 4611)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 110):

Regarding the studies (if any) conducted by the your bureau and the departments under its purview 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 (2012-13 and 2013-14):

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 (2014-15)? 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>(The expenditure in 2012-13 was 170,000)</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 are preparing the legislation for establishing the PPF.</p>	The consultancy findings have been incorporated in the public consultation document and consultation conclusions issued.
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</p>	300,000	8 November 2011	Completed	-	The study findings are for internal reference.

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?
		in other jurisdictions.					
KPMG	Tendering	<p>Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong.(First Phase)</p> <p>The Study aims to propose a risk-based capital framework for Hong Kong.</p>	5.6 million ^	21 June 2012	In progress	The study is in progress and is expected to be completed by mid-2014.	
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</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>We have amended the Trustee Ordinance (Cap.29) through the Trust Law (Amendment) Ordinance 2013 to include a new provision against forced heirship rules. This legislative amendment has come into effect since 1 December 2013.</p>

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?
						heirship rules with reference to section 90 of Singapore Trustees Act.	

(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?
KPMG (i.e. 3rd item in Part (a))	Tendering	Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong. (First Phase)  The Study aims to propose a risk-based capital framework for Hong Kong.	5.6 million ^	21 June 2012	In progress	The study is in progress and is expected to be completed by mid-2014.	Not applicable
To be determined	Tendering	Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong. (Second Phase)  The Study aims to develop detailed rules of the Risk-based Capital	To be determined	To be determined	Under planning	-	Not applicable

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?
		framework as proposed in the first phase of the consultancy study.					

^ This study straddles three financial years from 2012-13 to 2014-15.

- (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.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)092****(Question Serial No. 4634)**

**Head:** (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

**Subhead (No. & title):** (-) Not Specified

**Programme:** (1) Financial Services

**Controlling Officer:** Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

**Director of Bureau:** Secretary for Financial Services and the Treasury

**This question originates from:** Estimates on Expenditure Volume 1 Page 408

**Question (Member Question No. 133):**

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 your bureau and the departments under its purview have been involved.

(a) For Hong Kong/Mainland cross-boundary projects or programmes, please provide information in 2011-12 to 2013-14 as per following table:

Project / Programme	Details, objective and whether it is related to the Framework Agreement on Hong Kong /Guangdong Co-operation (the Framework Agreement)	Expenditure involved	Mainland official and 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 in 2014-15, please provide information as per following table:

Project / Programme	Details, objective and whether it is related to the Framework Agreement	Expenditure involved	Mainland official and department/ organisation involved	Progress (% completed, commencement date, target completion date)	Will the details, objectives, amount involved or impact on the public, 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?	Details of the legislative amendments or policy changes 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 co-operation? If so, what are they? What were the manpower and expenditure involved over the past 3 years? How much financial and manpower resources have been earmarked in the Estimates for 2014-15?

Asked by: Hon. HO Sau-lan, Cyd

Reply:

Financial co-operation has become increasingly close between Hong Kong and the Mainland at the central and regional levels, especially after the promulgation of the National 12th 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. 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 12th Five-Year Plan. At the same time, we act as the bridge between the Mainland and the rest of the world and facilitate the building of a multi-layer financial market in the Mainland, bringing mutual benefits to both places. The implementation of the relevant financial measures is in progress.

Regarding the financial co-operation between Hong Kong and Guangdong, RMB cross-border trade settlement between the two places continues to grow. In 2013, the amount of RMB trade settlement conducted through banks in Hong Kong totalled RMB 3,841 billion, of which more than 20% involved trade settlement between Guangdong and Hong Kong. In addition, as at end 2013, six Hong Kong banks have been approved by the Guangdong Bureau of China Banking Regulatory Commission to set up a total of 61 sub-branches in Guangdong under the "cross-location sub-branches" measure provided under Supplement VI to Closer Economic Partnership Arrangement ("CEPA"). Furthermore, the cross-border RMB lending scheme which was launched early last year in Qianhai has provided greater room for development of Hong Kong-Guangdong cross-border RMB business. The 2014 Work Plan of the Framework Agreement on Hong Kong/Guangdong Co-operation was announced at the 19<sup>th</sup> Working Meeting of Hong Kong-Guangdong Co-operation Joint Conference held on 10 March 2014. Relevant authorities and financial regulators of both sides will continue to promote cross-border RMB business between the two places, and enhance co-operation in cross-border RMB business, financing, securities and insurance, etc.

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 ("MOU") 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, launched since 2012 with the support of the Financial Services and the Treasury Bureau and the Shanghai Municipal Government Financial Services Office, has been successful. We shall continue to arrange the Scheme in 2014. In addition, under the MOU, representatives from Hong Kong and Shanghai convene meetings regularly, with a view to building a robust platform for financial dialogue and exchanges. The fourth Working Meeting on Hong Kong-Shanghai Financial Cooperation will be held in April 2014 to discuss opportunities for future financial cooperation between the two cities.

In the financial year 2014-15, we will continue to seek to facilitate further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms covering Hong Kong/Guangdong, Hong Kong/Shanghai and Hong Kong/Shenzhen (including Qianhai). Measures include lowering the threshold for market entry by Hong Kong financial institutions, expanding the scope of services provided, and allowing Hong Kong financial institutions to set up wholly-owned business, etc. With the establishment of Shanghai Free Trade Zone and the deepening of economic and financial reforms in the Mainland, there will be more cooperation opportunities with the Mainland. We will continue to maintain close liaison with relevant Mainland authorities to seize and capitalise on the opportunities arising from Mainland's economic and financial development.

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 existing resources. We do not have a separate breakdown.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)093**

**(Question Serial No. 5706)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 81 Page 25

Question (Member Question No. 49):

It is mentioned in the Budget Speech that the Government proposes to waive the stamp duty for the trading of all exchange traded funds (ETFs), so that the trading cost of ETFs with a higher percentage of Hong Kong stocks in their portfolios can be reduced as well. This will help promote the development, management and trading of ETFs in Hong Kong.

1. Please provide the year-on-year changes in the number of ETF products since the extension of the stamp duty concession to cover ETFs that track indices comprising not more than 40% of Hong Kong stocks in 2010. What is the ratio between ETF products that comprise not more than 40% and over 40% of Hong Kong stocks?
2. Please provide the year-on-year percentage changes in the stamp duty revenue derived from ETF products during the same period.
3. Please provide the market value and transaction value of listed ETF products in all major Asia-Pacific markets.

Asked by: Hon. LEE Wai-king, Starry

Reply:

1. In 2010, the Government extended the stamp duty concession to cover exchange traded funds ("ETFs") that track indices comprising not more than 40% of Hong Kong stocks. According to the information provided by the Hong Kong Exchanges and Clearing Limited ("HKEx"), in the fiscal years after 2010-11, the changes in the number of ETF products listed in Hong Kong and the ratio between ETFs that comprise not more than 40% and over 40% of Hong Kong stocks are as follows -

	<b>2011-2012 in comparison with 2010-2011</b>	<b>2012-2013 in comparison with 2011-2012</b>	<b>2013-2014 in comparison with 2012-2013 (as at 19 March 2014)</b>
<b>Total number of ETFs</b>	Increased by 29	Decreased by 1 (11 new ETFs were launched during 2012- 2013, at the same time 12 ETFs were delisted)	Increased by 19
<b>Newly listed ETFs that track indices comprising not more than 40% of Hong Kong stocks</b>	Increased by 20	Increased by 10	Increased by 16
<b>Newly listed ETFs that track indices comprising over 40% of Hong Kong stocks</b>	Increased by 9	Increased by 1	Increased by 3

2. According to the information provided by HKEx and the Inland Revenue Department (“IRD”), the percentage changes in the stamp duty revenue derived from trading of ETF products on HKEx during the same period are as follows -

	<b>2011-2012 in comparison with 2010-2011</b>	<b>2012-2013 in comparison with 2011-2012</b>	<b>2013-2014 in comparison with 2012-2013</b>
<b>Stamp duty revenue derived from secondary market trading of ETFs</b>	Increased by 9%	Decreased by 17%	The figures for 2013- 2014 are not yet available

The IRD does not keep a separate breakdown on the stamp duty collected from transfer of ETF products off HKEx.

3. The market value (i.e. assets under management) and transaction value of listed ETF products in Asia-Pacific markets are as follows -

<b>Market</b>	<b>Assets under management (US\$ million)</b>
Japan	77,569
Hong Kong	33,599
Mainland China	24,601
Korea	17,427
Australia	6,158
Taiwan	4,379
India	1,766
Singapore	1,602
Malaysia	299
Thailand	169
Indonesia	43

Source: Deutsche Bank Asia-Pac Weekly ETF Market Review published on 18 February 2014

<b>Market</b>	<b>Exchange</b>	<b>2013 turnover (US\$ million)</b>
Korea	Korea Exchange	178,725
Japan	Japan Exchange Group - Tokyo	163,170
Hong Kong	HKEx	116,431
Mainland China	Shanghai Stock Exchange	109,241
Japan	Japan Exchange Group - Osaka	73,386
Mainland China	Shenzhen Stock Exchange	36,707
Taiwan	Taiwan Stock Exchange	9,497
Australia	Australian Stock Exchange	7,487
Singapore	Singapore Exchange	2,591
India	National Stock Exchange India	2,133
	BSE India	1,118
Thailand	The Stock Exchange of Thailand	250
Malaysia	Bursa Malaysia	44
Indonesia	Indonesia Stock Exchange	2

Source: World Federation of Exchanges

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)094**

**(Question Serial No. 5707)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 50):

The Financial Services Branch will continue “reinforcing the offshore Renminbi business platform”. In this regard, please provide:

- (a) the estimated expenditure involved in 2014-15 and a comparison with last year;
- (b) the number and ranking of staff engaged;
- (c) the specific tasks undertaken; and
- (d) the work progress in the past 10 years.

Asked by: Hon. LEE Wai-king, Starry

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi (“RMB”) business in Hong Kong since 2004. The scope of business has been expanding over the years, notably with the introduction of RMB bond issuance in 2007 and RMB trade settlement pilot scheme in 2009. The RMB trade settlement pilot scheme was extended to cover the whole country in 2011. Mainland regulators promulgated RMB Foreign Direct Investment Scheme and Renminbi Qualified Foreign Institutional Investors (“RQFII”) Scheme in 2011, increasing the number of channels for repatriation of RMB funds. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world’s largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2013-14, the offshore RMB business in Hong Kong gained further momentum, with enhancement in the depth and breadth of the offshore RMB market. As a global hub for RMB trade settlement, banks in Hong Kong handled RMB trade settlement of RMB492 billion in January 2014, with a year-on-year increase of 83 per cent. RMB liquidity pool of Hong Kong has been expanding steadily. As at the end of January 2014, the RMB customer deposits and outstanding RMB certificates of deposit issued amounted to RMB893 billion and RMB192 billion respectively, totalling RMB1,085 billion, with a year-on-year increase of 44 per cent.

Meanwhile, RMB financing activities remained buoyant. There was a significant growth in RMB bank lending, with the outstanding amount of RMB loans increasing to RMB120 billion as at the end of January 2014, from RMB79 billion at the end of 2012. RMB bond market (or so-called “dim sum bond”) was active. The outstanding RMB bonds amounted to RMB338 billion as at the end of February 2014, with a year-on-year increase of 36 per cent. The Central Government issued sovereign bonds twice with total size of RMB23 billion in 2013 and regularised the issuance programme. Also, retail investors in Hong Kong were able to subscribe for sovereign bonds for the first time through Participants of HKEx’s Central Clearing and

Settlement System. Besides, Hong Kong launched in June 2013 the CNH Hong Kong Interbank Offered Rate fixing, which provides a reliable benchmark for the pricing of loan facilities to facilitate the development of the RMB financing market.

Hong Kong is also the world's largest offshore RMB investment product market. A wide range of RMB products ranging from dim sum bonds, investment funds (both listed and unlisted), insurance products, currency futures, real estate investment trusts, shares and derivative products are available in the market. The Renminbi Qualified Foreign Institutional Investors ("RQFII") Scheme was expanded further in March 2013, allowing financial institutions which are registered and have major operations in Hong Kong to apply for RQFII status and relaxing the investment restriction of RQFII funds so that institutions can decide the proportion to invest in equity and debt markets in accordance with market conditions. The Scheme continues to promote the development of a broader range of RMB investment offering in Hong Kong and reinforce the city's role as the leading offshore RMB centre. According to the statistics published by the State Administration of Foreign Exchange, as at end February 2014, 59 Hong Kong financial institutions were granted RQFII quota, with a total approved investment quota of RMB180.4 billion, accounting for 67% of the total investment quota of RMB270 billion.

Hong Kong's role as a platform to support the global RMB payments has been deepening. The average daily turnover on Hong Kong's RMB Real Time Gross Settlement system has posted a remarkable increase of more than 100 fold from RMB 5 billion in 2010 to RMB 600 billion in January 2014. As at the end of January 2014, there were a total of 216 banks participating in the RMB clearing platform in Hong Kong, of which 191 were branches and subsidiaries of foreign banks and overseas presence of banks in the Mainland, forming a global RMB payment network covering nearly 40 countries and regions. According to the statistics from the Society for Worldwide Interbank Financial Telecommunication, Hong Kong banks now handle around 70-80% of the global RMB payments.

In the financial year 2014-15, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and healthy circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Administrative Officer Staff Grade B1, one Administrative Officer Staff Grade C and one Senior Administrative Officer are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 5708)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 51):

The Financial Services Development Council (FSDC) set up by the Bureau last year aims to explore ways to complement the internationalisation of the financial market of our country and help facilitate the further development of Hong Kong's financial services industry. As at the end of 2013, the FSDC has published a series of 6 reports. Please advise on:

- (a) the expenditure and the estimated expenditure involved in 2013-14 and 2014-15 respectively;
- (b) the number and ranks of the officers undertaking such work;
- (c) the latest work progress;
- (d) details of the specific work plan within the year; and
- (e) the latest progress of the FSDC's follow-up action plan for the published reports.

Asked by: Hon. LEE Wai-king, Starry

Reply:

The expenditure for the FSDC was around \$2.6 million in 2013-14, and is budgeted at \$6.5 million in 2014-15.

On staffing, the secretariat of the FSDC is supported by one Senior Economist, one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer deployed from the Financial Services Branch and three other staff members at Senior Manager and Managerial level seconded respectively from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission.

The FSDC has submitted to the HKSAR Government a number of research reports which set out specific recommendations and technical suggestions. The Government will examine and follow up on FSDC's proposals in collaboration with financial regulators. For specific work plan within the year, the FSDC will continue to conduct study on the sustainable development of the local financial services industry (including opportunities associated with the "going-out" of Mainland enterprises, offshore Renminbi business and reinsurance business, etc.), promote Hong Kong's financial services industry (for example, through participation in overseas roadshows conducted by organisations such as the Hong Kong Trade Development Council), and consider ways to boost human capital development. It will also consult the industry on the development of the financial services industry and make recommendations to the Government.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)096****(Question Serial No. 5709)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 80 Page 25

Question (Member Question No. 52):

In last year's Budget, the Government proposed to allow private equity funds also to enjoy tax exemption for offshore funds to attract them to expand their business in Hong Kong. Please provide the following information:

- (a) The total number of existing private equity funds in Hong Kong, their size and the total asset value involved;
- (b) the number of private equity funds established in Hong Kong every year over the past five years and the asset value involved;
- (c) the schedule of legislative amendment.

Asked by: Hon. LEE Wai-king, Starry

Reply:

According to the Asian Venture Capital Journal, the annual number of private equity firms in Hong Kong and the total private equity funds under management in the past 5 years is as follows –

Year	Number of private equity firms in Hong Kong	Total private equity funds under management (US\$ billion)
2009	317	57.4
2010	366	63.0
2011	354	70.5
2012	377	84.6
2013	376	96.8

We are preparing relevant legislation to implement the proposal to extend the profits tax exemption regime for offshore funds to private equity funds, having regard to views gathered from the industry.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)097**

**(Question Serial No. 5710)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408-409

Question (Member Question No. 53):

Regarding the Mandatory Provident Fund ("MPF") schemes, please provide the following information:

- (a) The latest situation of the implementation of the Employee Choice Arrangement, including the total number of employees who have filed application;
- (b) the latest progress of the Government's research work and the anticipated work plan and schedule for the implementation of Full Portability of the MPF;
- (c) the Government's latest work progress in relation to the proposal of including in each MPF scheme a core fund as the default fund; and
- (d) the latest progress and work schedule regarding the Bureau's intention to introduce legislative amendments to simplify operational requirements for trustees of MPF schemes, and allow early withdrawal of MPF benefits on the ground of terminal illness as well as phased withdrawal of MPF benefits.

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) The Mandatory Provident Fund ("MPF") Employee Choice Arrangement ("ECA") came into operation in November 2012. It allows employees greater autonomy in choosing MPF schemes. The implementation has been smooth since commencement. Up to January 2014, MPF trustees have received about 115 500 transfer requests. The management fee of 163 MPF funds (i.e. 35%) has been reduced by up to 70% (or 118 basis points).
- (b) The Mandatory Provident Fund Schemes Authority ("MPFA") is studying various proposals to implement MPF full portability, including the necessary supporting measures such as the establishment of a central database. MPFA plans to submit its recommendations to the Government by end-2015.
- (c) MPFA is following up on the proposal of including in each MPF scheme a core fund as the default fund. In the last few months, MPFA has engaged relevant sectors to help draw up the proposal. The current thinking is that the proposed fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. The proposed fund will be subject to fee control. We expect the relevant public consultation will commence later this year.



- (d) Having regard to the feedback received during the consultation conducted earlier by MPFA on withdrawal of MPF accrued benefits, we are drafting an Amendment Bill, and planning to introduce it into the Legislative Council by July this year. The Amendment Bill will propose, among other things, simplifying certain statutory procedures and requirements with which trustees have to comply, with a view to further increasing their scope of fee reduction; allowing withdrawal of MPF accrued benefits by scheme members before they reach 65 if they suffer from a terminal illness that reduces their remaining life expectancy to 12 months or less; and requiring trustees to provide scheme members after they reach 65 an option to withdraw their MPF accrued benefits by instalments, instead of in a lump sum.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)098**

**(Question Serial No. 5711)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 80 Page 25

Question (Member Question No.54):

Regarding the Administration's "proposal on introducing an open-ended fund company structure to attract more funds to establish in Hong Kong" as pointed out in the Budget, please provide the following information:

- (a) the related work plan and schedule for this year;
- (b) the number of various investment funds registered in Hong Kong in each of the past five years; and
- (c) the number of Hong Kong-domiciled hedge funds, their size and place of origin in each of the past three years.

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) We have just launched a 3-month public consultation on a proposal to introduce a new open-ended fund company ("OFC") structure to enhance Hong Kong's legal infrastructure for investment fund vehicles. When the public consultation ends in June this year, we will take into account the comments received and formulate details of the OFC regime with the Securities and Futures Commission ("SFC") and relevant departments.
- (b) In accordance with the Securities and Futures Ordinance, all publicly offered funds in Hong Kong are required to be SFC-authorized collective investment schemes. The number of various types of SFC-authorized collective investment schemes in the past five years is provided below –

	Unit Trusts and Mutual Funds	Real Estate Investment Trusts	Investment-Linked Assurance Schemes	Pooled Retirement Funds	MPF Master Trust Schemes	MPF Pooled Investment Funds	Paper Gold Schemes	Total
2008-09	2903	7	235	35	36	305	14	2725
2009-10	1968	8	239	34	37	296	14	2596
2010-11	1944	8	248	35	40	305	14	2594
2011-12	1863	9	254	35	39	297	16	2513
2012-13	1847	9	258	35	40	299	17	2505

- (c) SFC published Reports of the Survey on Hedge Fund Activities of SFC-licensed Managers/Advisers in March 2011 and March 2013, providing an update on Hong Kong's hedge fund industry and the hedge fund assets under management ("AUM") as at 30 September 2010 and 30 September 2012 respectively. According to the relevant survey reports, the number of hedge funds domiciled in Hong Kong, their size and their source of investors are provided below–

	The number of hedge funds managed by SFC-licensed hedge fund managers	The total hedge fund AUM in Hong Kong (US\$)	Source of hedge funds investors
As at 30 September 2010	538	63.2 billion	Investors were mainly from overseas; Hong Kong-based investors constituted around 8%
As at 30 September 2012	676	87.1 billion	Investors were mainly from overseas, Hong Kong-based investors accounted for 6%

As the above mentioned survey is conducted every two years, SFC does not have the relevant information for 2011.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)099****(Question Serial No. 5712)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 55):

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, the types of trade, the number of employees, 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 information provided by the Mandatory Provident Fund Schemes Authority ("MPFA"), the complaints against employers defaulting on Mandatory Provident Fund ("MPF") contributions mainly involved catering and construction industries, as well as wholesale/ retail/ import and export trades, with details as follows:

<b>Year (Financial Year)</b>	<b>Number of Complaints (Note 1)</b>	<b>Amount Involved (HK\$ Million) (Note 2)</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
2008-09	7 699	74
2009-10	6 642	64

2010-11	4 605	44
2011-12	4 161	24
2012-13	4 010	17

- (b) According to information provided by MPFA, the figures on the enforcement action against employers defaulting on MPF contributions (Note 3) are as follows:

<b>Year (Financial Year)</b>	<b>Number of Summons Issued</b>	<b>Successful Conviction Rate (Note 4)</b>	<b>Average Court Fine per Defendant (HK\$) (Note 5)</b>	<b>Average Court Fine per Summons (HK\$) (Note 5)</b>
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	85%	32,731	3,168
2011-12 (Note 6)	1 519	84%	29,690	3,153
2012-13	1 576	84%	26,174	2,407

Note 1: As the complaint lodged by each employee is handled as an individual case, the number of employees involved in complaints is the same as the number of complaints.

Note 2: MPFA does not keep the amounts involved in respect of complaints related to years prior to 2007-08.

Note 3: MPFA does not keep the amounts of default contributions recovered from employers in prosecution cases.

Note 4: In most of the unsuccessful conviction 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 2013.

Note 5: Each defendant may involve more than one summon.

Note 6: In December 2011, an employer who failed to enroll an employee in an MPF scheme and make MPF contributions for the employee was imposed a 60-hour community service order upon conviction.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)100**

**(Question Serial No. 4405)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 100):

The Financial Dispute Resolution Centre ("FDRC") has been in operation since January 2012. According to the 2012 FDRC Annual Report, as at 31 December 2012, 16 applications for mediation were processed. Of the 1 054 enquiries received in the year, only 474 (44.7%) were related to financial products and services. It is obvious that the FDRC fell far behind the original target of handling 2 000 cases a year. Its effectiveness is questionable. In this regard, please advise me of the following:

1. How many cases were handled by the FDRC between 1 January and 31 December 2013?
2. What were the total number of enquiries received in the year and the numbers of enquiries of different natures, especially those related to financial products and services?
3. During the year, the FDRC promoted its services through various channels, including the media, public events and visits to district councils and local bodies. What were the outcomes?
4. The Bureau appointed the Under Secretary for Financial Services and the Treasury as a director of the FDRC, who was supported by a Principal Assistant Secretary and an Assistant Secretary. Was there any change in the establishment? How much expenditure was involved?
5. The FDRC has a staff of 20. What exactly is the Under Secretary responsible for and what kind of support is rendered by the two government officers?

Asked by: Hon. LEUNG Kwok-hung

Reply:

- (1) The Financial Dispute Resolution Centre ("FDRC") came into operation on 19 June 2012. In 2013, FDRC received 2 192 enquiries and 31 applications for mediation services.
- (2) Of the 2 192 enquiries received by FDRC in 2013, 1 182 involved complaints about financial products and services, with the remaining 1 010 enquiries mainly related to FDRC's services and related administrative issues. As for the 31 applications for mediation services, 30 cases were accepted and the remaining case fell outside FDRC's Terms of Reference.

- (3) From the commencement of operation on 19 June 2012 up to end-2013, FDRC has reached out to the financial institutions, professional bodies and the general public to raise public awareness of its services through -
- organising 232 public enquiry meetings and in-person interviews, 34 seminars, 24 talks, as well as 26 sharing sessions and visits, promoting FDRC's services to a total of 4 290 representatives from financial institutions, and members of professional bodies and the general public;
  - enhancing public awareness of its services through various media channels; and
  - promoting FDRC's services to District Councils and their committees, and extending services to local districts. For example, FDRC set up booths twice at the Sheung Wan Promenade Fair organised by the Central and Western District Council to promote its services and handle enquiries from the public.

FDRC will continue to further enhance public awareness of its services through various channels.

- (4) There is no change in the establishment within the Financial Services and the Treasury Bureau ("FSTB"). The Under Secretary is a Director on the FDRC Board and is supported by one Principal Assistant Secretary and one Assistant Secretary. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.
- (5) As at end-2013, FDRC had a total of 17 staff including the Chief Executive Officer, responsible for the daily operations of FDRC, including administering the Financial Dispute Resolution Scheme, handling enquiries and applications for mediation services, promoting FDRC's services, carrying out relevant research work, and providing training for mediators and arbitrators.

The Under Secretary represents FSTB, which is one of the funding parties of FDRC, to serve on FDRC's Board of Directors. The above-mentioned Principal Assistant Secretary and Assistant Secretary in FSTB provide support for the Under Secretary.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)101**

**(Question Serial No. 4406)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 414

Question (Member Question No. 102):

The Financial Dispute Resolution Centre ("FDRC") has been in operation since January 2012. The accumulated expenditure of the FDRC as at end-March 2013 was \$43 million, while the estimated expenditure for 2013-14 was \$28 million, with a balance of \$21 million. The Government, the Hong Kong Monetary Authority and the Securities and Futures Commission had a tripartite agreement to fund the operational costs of the FDRC for its first three years, i.e. up to 31 December 2014.

According to the 2012 FDRC Annual Report, the FDRC had an income of \$34,276, far below its operational costs. In this regard, please advise me of the following:

1. Were there any significant improvements in the income and expenditure positions of the FDRC in 2013? What were the amounts of various income and expenditure items? What was the percentage of the total income accounted for when compared to the operational costs?
2. With December 2014 approaching, does Mr James LAU, the Deputy Secretary for Financial Services and the Treasury, who acts as a director of the FDRC in the capacity of the Bureau's representative, have any plans for the FDRC?
3. The Directors on the Board of the FDRC and its Chief Executive Officer are receiving generous salaries and directors' remuneration. What will they do for the continued and better operation of the FDRC?

The FDRC is funded by the Government. It is responsibility of this Council to monitor the use of public funds.

Asked by: Hon. LEUNG Kwok-hung

Reply:

(1)

Financial Dispute Resolution Centre ("FDRC") came into operation in June 2012 as a non-profit-making entity, responsible for administering the Financial Dispute Resolution Scheme ("FDRS"). The objective of FDRS is to provide consumers with an alternative avenue which is independent and affordable for resolving monetary disputes with financial institutions by way of "mediation first, arbitration next". As the establishment of FDRC would contribute to an important public policy function of financial consumer protection, the Legislative Council Finance Committee approved funding in June 2011 for the Administration to share with the Hong Kong Monetary Authority ("HKMA") and the Securities and Futures Commission ("SFC") the set-up costs as well as the operating costs of FDRC for the first three years.



FDRC's financial statements for 2013 are being audited by an independent auditor, and are expected to be released later this year following approval at the Annual General Meeting.

(2) and (3)

As mentioned above, the funding of FDRC for the first three years are borne by the Administration, HKMA and SFC. Currently, FDRC's Board of Directors comprises nine members – the Chairman; three representatives from FSTB, HKMA and SFC; four non-official members and the Chief Executive Officer of FDRC. Other than the Chief Executive Officer of FDRC, all other Directors serve on the Board on a pro bono basis.

The FDRC Board is engaging an independent consultant to conduct research on FDRC's future funding arrangement for consultation with the industries.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)102**

**(Question Serial No. 4411)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 114):

Last year, I inquired about the operating cost and manpower of the Financial Services Development Council ("FSDC"). The Financial Services Branch replied that the operating cost would be absorbed through deployment of existing resources from within the Government, which included the cost for staff, office accommodation, research activities, and promotion of financial services industry on the Mainland and overseas. Five officials from the Government and three from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission would assist in the work of FSDC. As such, the Permanent Secretary did not provide any information on the operating cost.

I consider that from an accounting point of view, it is necessary for the Legislative Council to note the operating cost of FSDC so as to see whether it is value-for-money and able to fulfill its duty of promoting the development of the local financial services industry. Hence, I request that the Administration should provide the estimated revenue and expenditure of FSDC for last year and this year, as well as the breakdown of financial provision and expenditure of the Financial Services and the Treasury Bureau and the three above-mentioned organisations in support of FSDC.

Asked by: Hon. LEUNG Kwok-hung

Reply:

The expenditure for the FSDC was around \$2.6 million in 2013-14, and is budgeted at \$6.5 million in 2014-15. It is met from within the resources of the Financial Services Branch ("FSB").

As for staffing, the secretariat of the FSDC is supported by one Senior Economist, one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer deployed from the FSB and three other staff members seconded respectively from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The expenditure for the staff deployed from the FSB will be absorbed from within the existing resources of the FSB and, for the seconded staff, the seconding organisations.

Expenditure incurred by the FSDC was mainly for the provision of secretariat services, office accommodation for staff, research activities and promotion of Hong Kong's financial services industry.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)103****(Question Serial No. 4566)**

<u>Head:</u>	(148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)
<u>Subhead (No. &amp; title):</u>	(-) Not Specified
<u>Programme:</u>	(1) Financial Services
<u>Controlling Officer:</u>	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)
<u>Director of Bureau:</u>	Secretary for Financial Services and the Treasury
<u>This question originates from:</u>	Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 101):

In *Matters Requiring Special Attention in 2014-15*, the Financial Services and the Treasury Bureau states, *inter alia*, that it will engage the industry to promote the further development of our financial services industry through the Financial Services Development Council ("FSDC") and other platforms.

I note that there are other regular platforms providing similar functions well before the establishment of the FSDC. These platforms include the Financial Stability Committee ("FSC") chaired by the Secretary for Financial Services and the Treasury, and the Council of Financial Regulators ("CFR") chaired by the Financial Secretary. In addition, the Financial Infrastructure Sub-Committee under the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority reports and makes recommendations to the Financial Secretary.

I am afraid that overlapping of responsibilities and duplication of resources would be resulted. In this regard, please provide, in table form, the following information in relation to the FSDC, FSC and CFR in this year:

1. the expenditure and establishment;
2. the percentage of Bureau's expenditure it accounts for; and
3. a comparison with that of last year.

Asked by: Hon. LEUNG Kwok-hung

Reply:

The main objective of the FSDC is to consult the industry and formulate proposals to promote the further development of Hong Kong's financial services industry and map out the strategic direction for development. It will neither formulate nor implement financial policies, nor will it take up any regulatory functions. Hence, there is no overlapping of roles and functions among the FSDC, the Government and the financial services regulators and organisations.

The FSC, drawing members from the Financial Services and the Treasury Bureau ("FSTB") and relevant financial regulators, monitors the functioning of the financial system of Hong Kong and deliberates on events, issues and developments with possible cross market and systemic implications, and where appropriate, formulate and co-ordinate responses. The CFR, chaired by the Financial Secretary and participated by FSTB and financial regulators, focuses mainly on the efficiency and effectiveness of regulation and supervision of financial institutions and the maintenance of financial stability in Hong Kong. Membership in both the FSC and the CFR does not include industry representatives, and they are not platforms to engage the industry.

It is envisaged that the expenditure for the FSDC will be \$6.5 million in 2014-15, higher than the expenditure of around \$2.6 million in 2013-14 and accounting for about 2.1% of total expenditure of the Financial Services Branch (“FSB”). The resources are mainly devoted for enhancing the promotion of Hong Kong’s financial services industry and conducting research work. On staffing, the secretariat of the FSDC is supported by one Senior Economist, one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer deployed from the FSB and three other staff members seconded respectively from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The expenditure for the staff deployed from the FSB will be absorbed from within the existing resources of the FSB and, for the seconded staff, the seconding organisations.

The secretariat and other administrative support of the FSC and the CFR are absorbed from within our existing manpower and we do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)104****(Question Serial No.6609)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 413

Question (Member Question No.863):

It was mentioned in paragraph 45 of the 2013-14 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.”

How many private equity funds have been attracted to domicile in Hong Kong between the financial years of 2009 and 2014?

Currently, how many private equity funds invest in acquiring or disposing of 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?

What is the business nature of the existing private equity funds in Hong Kong? What are the investment targets and strategies of their fund managers, investment managers, custodians and subcustodians?

Regarding paragraph 45 mentioned above, what were the resources used to carry out the work in 2013-14?

Asked by: Hon. LEUNG Kwok-hung

Reply:

According to the Asian Venture Capital Journal, the annual number of private equity firms in Hong Kong in the past 5 years is as follows –

Year	Number of private equity firms in Hong Kong
2009	317
2010	366
2011	354
2012	377
2013	376

The most common types of investment strategy adopted by private equity funds are leveraged buyout, venture capital, growth capital, etc. Sectors invested by a private equity fund would depend on market cycles and investment opportunities. Businesses conducted by private equity funds operating in Hong Kong include all of the above.

The current profits tax exemption for offshore funds does not apply to private equity funds. To allow private equity funds to enjoy the same tax exemption so as to attract more of them to domicile in Hong Kong, we propose to extend the existing tax exemption for offshore funds to include transactions in private companies, which are incorporated or registered outside Hong Kong, and do not hold Hong Kong properties nor carry out business in Hong Kong. Currently, we do not have figures on the number of these funds.

Within the Financial Services and the Treasury Bureau, one Deputy Secretary oversees the relevant functions and is supported by one Principal Assistant Secretary and one Assistant Secretary. The expense involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 6611)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 866):

The Financial Services Branch states that it will continue to “reinforce the offshore Renminbi business platform”. Please advise of the following:

- (a) the Bureau’s estimated expenditure for the work for 2014-15;
- (b) the number and rank of officials to be tasked with the work;
- (c) the projects included in the specific work plan; and
- (d) a work schedule of last year.

Asked by: Hon. LEUNG Kwok-hung

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi (“RMB”) business in Hong Kong since 2004. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world’s largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2013-14, the offshore RMB business in Hong Kong gained further momentum, with enhancement in the depth and breadth of the offshore RMB market. As a global hub for RMB trade settlement, banks in Hong Kong handled RMB trade settlement of RMB492 billion in January 2014, with a year-on-year increase of 83 per cent. RMB liquidity pool of Hong Kong has been expanding steadily. As at the end of January 2014, the RMB customer deposits and outstanding RMB certificates of deposit issued amounted to RMB893 billion and RMB192 billion respectively, totalling RMB1,085 billion, with a year-on-year increase of 44 per cent.

Meanwhile, RMB financing activities remained buoyant. There was a significant growth in RMB bank lending, with the outstanding amount of RMB loans increasing to RMB120 billion as at the end of January 2014, from RMB79 billion at the end of 2012. RMB bond market (or so-called “dim sum bond”) was active. The outstanding RMB bonds amounted to RMB338 billion as at the end of February 2014, with a year-on-year increase of 36 per cent. The Central Government issued sovereign bonds twice with total size of RMB23 billion in 2013 and regularised the issuance programme. Also, retail investors in Hong Kong were able to subscribe for sovereign bonds for the first time through Participants of HKEx’s Central Clearing and Settlement System. Besides, Hong Kong launched in June 2013 the CNH Hong Kong Interbank Offered

Rate fixing, which provides a reliable benchmark for the pricing of loan facilities to facilitate the development of the RMB financing market.

Hong Kong is also the world's largest offshore RMB investment product market. A wide range of RMB products ranging from dim sum bonds, investment funds (both listed and unlisted), insurance products, currency futures, real estate investment trusts, shares and derivative products are available in the market. The Renminbi Qualified Foreign Institutional Investors ("RQFII") Scheme was expanded further in March 2013, allowing financial institutions which are registered and have major operations in Hong Kong to apply for RQFII status and relaxing the investment restriction of RQFII funds so that institutions can decide the proportion to invest in equity and debt markets in accordance with market conditions. The Scheme continues to promote the development of a broader range of RMB investment offering in Hong Kong and reinforce the city's role as the leading offshore RMB centre. According to the statistics published by the State Administration of Foreign Exchange, as at end February 2014, 59 Hong Kong financial institutions were granted RQFII quota, with a total approved investment quota of RMB180.4 billion, accounting for 67% of the total investment quota of RMB270 billion.

Hong Kong's role as a platform to support the global RMB payments has been deepening. The average daily turnover on Hong Kong's RMB Real Time Gross Settlement system has posted a remarkable increase of more than 100 fold from RMB 5 billion in 2010 to RMB 600 billion in January 2014. As at the end of January 2014, there were a total of 216 banks participating in the RMB clearing platform in Hong Kong, of which 191 were branches and subsidiaries of foreign banks and overseas presence of banks in the Mainland, forming a global RMB payment network covering nearly 40 countries and regions. According to the statistics from the Society for Worldwide Interbank Financial Telecommunication, Hong Kong banks now handle around 70-80% of the global RMB payments.

In the financial year 2014-15, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and healthy circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Administrative Officer Staff Grade B1, one Administrative Officer Staff Grade C and one Senior Administrative Officer are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.



**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 6612)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 867):

As mentioned in paragraph 42 of the 2013-14 Budget Speech, Hong Kong is an international financial centre. 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 GDP. Does the Government have any survey data of the income of brokers working for large, medium and small-sized broker's firms?

Asked by: Hon. LEUNG Kwok-hung

Reply:

We have been gathering information to better understand the operating environment of the financial services industry through various channels, including meetings and close liaison with the industry (including representatives of the small and medium-sized securities brokerage firms). We also make reference to the relevant reports published by different organisations, for example, the Financial Review of the Securities Industry published by the Securities and Futures Commission ("SFC") on a half-yearly basis. According to the latest Review published by the SFC, the total income of Category A, B and C participants of the Hong Kong Stock Exchange ("SEHK") for the year ended 31 December 2013 was \$16,443 million, \$16,315 million and \$14,003 million respectively. SEHK Category A participants refer to the top 14 brokers by monthly market turnover, Category B participants refer to those ranked 15<sup>th</sup> to 65<sup>th</sup>, and the remainder is grouped under Category C.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)107**

**(Question Serial No. 6654)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 98 Page 31

Question (Member Question No. 538):

Paragraph 98 of the 2014-15 Budget Speech reads: "Last year, we completed the reform to modernise our trust law, making our trust services industry more competitive. Government will work with the industry to promote our strengths in this respect, and encourage settlors all over the world to choose Hong Kong as their base for trust administration".

Please advise on the following:

What are the existing number of settlors who use Hong Kong as their base of trust administration and the size of capital involved?

What is the Administration's projection of development in this area in the coming 5 years?

What are the anticipated effectiveness of and outcome indicators for the work mentioned in the paragraph quoted?

How does the completion of the reform to modernise the trust law affect our revenue?

Asked by: Hon. LEUNG Kwok-hung

Reply:

According to a survey conducted by the Hong Kong Trustees' Association in 2012, as at the end of 2011, the trust industry held assets of an estimated \$2,600 billion. We do not have statistical information on the number of settlors.

We completed the trust law reform exercise last year, and the Trust Law (Amendment) Ordinance 2013 has commenced operation on 1 December 2013. The Ordinance bolsters the competitiveness of Hong Kong's trust services industry vis-à-vis comparable jurisdictions like the United Kingdom and Singapore, with a view to attracting settlors to set up trusts in Hong Kong. In particular, the Ordinance gives Hong Kong a competitive edge over other major common law jurisdictions by enabling settlors to establish perpetual trusts in Hong Kong, and ensuring that the allocation of trust assets would not be influenced by relevant forced heirship rules abroad. We believe that the Ordinance will enhance Hong Kong's status as an international asset management centre. If more trusts are set up in Hong Kong, they will bring indirectly tax revenue but the amount of which cannot be estimated.

We will liaise closely with the industry to promote the various reform measures and to monitor the implementation of the Ordinance, in particular its effectiveness in attracting settlors to choose Hong Kong as their base for trust administration, as well as to explore ways to further enhance the competitiveness of Hong Kong's trust services industry

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)108**

**(Question Serial No. 6655)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 41 Page 12

Question (Member Question No. 524):

It is mentioned in paragraph 41 of the Budget Speech in the 2014-15 Budget that “Apart from ensuring a better flow of people and goods, Hong Kong has been enhancing its financial infrastructure for a smoother flow of capital. Three main components of the financial infrastructure, namely the interbank Real Time Gross Settlement (RTGS) systems, debt securities settlement and custodian systems, and system links for cross-border transactions. These provide multi-currency and multi-channel platforms to handle local real-time transactions in Hong Kong dollar and major foreign currencies, covering global banking, equity and debt markets.”

Please provide a breakdown of the revised operating expenditure and capital flow of the 3 main components in 2013-14.

Asked by: Hon. LEUNG Kwok-hung

Reply:

The Real Time Gross Settlement (“RTGS”) systems and cross-border system linkages are operated by the Hong Kong Interbank Clearing Limited (“HKICL”), whereas the debt securities settlement system (“CMU system”) is operated by the Hong Kong Monetary Authority. The operating costs of these systems are recovered from the tariff payable by participating institutions in accordance with the user pay and cost recovery principles. Such costs are not borne by the Government.

In 2013, HKICL processed a daily average of \$507 billion (25,034 transactions) in the Hong Kong dollar RTGS system, RMB395.4 billion (6,788 transactions) in the Renminbi RTGS system, US\$18.1 billion (18,220 transactions) in the US dollar RTGS system, and €563.7 million (485 transactions) in the euro RTGS system respectively. The CMU system processed a daily average of \$24 billion Hong Kong dollar equivalent (377 transactions) in secondary market transactions. As for the cross-border system linkages, the average daily turnover of the payment-versus-payment (“PvP”) link between Hong Kong’s US dollar RTGS system and Malaysia’s ringgit RTGS system, and the PvP link between Hong Kong’s US dollar RTGS system and Indonesia’s rupiah RTGS system, was US\$3.37 billion (196 transactions) in total. In addition, the average daily turnover handled by various system linkages with the Mainland was equivalent to \$2.7 billion (1,049 transactions).

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)109**

**(Question Serial No. 6656)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page (if applicable)

Question (Member Question No. 862):

It is mentioned in paragraph 51 of the Budget Speech in the 2013-14 Budget that "Many large enterprises in Asia are keen to run their own captive insurance companies to insure against their business risks. To attract more enterprises to form captive insurance companies in Hong Kong, I propose to reduce the profits tax on the offshore insurance business of captive insurance companies, such that they will enjoy the same tax concessions as those currently applicable to reinsurance companies. Attracting a cluster of large-scale captive insurers in Hong Kong will promote the development of other related businesses, including reinsurance, making Hong Kong's risk management services more diversified."

Please provide information on:

- 1) the number of enterprises attracted to set up captive insurance companies in Hong Kong each year in the financial years from 2009 to 2014?
- 2) the amount of government revenue reduced by the proposal to reduce the profits tax on the offshore insurance business of captive insurance companies?
- 3) the businesses of captive insurance companies in Asia. Please list the first 10.

Asked by: Hon. LEUNG Kwok-hung

Reply:

1. Following the announcement of the profits tax concession, a new captive insurer was established in 2013 and the Office of the Commissioner of Insurance has also received a number of enquiries. At present, there are 2 captive insurers in Hong Kong.
2. We do not have any estimation of the tax revenue in respect of these captive insurers. If no new captive insurer is established in Hong Kong, no tax revenue of any kind will be foregone. In fact, the development of captive insurance would not only create career opportunities and attract overseas talents to work in Hong Kong, but also enhance Hong Kong's competitiveness and status as an international financial centre, thereby bringing in economic benefits and related tax income.
3. A captive insurer is formed by its parent company to underwrite exclusively the insurance business of the parent company, group companies, or their associated companies. These group companies are normally involved in different industries. Hence, businesses of their captive insurers are very diversified. In Asia, captive insurance business covers the finance, mining, energy, technology, manufacturing, trading and transportation sectors, etc. We do not have any information relating to the ranking of the captive business.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)110**

**(Question Serial No. 6185)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 119):

In connection with the provision of public information and gathering of public opinions by means of the Internet, please advise on the following:

- (a) the information regarding the social media platforms set up and operated by your bureau/departments/public bodies or their agents (such as out-sourced contractors or consultants) for the past year in tabulated form (see Annex 1).

Commencement of operation (Month/Year)	Status (keep updating /ceased updating ) (as at 31 January 2014)	Government agencies (including policy bureaux/ departments /public bodies/ government consultations )	Name	Social media (Facebook/ Flickr/ Google+ /LinkedIn /Sina Weibo/ Twitter/ YouTube)	Purpose of establishment and no. of updates (as at 31 January 2014)	No. of "Likes"/ No. of subscribers/Average monthly visits (as at 31 January 2014)	Compiling summary of comments and following up on a regular basis (Yes/No)	Rank and No. of officers responsible for the operation (as at 31 January 2014)	Financial resources involved in the establishment and daily operation (as at 31 January 2014)
			(1)... (2)... (3)...	(1)... (2)... (3)...					

- (b) whether the "Guidelines on the Use of Social Media" available on Government intranets give instructions to your department on the ceilings on expenditures for using social media or web-based platforms, such as registration fees, advertising expenditures and value-added services. If yes, what are the details? If not, will the guidelines be revised to set out the reasonable levels of expenditures derived from the use of social media.

- (c) In recent years, governments around the world have introduced systems through which citizens may hand in their online proposals. They have also undertaken that they will give a formal online response if a certain number of citizens have indicated their support of the proposals. Has the Administration examined ways to improve the existing channels for collecting public opinions on the Internet and evaluate the feasibility of the system of collecting online proposals mentioned above? If yes, what are the details? If not, what are the reasons?

Asked by: Hon. MOK, Charles Peter

Reply:

- (a) Financial Services Branch had not set up nor operated any social media platform in the past year.
- (b) With regard to the application of social media, the Office of the Government Chief Information Officer provides information security and other guidelines for reference of bureaux/departments. These include the creation of a thematic webpage to disseminate the information and know-how on the use of social media so as to provide technical advice and support for them. As for expenses on the use of social media, individual bureaux/departments may set their own budgets having regard to their operational needs.
- (c) We have no specific plans at this stage. However, we will continue to monitor market development and public reaction with a view to reviewing the matter as appropriate. Members of the public can also continue to provide their views through emails.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)111**

**(Question Serial No. 6189)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 131):

Regarding official entertainment expenses of the Bureau and its departments, will the Administration inform this Committee of:

(1) the number of exceptions where official entertainment expenses of public officers for lunch and dinner exceeded the respective ceilings per head, the number of exceptions with approval of directorate officers, the exceeded amounts and the reasons for the excess over the past three years? Please provide the information by bureau/department/public organisation, etc.

(2) the number of non-compliance with the guidelines on the bestowal of gifts or souvenirs by public officers during the conduct of official activities, and the number of and reasons for exceptions with approval of directorate officers over the past three years? Please provide the information by bureau/department/public organisation, etc.

Asked by: Hon. MOK, Charles Peter

Reply:

The Civil Service Regulations ("CSRs") set out the principles, rules and approval procedures relating to official entertainment. Heads of Departments have the delegated authority to authorise all expenditure from the departmental entertainment vote. In addition, according to the Government's internal guidelines, the expenditure limits on entertaining guests should not exceed \$450 per person for lunch or \$600 per person for dinner. Government officers are required to exercise prudent judgement and economy when entertaining guest(s) for official purposes in order to avoid any public perception of extravagance. Where there are sufficient justifications for exceeding the expenditure limits, the departments are required to consider those applications according to the established mechanism and to document properly the detailed justifications for granting such approval.

In line with the Government's green policy, public officers should as far as possible refrain from bestowing gifts/souvenirs to others during the conduct of official activities. According to the existing guidelines, where bestowal of gifts/souvenirs is necessary or unavoidable due to operational, protocol or other reasons, the gift/souvenir items should not be lavish or extravagant and the number should be kept to a minimum. Also, the exchange of gifts/souvenirs should only be made from organisation to organisation.

In the past three years, no officer of Financial Services Branch and departments under its purview (i.e. Census and Statistics Department and Official Receiver's Office) was subject to disciplinary action for alleged contravention of the CSRs or other government requirements in relation to claiming reimbursement of entertainment expenses or offering gifts/souvenirs.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)112**

**(Question Serial No. 6207)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 173):

The Government has announced that it would make all government information released for public consumption machine-readable in digital formats. In respect of this,

(1) Please provide in the table below details of the government information to be released for public consumption by your Bureau/Department.

Bureau/ Department	Information items that can be released for public consumption	Description of the information	Period of the information	Is the information released in digital formats currently and date of release	If not, will it be converted into digital formats	Digital format already/planned to be used (please choose)			
						Machine-readable, non-proprietary formats (e.g. CSV)	Machine-readable, proprietary formats (e.g. MS Excel, Word)	Non-Machine-readable formats (e.g. JPG, PDF, PNG)	Open-standard formats (e.g. XML)

(2) Would the Administration indicate the manpower and expenditure involved for releasing government information for public consumption in 2014-15? Will more resources and manpower be provided to your Bureau/Department for handling this task so that the plan can be more effectively implemented?

Asked by: Hon. MOK, Charles Peter

Reply:

- (1) We have been providing the public with information through our websites. Such information includes organisation charts and responsibilities, consultation papers and conclusions, speeches and press releases, statistics and reports, and other topical issues, etc. The information concerned is prepared in digital formats (e.g. JPG, GIF, MS Word, MS Excel, PDF etc.). The categories and quantity of government information open to the public are enormous, which cannot be tabulated in detail.
- (2) The manpower and expenses involved in the relevant work will be absorbed from within existing resources.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)113**

**(Question Serial No. 6222)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 195):

Regarding the Bureau's expenditure on the procurement of computer software and hardware, could the Administration inform this Committee of the following:

- (a) Does the Administration have any standard internal procurement guidelines which set out criteria for the purchase or upgrade of computer software and hardware for the Bureau? If yes, what are the details? Do the guidelines require that the Bureau must upgrade its computer software and hardware in a timely manner?
- (b) Given that the computer software and hardware supplier Microsoft will terminate its support service for the operating platform of its Windows XP, please provide the respective numbers of mainframe computers in the Bureau which are using (1) the operating platform of Microsoft Windows XP; (2) the operating platforms released by Microsoft before 2001; and (3) other operating platforms (please specify the version), as well as the respective percentages of these three types of operating systems in the Bureau's total number of mainframe computers. Does the Bureau have any plan to upgrade the above operating platform versions which are now obsolete?
- (c) What are the expenditure on and criteria for the procurement of tablet computers by the Bureau? What are the model numbers and the uses of the tablet computers? Is there any classified information saved on the tablet computers? If yes, what are the details? Is there any information security software installed in the tablet computers used by the Bureau? What is the expenditure involved?

Asked by: Hon. MOK, Charles Peter

Reply:

- (a) According to the existing guidelines, bureaux/departments ("b/ds") must develop a 3-year plan of IT projects and plan for IT-related projects annually to ensure that operational needs can be met effectively. For planning IT projects for updating purposes, b/ds should review and evaluate a wide range of potential risks and set in place mitigation measures. As far as technology consideration is concerned, potential risks include product compatibility, maintenance support, replacement products as well as market supply, etc. B/ds are required to make purchases in the most cost-effective way amongst fair and open market competitions in compliance with the government's procurement guidelines. B/ds should also handle the updating of computer hardware and software according to the importance and priorities of their IT projects.

- (b) As at 18 March 2014, 9% of our computers are running on Windows XP and 91% on Windows 7. We have been upgrading the operating platform of our computers to Windows 7.
- (c) In 2013-14 (as at 18 March 2014), the expense on purchase of tablet computers was \$17,000. Our tablet computers are mainly used to support and improve our internal operations. They are used for emails, SMS, calendar management and Internet browsing. We will make new or enhancement purchases of the tablet computers according to the government's procurement guidelines. We do not store classified information in our tablet computers. Although we have not installed any information security software on our tablet computers, we have taken security measures as appropriate, such as power-on passwords for mobile devices and device wipe after specified number of failed login attempts.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)114**

**(Question Serial No. 6553)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 160):

In respect of the public relations expenses of various government departments in the past year, please inform this Committee of:

- (1) The expenses this department spent on advertisement on mainstream or online media as well as the relevant details in table form (please see Annex 1):

Published / Broadcasted Time (Month / Year)	Status (one-off / ongoing / done) (as at 31 January 2014)	Government or Public Organisation (including policy bureau / department / public organisation / government advisory body)	Name of Advertisement	Name of Publisher or Broadcasting Media (newspaper / radio station / TV station / advertising panel / car wrap advertising / website, etc)	Purpose and Frequency of the Advertisement (as at 31 January 2014)	Rank and No. of Responsible Person(s) (as at 31 January 2014)	Financial resources for the expenses involved (as at 31 January 2014)
			(1)...	(1)...			
			(2)...	(2)...			
			(3)...	(3)...			

- (2) The expenses this department spent on sponsoring media to provide programmes or materials as well as the relevant details (please see Annex 2):

Programme / Materials Published / Broadcasted Time (Month / Year)	Status (one-off / ongoing / done) (as at 31 January 2014)	Sponsoring Government or Public Organisation (including policy bureau / department /	Name of Programme / Materials	Name of Publisher or Broadcasting Media (newspaper / radio station / TV station / website,	Purpose and Frequency of the Sponsorship (as at 31 January 2014)	Rank and No. of Responsible Person(s) (as at 31 January 2014)	Expenses (as at 31 January 2014)
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		public organisation / government advisory body)		etc)			
			(1)... (2)... (3)...	(1)... (2)... (3)...			

(3) The expenses on and details of the Advertorial of this department (please see Annex 3):

Programme / Materials Published / Broadcasted Time (Month/Year)	Status (one-off / ongoing / done) (as at 31 January 2014)	Government Organisation (including policy bureau / department / public organisation / government advisory body)	Name of Programme / Materials	Name of Publisher or Broadcasting Media (newspaper / radio station / TV station / website, etc)	Purpose and Frequency of the Programme / Materials (as at 31 January 2014)	Rank and No. of Responsible Person(s) (as at 31 January 2014)	Non-government organisation / Personnel Responsible for Writing Advertisement Script (if any)	Expenses (as at 31 January 2014)
			(1)... (2)... (3)...	(1)... (2)... (3)...				

Asked by: Hon. MOK, Charles Peter

Reply:

(1), (2) & (3): In the past year, Financial Services Branch had not incurred such expenses.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)115**

**(Question Serial No. 3347)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 23):

Regarding “formulating policies and introducing legislative proposals covering the banking system; securities and futures market; insurance industry; Mandatory Provident Fund (MPF) schemes and occupational retirement schemes; as well as companies, trusts, insolvency and accountancy matters”, please provide the following information of the MPF:

- (a) the amount of employers’ contribution of last year;
- (b) the amount of employees’ contribution of last year;
- (c) the amount of self-employed persons’ contribution of last year;
- (d) the amount involved under the offsetting mechanism of last year; and
- (e) the timetable for abolishing the offsetting mechanism of the MPF.

Asked by: Hon. SIN Chung-kai

Reply:

- (a) – (c)

According to the information provided by approved trustees to the Mandatory Provident Fund Schemes Authority (“MPFA”), the amount of mandatory and voluntary contributions<sup>1</sup> made by employers and employees in 2013 was \$49.1 billion, while that of self-employed persons (“SEPs”) was \$1.15 billion. MPFA does not have the breakdown on the amount of contributions made by employers and employees.

In addition, the employees and SEPs have made special voluntary contributions<sup>2</sup> of \$3.389 billion in the year. MPFA does not have the breakdown on the amount of special voluntary contributions made by employees and SEPs.

- (d)

According to the information provided by approved trustees to MPFA, the total amount of severance payments (“SP”) or long service payments (“LSP”) paid from MPF accrued benefits in accordance with section 12A of the Mandatory Provident Fund Schemes Ordinance in 2013 was \$2.678 billion.

<sup>1</sup> The amount of contributions paid by employers, employees or self-employed persons to an MPF scheme exceeding the amount of mandatory contributions required to be paid under the MPF legislation.

<sup>2</sup> Contributions unrelated to employment paid directly by a relevant employee to the MPF trustee of an MPF scheme, without the involvement of his/her employer.

(e)

The arrangement of offsetting SP and LSP against MPF accrued benefits is a concern of the community. It involves the interests of various stakeholders, affecting both the retirement protection of employees and operating costs of employers. In fact, there are distinctively opposite views on the offsetting arrangement among different sectors of the community. We need to listen to the views of different sectors, consider and examine the issue in a holistic and careful manner.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)116**

**(Question Serial No. 3348)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 24):

It is noted that the Branch will be “co-ordinating and facilitating the implementation of new initiatives on financial infrastructure to enhance Hong Kong’s competitiveness”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

Improving and enhancing financial infrastructure are critical to maintaining financial stability and promoting market efficiency. We are finalising the draft law to enable the implementation of an uncertificated (i.e. scripless) securities market. The broad regulatory framework for an uncertificated securities market will be set out in primary legislation. We briefed the Legislative Council Panel on Financial Affairs on the legislative proposal on 6 January 2014 and plan to introduce a Bill into the Legislative Council in the second quarter of 2014.

At the same time, we propose amending the Clearing and Settlement Systems Ordinance to establish a more comprehensive licensing and supervision regime for stored value facilities, and empower the Hong Kong Monetary Authority to designate and supervise relevant retail payment systems. In this connection, after receiving comments from the public, we have commenced the drafting of a Bill, and plan to introduce the Bill into the Legislative Council in the next legislative year. We will brief the Legislative Council Panel on Financial Affairs on 7 April.

Within the Financial Services Branch, one Administrative Officer Staff Grade B1, two Administrative Officers Staff Grade C and two Senior Administrative Officers are involved in this exercise. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)117**

**(Question Serial No. 3349)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 25):

It is noted that the Branch will “work closely with the relevant ministries in the Central Government and the Asia-Pacific Economic Cooperation (APEC) for smooth organisation of the APEC Finance Ministers’ Meeting in Hong Kong in September 2014.” In this regard,

- (a) What is the Bureau’s expenditure for this work for 2013-14?
- (b) As the event will be held in Beijing instead, how will the Government handle the provision approved by the Finance Committee earlier on?
- (c) After knowing that the event would be held in Beijing instead, did the Administration continue to pursue hosting it? If so, what are the details? If not, what are the reasons?

Asked by: Hon. SIN Chung-kai

Reply:

- (a) Before receiving the decision of the Central People’s Government (“CPG”), the Event Co-ordination Team and the Police Planning Team set up under the Financial Services Branch of the Financial Services and the Treasury Bureau (“FSTB”) and the Hong Kong Police Force respectively have undertaken some preliminary preparatory work for the Finance Ministers’ Meeting (“FMM”), including site visits; liaison with the relevant CPG ministries, government bureaux and departments, and concerned organisations; and preparation for the tender for procurement of services and equipment. The expenses include staff salaries (\$4.78 million), administrative expenses (\$0.68 million) and purchase of office equipment (\$0.32 million). They have been met by the existing resources approved for FSTB in 2013-14.
- (b) The non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013 is for meeting the costs of organising the FMM in 2014-15. No expenditure has been incurred from this provision. The Administration will reserve this provision in the Center according to the established procedures, and no expenditure shall be incurred against the provision reserved.
- (c) The Government respects and understands the CPG’s decision.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)118**

**(Question Serial No. 3350)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 26):

It is noted that the Branch will “consult the public on the proposal of including in each MPF scheme a core fund as the default fund, which will be subject to fee control and based on a long-term investment strategy”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan of public consultation?
- (d) what are the details of the fee control?
- (e) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

- (a) Within the Financial Services Branch (“FSB”), the expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.
- (b) Within FSB, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary assist in handling the relevant task.
- (c), (d) and (e) The Mandatory Provident Fund Schemes Authority (“MPFA”) is following up on the proposal of including in each Mandatory Provident Fund scheme a core fund as the default fund. In the last few months, MPFA has engaged relevant sectors to help draw up the proposal. The current thinking is that the proposed fund would make long-term and diversified investment that balances investment risk and return. Examples are mixed asset funds or investment with a built-in de-risking arrangement based on the age of scheme members. The proposed fund will be subject to fee control. We expect the relevant public consultation will commence later this year.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)119**

**(Question Serial No. 3351)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 27):

It is noted that the Branch will “legislate for the establishment of an independent Insurance Authority”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. SIN Chung-kai

Reply:

(a) & (b)

Within the Financial Services Branch, one Administrative Officer Staff Grade B, one Administrative Officer Staff Grade C, one Senior Administrative Officer, one Administrative Officer and one Senior Executive Officer are responsible for the establishment of the independent Insurance Authority (“IIA”). The expenses involved will be absorbed from within existing resources.

(c) & (d)

The Administration plans to introduce the relevant Bill into the Legislative Council in the second quarter of 2014 with a view to establishing the IIA in 2015. We will continue to liaise with the industry (including insurers, the three self-regulatory organisations<sup>1</sup> and insurance intermediaries) to work out the detailed transitional arrangements.

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<sup>1</sup> The three self-regulatory organisations are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers, and the Professional Insurance Brokers Association.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)120**

**(Question Serial No. 6157)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 410

Question (Member Question No. 82):

Provision for the Financial Services and the Treasury Bureau (Financial Services Branch) for 2014–15 is \$73.8 million (30.9%) higher than the revised estimate for 2013–14. This is mainly due to the additional provision for organising the APEC Finance Ministers' Meeting in Hong Kong in September 2014. Now as the meeting will be held in Beijing instead, what changes will be made to the estimated expenditure concerned in 2014-15?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The provision related to the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in the 2014-15 Estimates, including a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, will be reserved in the Centre according to the established procedures. No expenditure shall be incurred against the provision reserved.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)121**

**(Question Serial No. 5590)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 70):

It is noted that the Branch will "introduce legislation to enable the introduction of an uncertificated securities regime". In this regard,

- (a) what is the Bureau's estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. TO Kun-sun, James

Reply:

We are finalising the draft law to enable the implementation of an uncertificated (i.e. scripless) securities market. The broad regulatory framework for an uncertificated securities market will be set out in primary legislation. We briefed the Legislative Council Panel on Financial Affairs on the legislative proposal on 6 January 2014 and plan to introduce a Bill into the Legislative Council in the second quarter of 2014.

The above work is led by the Financial Services Branch, with support from 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 existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 5591)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 71):

It is noted that the Branch will “formulate proposals to improve the ‘abscondee’ regime under the Bankruptcy Ordinance”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. TO Kun-sun, James

Reply:

Regarding parts (a) and (b) of the question, the Financial Services Branch will seek the approval of the Finance Committee in May this year for additional resources to retain two supernumerary directorate posts (namely, one Administrative Officer Staff Grade B and one Administrative Officer Staff Grade C post) up to the end of December 2016 for handling policy matters and taking forward legislative exercises in respect of a number of policy areas, including matters concerning the review of the “abscondee” regime under the Bankruptcy Ordinance. The staffing proposal was supported by the Establishment Subcommittee in February 2014. The two directorate officers are supported by one Senior Administrative Officer and other clerical staff in respect of the work for reviewing the “abscondee” regime, and the expenditure involved is absorbed from within our existing resources. We do not have a separate breakdown.

As regards parts (c) and (d) of the question, in view of the ruling of the Court of Final Appeal in an earlier court case, we have commenced the review of the “abscondee” regime and are developing broad legislative proposals with a view to consulting the Panel on Financial Affairs in June this year.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)123**

**(Question Serial No. 5592)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 72):

It is noted that the Branch will “introduce legislative amendments to simplify operational requirements for trustees of Mandatory Provident Fund (MPF) schemes; and allow early withdrawal of MPF benefits on the ground of terminal illness as well as phased withdrawal of MPF benefits”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) Within the Financial Services Branch (“FSB”), the expenses involved in the above initiative will be absorbed from within existing resources. We do not have a separate breakdown.
- (b) Within FSB, one Administrative Officer Staff Grade B, one Administrative Officer Staff Grade C and one Senior Administrative Officer assist in handling the above initiative.
- (c) and (d) Having regard to the feedback received during the consultation conducted earlier by the Mandatory Provident Fund Schemes Authority on withdrawal of Mandatory Provident Fund (“MPF”) accrued benefits, we are drafting an Amendment Bill, and planning to introduce it into the Legislative Council by July this year. The Amendment Bill will propose, among other things, simplifying certain statutory procedures and requirements with which trustees have to comply, with a view to further increasing their scope of fee reduction; allowing withdrawal of MPF accrued benefits by scheme members before they reach 65 if they suffer from a terminal illness that reduces their remaining life expectancy to 12 months or less; and requiring trustees to provide scheme members after they reach 65 an option to withdraw their MPF accrued benefits by instalments, instead of in a lump sum.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)124**

**(Question Serial No. 5593)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 73):

It is noted that the Branch will “consult the public and develop legislative proposals on establishing an effective resolution regime for financial institutions in Hong Kong”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. TO Kun-sun, James

Reply:

In the wake of the global financial crisis in 2008, a group of major economies have pledged to pursue a series of regulatory reform initiatives to enhance the resilience and stability of the global financial system. One such initiative proposed by the Financial Stability Board (“FSB”) is the development of an effective resolution regime to resolve systemically important financial institutions in the event they become insolvent. The resolution regime aims to ensure continuity of systemically important financial services, and payments, clearing and settlement systems.

As a member jurisdiction of the FSB, it is incumbent upon Hong Kong to establish an effective resolution regime in Hong Kong in order to meet the latest international standards.

To this end, the Government and the financial regulators, namely the Hong Kong Monetary Authority (“HKMA”), the Securities and Futures Commission (“SFC”) and the Insurance Authority (“IA”), launched the first stage of a three-month public consultation on 7 January 2014. We aim to conduct the second stage of public consultation on the more specific details and operation of the resolution regime later this year, and plan to introduce the proposed legislation into the Legislative Council in 2015.

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

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 5599)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 14):

It is noted that the Branch will “continue to oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) in respect of the financial sectors, and participate actively in the Financial Action Task Force”. In this regard,

- (a) what is the Bureau’s estimated expenditure for the work for 2014-15?
- (b) what are the number and rank of officials to be tasked with the work?
- (c) what projects are included in the specific work plan?
- (d) what is the progress or schedule for 2014-15?

Asked by: Hon. TO Kun-sun, James

Reply:

For 2014-15, the Financial Services and the Treasury Bureau will continue to take the lead in coordinating efforts of concerned departments and regulatory bodies to combat money laundering and terrorist financing activities. This includes, in particular, the implementation of Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, to ensure that financial institutions comply with the statutory requirements of customer due diligence and record keeping to complement related enforcement work. At the same time, in light of the international standards promulgated by the Financial Action Task Force (“FATF”) in 2012, we will seek continuous improvements in the effectiveness of our anti-money laundering and counter-terrorist financing measures, through conducting risk assessment on the existing anti-money laundering regime, and strengthening publicity and education. In addition, we will continue to represent Hong Kong, China at FATF’s meetings. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary, one Superintendent of Police and one Executive Officer are involved in this area of work. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)126**

**(Question Serial No. 5600)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 410

Question (Member Question No. 81):

Regarding the changes to the expenditure in financial services, please inform this Committee of:

- (a) the reasons for the huge increase of 30.9% of the estimate for 2014-15 over that for 2013-14, and
- (b) the respective amount of expenditure involved in assisting the Financial Secretary in overseeing the relevant regulatory authorities, namely, the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the Financial Reporting Council.
- (c) Please also provide a breakdown of related expenditure in (b).

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) The increase in 2014-15 includes a non-recurrent commitment of \$63.45 million approved by the Finance Committee of the Legislative Council in December 2013, which is for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting originally scheduled to be held in Hong Kong this September.
- (b) & (c) The expense involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)127**

**(Question Serial No. 5601)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 82):

Regarding the work to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, will the Administration please advise on the number of officers undertaking the work of the SFC and their ranks?

Asked by: Hon. TO Kun-sun, James

Reply:

Within the Financial Services and the Treasury Bureau, one Administrative Officer Staff Grade B1 oversees the relevant functions and is supported by one Administrative Officer Staff Grade C, one Senior Administrative Officer, one Chief Executive Officer and one Executive Officer I. The expense involved will be absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 5602)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 83):

Regarding the work to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, would the Administration please advise on the following:

- (a) What is the estimated expenditure of the Office of the Commissioner of Insurance (OCI) to be involved in 2014-15?
- (b) What are the number and ranks of officials responsible for the work relating to the OCI?
- (c) What items are included in the specific work plan of the OCI?
- (d) What are the progress and schedule of work in 2014-15?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) The relevant target is related to different aspects of the work of the Office of the Commissioner of Insurance (“OCI”) and the expenditure of the entire department. We do not have a breakdown for this item.
- (b) As at 3 March 2014, there are 148 civil servants and full-time non-civil service contract staff in the OCI, including 5 directorate/acting directorate officers and 143 non-directorate officers.
- (c) & (d)

The OCI is responsible for implementing the Insurance Companies Ordinance (“ICO”), protecting the policyholders by supervising the financial position of insurers and their compliance with the solvency requirements as well as conducting on-site inspection to supervise insurers’ compliance with the law. In the anti-money laundering aspect, the OCI keeps up its supervision of insurance institutions’ compliance with the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and participates in the work of the Joint Financial Intelligence Unit. To strengthen international cooperation in insurance regulation, the OCI actively participates in the work of the International Association of Insurance Supervisors and supervisory colleges of large insurance groups. Besides, enhancing liaison with the relevant Mainland authorities with a view to facilitating the industry’s development of RMB insurance business is also part of OCI’s responsibilities.

Apart from the above, the OCI will focus on implementing the following initiatives in 2014-2015:

- (i) The OCI plans to consult the insurance industry on adoption of the Risk Based Capital Framework by insurers in mid-2014.

- (ii) The Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority, the Securities and Futures Commission and the OCI have jointly published a paper for the first stage of public consultation on “An effective resolution regime for financial institutions in Hong Kong” in January 2014. The OCI will participate in the preparation of the second stage of public consultation to be launched later in 2014.
- (iii) The legislative work relating to the establishment of an independent Insurance Authority and the Policyholders Protection Fund.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)129**

**(Question Serial No. 5603)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 409

Question (Member Question No. 84):

Regarding the work to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, would the Administration please advise on the number and ranks of officials responsible for the work relating to the HKMA?

Asked by: Hon. TO Kun-sun, James

Reply:

Within the Financial Services and the Treasury Bureau, one Administrative Officer Staff Grade B1 oversees the relevant functions and is supported by one Administrative Officer Staff Grade C, one Senior Administrative Officer, one Administrative Officer, one Superintendent of Police, one Senior Executive Officer and one Executive Officer I.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)130**

**(Question Serial No. 5604)**

Head: (148) Government Secretariat : Financial Services and the Treasury Bureau  
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial  
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 85):

Regarding the work to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, would the Administration please advise on the number of and ranks of officials responsible for the work relating to the Mandatory Provident Fund Schemes Authority (MPFA)?

Asked by: Hon. TO Kun-sun, James

Reply:

Within the Financial Services Branch, one Administrative Officer Staff Grade B, one Administrative Officer Staff Grade C, one Senior Administrative Officer and one Administrative Officer are responsible for the work relating to the MPFA.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)131**

**(Question Serial No. 5605)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 408

Question (Member Question No. 86):

Regarding the work to “ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets”, will the Administration please advise on the number of officers undertaking the work of the Financial Reporting Council and their ranks?

Asked by: Hon. TO Kun-sun, James

Reply:

The Financial Services Branch will seek the approval of the Finance Committee in May this year to retain two supernumerary directorate posts up to the end of December 2016 for handling policy matters and taking forward legislative exercises in respect of a number of policy areas, among which one supernumerary Administrative Officer Staff Grade B (“AOSGB”) post is responsible for, *inter alia*, matters relating to the Financial Reporting Council. The staffing proposal was supported by the Establishment Subcommittee in February 2014. The AOSGB will be supported by one Administrative Officer Staff Grade C, one Senior Administrative Officer and other clerical staff in respect of the work relating to the Financial Reporting Council, and the expenditure involved is absorbed from within existing resources. We do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)132****(Question Serial No. 3551)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 351):

Please list by number of family members for the past 5 years the numbers of non-Comprehensive Social Security Assistance households with income less than 50% of the median household income.

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 figures of non-Comprehensive Social Security Assistance domestic households with monthly household income (excluding foreign domestic helpers) less than 50% of the median monthly household income of corresponding household size (excluding foreign domestic helpers), by household size, for 2009 to 2012 are given in the table below. The corresponding figures for 2013 will be available in end 2014.

Household size	2009	2010	2011	2012
	No. of domestic households ('000)	No. of domestic households ('000)	No. of domestic households ('000)	No. of domestic households ('000)
1	45.0	46.5	52.4	54.1
2	98.4	93.4	102.7	101.8
3	70.3	64.8	65.2	72.6
4	57.2	53.4	52.6	59.4
5	14.1	15.3	14.8	15.7
≥ 6	6.2	5.2	5.0	4.9
Total*	291.3	278.5	292.7	308.5

Note: \* Figures may not add up to the total owing to rounding.



**CONTROLLING OFFICER'S REPLY****FSTB(FS)133****(Question Serial No. 3552)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 352):

Please list by number of family members for the past 5 years the numbers of non-Comprehensive Social Security Assistance households with income less than 60% of the median household income.

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 figures of non-Comprehensive Social Security Assistance domestic households with monthly household income (excluding foreign domestic helpers) less than 60% of the median monthly household income of corresponding household size (excluding foreign domestic helpers), by household size, for 2009 to 2012 are given in the table below. The corresponding figures for 2013 will be available in end 2014.

Household size	2009	2010	2011	2012
	No. of domestic households ('000)	No. of domestic households ('000)	No. of domestic households ('000)	No. of domestic households ('000)
1	67.8	56.8	69.3	74.7
2	137.9	135.9	136.8	145.3
3	106.9	104.2	107.3	118.9
4	91.9	92.5	91.7	93.6
5	25.2	24.8	25.6	26.5
≥ 6	10.0	8.7	8.2	9.0
Total*	439.6	422.8	438.8	468.0

Note: \*Figures may not add up to the totals owing to rounding.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)134****(Question Serial No. 3553)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 353):

Please list by number of family members for the past 5 years the numbers of non-Comprehensive Social Security Assistance households with income less than 70% of the median household income.

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 figures of non-Comprehensive Social Security Assistance domestic households with monthly household income (excluding foreign domestic helpers) less than 70% of the median monthly household income of corresponding household size (excluding foreign domestic helpers), by household size, for 2009 to 2012 are given in the table below. The corresponding figures for 2013 will be available in end 2014.

Household size	2009	2010	2011	2012
	No. of domestic households ('000)	No. of domestic households ('000)	No. of domestic households ('000)	No. of domestic households ('000)
1	77.3	81.1	80.5	94.9
2	166.3	164.7	173.7	183.3
3	149.0	146.3	162.2	163.4
4	133.7	130.1	125.9	134.7
5	36.8	35.9	35.8	37.6
≥ 6	13.5	11.9	12.3	13.2
Total*	576.7	570.0	590.4	627.1

Note: \*Figures may not add up to the total owing to rounding.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)135**

**(Question Serial No. 3556)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 356):

Please list by household incomes less than 50%, 60% and 70% of the median household income respectively for the past 5 years the numbers of non-Comprehensive Social Security Assistance households which have child(ren) with special educational needs.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

The required statistics can be compiled from the ad hoc special topic enquiry on "Persons with Disabilities and Chronic Diseases". In the past 5 years, the Census and Statistics Department conducted the related special topic enquiry in 2013. The statistics compiled from this special topic enquiry will be available in end 2014.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)136****(Question Serial No. 3557)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 357):

Please list by household incomes less than 50%, 60% and 70% of the median household income respectively for the past 5 years the numbers of non-Comprehensive Social Security Assistance single-parent households.

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 figures of non-Comprehensive Social Security Assistance single-parent domestic households with monthly household income (excluding foreign domestic helpers) less than 50%, 60% and 70% of median monthly household income of the corresponding household size (excluding foreign domestic helpers) for 2009 to 2012 are given in the table below. The corresponding figures for 2013 will be available in end 2014.

Less than the percentage of median monthly household income specified below	2009	2010	2011	2012
50%	10 600	8 400	8 700	10 200
60%	16 300	15 700	15 500	17 400
70%	22 100	20 900	21 000	23 100

**CONTROLLING OFFICER'S REPLY****FSTB(FS)137****(Question Serial No. 3560)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 641):

Please provide by district for the past 5 years the numbers of rooms, cubicles, bedspaces and cocklofts, and the numbers of persons and households living in these units.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

Based on the results of the 2011 Population Census, statistics on domestic households and population living in rooms, cubicles, bedspaces and cocklofts of private residential units by District Council district are given below.

Year	District Council district	Domestic households	Population in domestic households
2011	Central and Western	952	1 920
	Wan Chai	834	1 668
	Eastern	1 054	1 694
	Southern	160	343
	Yau Tsim Mong	2 224	3 932
	Sham Shui Po	1 477	2 767
	Kowloon City	996	1 673
	Wong Tai Sin	186	256
	Kwun Tong	285	495
	Kwai Tsing	142	243
	Tsuen Wan	763	1 306
	Tuen Mun	176	276
	Yuen Long	114	227
	North	90	103
	Tai Po	76	128
	Sha Tin	53	77
	Sai Kung	-	-
Islands	81	81	
<b>Total</b>	<b>9 663</b>	<b>17 189</b>	

Note: (1) Private residential units include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions).

The Census and Statistics Department does not have statistics on numbers of rooms, cubicles, bedspaces and cocklofts by district, nor the relevant figures for the other years.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)138****(Question Serial No. 3561)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 87 (if applicable)

Question (Member Question No. 642):

Please provide by number of family members for the past 5 years the numbers of persons and households living in rooms, cubicles, bedspaces and cocklofts.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

According to the results of the 2011 Population Census, statistics on domestic households and population living in rooms, cubicles, bedspaces and cocklofts of private residential units by household size are given below. Statistics for the other years are not available.

Year	Household size	Domestic households	Population in domestic households
2011	1	5 557	5 557
	2	2 134	4 268
	3	958	2 874
	4	726	2 904
	5	174	870
	≥ 6	114	716
	<b>Total</b>	<b>9 663</b>	<b>17 189</b>

Note: (1) Private residential units include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions).

**CONTROLLING OFFICER'S REPLY****FSTB(FS)139****(Question Serial No. 4849)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 643):

Please provide by district for the past 5 years the number of private temporary housing, and the numbers of persons and households living in these units.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

According to the results of the 2011 Population Census, statistics on domestic households and population living in temporary quarters<sup>(1)</sup> analysed by District Council district are given below.

District Council district	Number of domestic households	Population in domestic households
Central and Western	64	105
Wan Chai	69	115
Eastern	197	447
Southern	534	1 561
Yau Tsim Mong	459	883
Sham Shui Po	722	1 261
Kowloon City	367	858
Wong Tai Sin	202	489
Kwun Tong	435	1 148
Kwai Tsing	394	1 071
Tsuen Wan	862	2 259
Tuen Mun	1 612	3 808
Yuen Long	4 769	12 006
North	4 845	12 769
Tai Po	1 360	3 583
Sha Tin	665	1 816
Sai Kung	246	736
Islands	675	1 290
<b>Total</b>	<b>18 477</b>	<b>46 205</b>

Note: (1) Including quarters in temporary housing areas as well as private temporary structures such as roof-top structures, contractor's matsheds, nissen huts, huts and places not intended for residential purpose (such as landings, staircases, corridors, etc.).

The Census and Statistics Department does not have the statistics for the other years.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)140**

**(Question Serial No. 4850)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 646):

Please provide by district in Hong Kong for the past 5 years the number of illegal flats, and the numbers of persons and households living in these flats.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

The Census and Statistics Department does not have statistics on illegal flats.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)141****(Question Serial No. 4851)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 647):

Please provide i) by district, ii) by number of family members the rental information of the tenants of private housing flats in Hong Kong (including the lowest, the 25<sup>th</sup>, median, the 75<sup>th</sup> and the highest percentiles).

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

According to the results of the 2011 Population Census, statistics on monthly domestic household rent for households living in rental accommodation in private permanent housing analysed by geographical region and by household size are given in Table 1 and Table 2 respectively.

Table 1: Statistics on monthly domestic household rent<sup>(1)</sup> for households living in rental accommodation in private permanent housing<sup>(2)</sup> by geographical region, 2011

Geographical Region	Monthly domestic household rent (HK\$)				
	5 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	95 <sup>th</sup> percentile
Hong Kong Island	2,100	7,000	11,000	20,000	55,500
Kowloon	1,250	2,700	5,000	9,350	25,000
New Territories	1,500	3,800	6,300	9,000	17,500
<b>Overall</b>	<b>1,500</b>	<b>3,600</b>	<b>6,800</b>	<b>11,500</b>	<b>30,000</b>

Notes: (1) This is the amount paid by a domestic household renting the accommodation it occupies for the rental of the accommodation in June 2011. It includes rates, government rent and management fee for that month but excludes payments for water and electricity. Households with zero rent are excluded in the calculation.

(2) Include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions), villas, bungalows and modern village houses, simple stone houses/traditional village houses and staff quarters.

Table 2: Statistics on monthly domestic household rent<sup>(1)</sup> for households living in rental accommodation in private permanent housing<sup>(2)</sup> by household size, 2011

Household size	Monthly domestic household rent (HK\$)				
	5 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	95 <sup>th</sup> percentile
1	1,300	3,000	5,800	9,500	22,000
2	1,600	4,000	6,700	10,000	25,000
3	1,500	3,600	6,500	10,300	27,500
4	1,600	4,000	7,500	13,000	33,500
5	1,800	5,300	10,000	19,000	58,000
≥ 6	2,100	5,800	12,000	28,000	80,000
<b>Overall</b>	<b>1,500</b>	<b>3,600</b>	<b>6,800</b>	<b>11,500</b>	<b>30,000</b>

- Notes: (1) This is the amount paid by a domestic household renting the accommodation it occupies for the rental of the accommodation in June 2011. It includes rates, government rent and management fee for that month but excludes payments for water and electricity. Households with zero rent are excluded in the calculation.
- (2) Include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions), villas, bungalows and modern village houses, simple stone houses/traditional village houses and staff quarters.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)142****(Question Serial No. 4852)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 648):

Please provide i) by district, ii) by number of family members the rental-to-income ratios of the tenants of private housing flats in Hong Kong (including the lowest, the 25<sup>th</sup>, median, the 75<sup>th</sup> and the highest percentiles).

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

According to the results of the 2011 Population Census, statistics on monthly domestic household rent to income ratio for households living in rental accommodation in private permanent housing analysed by geographical region and by household size are given in Table 1 and Table 2 respectively.

Table 1: Statistics on monthly domestic household rent to income ratio<sup>(1)</sup> for households living in rental accommodation in private permanent housing<sup>(2)</sup> by geographical region, 2011

Geographical Region	Monthly domestic household rent to income ratio (%)				
	5 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	95 <sup>th</sup> percentile
Hong Kong Island	5.0	17.1	25.6	37.0	60.0
Kowloon	4.3	15.7	24.8	36.9	60.2
New Territories	5.0	14.8	22.5	33.9	57.6
<b>Overall</b>	<b>4.7</b>	<b>15.6</b>	<b>24.0</b>	<b>35.7</b>	<b>59.1</b>

Notes: (1) The percentage of household income paid on household rent in June 2011 of a domestic household renting the accommodation it occupies. All zero income households and/or zero rent households are excluded in the calculation.

(2) Include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions), villas, bungalows and modern village houses, simple stone houses/traditional village houses and staff quarters.

Table 2: Statistics on monthly domestic household rent to income ratio<sup>(1)</sup> for households living in rental accommodation in private permanent housing<sup>(2)</sup> by household size, 2011

Household size	Monthly domestic household rent to income ratio (%)				
	5 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	95 <sup>th</sup> percentile
1	10.0	18.9	28.0	41.2	68.8
2	5.5	14.8	22.4	33.6	58.8
3	4.4	15.6	24.5	36.0	56.9
4	3.7	13.5	21.9	33.6	52.8
5	3.2	13.6	21.4	31.2	52.2
≥ 6	4.1	13.7	20.5	31.2	54.5
<b>Overall</b>	<b>4.7</b>	<b>15.6</b>	<b>24.0</b>	<b>35.7</b>	<b>59.1</b>

- Notes: (1) The percentage of household income paid on household rent in June 2011 of a domestic household renting the accommodation it occupies. All zero income households and/or zero rent households are excluded in the calculation.
- (2) Include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions), villas, bungalows and modern village houses, simple stone houses/traditional village houses and staff quarters.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)143**

**(Question Serial No. 4853)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 649):

Please provide i) by district, ii) by number of family members the rentals per square meter of the tenants of private housing flats in Hong Kong (including the lowest, the 25<sup>th</sup>, median, the 75<sup>th</sup> and the highest percentiles).

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

The Census and Statistics Department does not have statistics on the rental per square meter of tenants of private housing flats.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)144****(Question Serial No. 5945)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 265):

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.

Asked by: Hon. CHEUNG Chiu-hung, Fernando

Reply:

According to the results of the 2011 Population Census, the median monthly domestic household mortgage payment and loan repayment to income ratio<sup>(1)</sup> (%) by type of housing in 2011 is given below. The Census and Statistics Department does not have the statistics for the other years.

(%)

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

Note: (1) The monthly domestic household mortgage payment and loan repayment to income ratio refers to the percentage of household income paid on household mortgage payment and loan repayment in June 2011.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)145****(Question Serial No. 4055)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 565):

From 2008 to 2014, what are the number of elderly persons aged 60 or above in Hong Kong? What are the number of elderly persons aged 65 or above?

Asked by: Hon. CHEUNG Kwok-che

Reply:

The population figures for elderly persons aged 60 or above and those aged 65 or above from 2008 to 2014 are given below.

Year	Mid-year population	
	Aged 60 and over	Aged 65 and over
2008	1 186 300	882 700
2009	1 234 000	898 600
2010	1 293 500	918 500
2011	1 351 000	941 400
2012	1 408 900	980 300
2013	1 464 600	1 021 500
2014*	1 523 600	1 063 600

Note : \* Projected mid-year population



**CONTROLLING OFFICER'S REPLY****FSTB(FS)146****(Question Serial No. 6029)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 520):

For each year from 2008-09 to 2013-14, please provide the numbers of households with monthly household income less than the amount of the Comprehensive Social Security Assistance received by household of the same size.

Asked by: Hon. CHEUNG Kwok-che

Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the figures of domestic households with monthly household income (excluding foreign domestic helpers) less than the average Comprehensive Social Security Assistance payment of the corresponding household size (excluding foreign domestic helpers) for 2008 to 2012, are given in the table below. The corresponding figure for 2013 will be available in end April 2014.

	2008	2009	2010	2011	2012
No. of domestic households	316 400	385 600	370 400	378 000	387 100

**CONTROLLING OFFICER'S REPLY****FSTB(FS)147****(Question Serial No. 6435)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 574):

Please list by number of family members and residence type (renting of private property flats and public rental housing) from 2008 up to present, the ratio of the average rental to the income of households whose income is at 50% of the median household income.

Asked by: Hon. CHEUNG Kwok-che

Reply:

According to the results of the 2011 Population Census, statistics on average monthly rent to income ratio of domestic households<sup>(1)</sup> with income less than or equal to 50% of the median household income of all domestic households in Hong Kong, by household size and type of housing in 2011, are given below.

Household size	Average monthly domestic household rent to income ratio <sup>(2)</sup> (%)	
	Public rental housing	Private rental building <sup>(3)</sup>
1	23.9	41.7
2	20.9	42.2
3	20.0	42.6
4	21.0	42.3
5	23.0	41.1
6+	23.8	37.9
Overall	21.9	42.0

Notes : (1) Cover only domestic households renting the accommodation they occupied.

(2) The rent to income ratio refers to the percentage of household income paid on household rent in June 2011 of a domestic household renting the accommodation it occupied. All zero income households and/or zero rent households are excluded in the calculation of the average.

(3) Include all flats and apartments in multi-storey blocks or houses built by the private sector mainly for residential purpose and all former subsidized sale flats (i.e. those free of alienation restrictions), villas, bungalows and modern village houses, simple stone houses/ traditional village houses and staff quarters but exclude temporary housing.

The Census and Statistics Department does not have the statistics for the other years.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)148**

**(Question Serial No. 6436)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 575):

Please list by district from 2008 up to present, the ratio of the average rental to the income of households with income at 50% of the median household income.

Asked by: Hon. CHEUNG Kwok-che

Reply:

According to the results of the 2011 Population Census, statistics on average monthly household rent to income ratio of domestic households<sup>(1)</sup> with income less than or equal to 50% of the median household income of all domestic households in Hong Kong by District Council district in 2011 are given below. The Census and Statistics Department does not have the statistics for the other years.

District Council district	Average monthly household rent to income ratio <sup>(2)</sup> (%)
Hong Kong Island	
Central and Western	37.9
Wan Chai	44.1
Eastern	26.4
Southern	24.0
Sub-total	27.0
Kowloon	
Yau Tsim Mong	38.3
Sham Shui Po	29.1
Kowloon City	31.4
Wong Tai Sin	24.1
Kwun Tong	25.2
Sub-total	27.2
New Territories	
Kwai Tsing	23.3
Tsuen Wan	25.5
Tuen Mun	18.2
Yuen Long	22.9
North	23.5
Tai Po	24.7
Sha Tin	22.2
Sai Kung	22.7
Islands	23.6
Sub-total	22.4
Total	24.7

Notes : (1) Cover only domestic households renting the accommodation they occupied.

(2) The rent to income ratio refers to the percentage of household income paid on household rent in June 2011 of a domestic household renting the accommodation it occupied. All zero income households and/or zero rent households are excluded in the calculation of the average.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)149**

**(Question Serial No. 4117)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 83):

Will the Census and Statistics Department deploy more manpower and financial resources in 2014-15 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:

Since 2013-14, the proportion of cases subject to quality control checks in the context of data verification of the General Household Survey has been increased from 5% to 7.5%. The Census and Statistics Department will continue to adopt a quality control checking ratio of 7.5% in 2014-15. The additional manpower required is deployed from existing resources.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)150**

**(Question Serial No. 4118)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 84):

Will the Census and Statistics Department employ more staff for setting up the 2016 Population By-census Office? What are the details, estimated expenditure and staff cost?

Asked by: Hon. KWOK Ka-ki

Reply:

The manpower requirement for the 2016 Population By-census (16BC) varies in different stages of the survey. In 2014-15, 54 time-limited posts will be created and 47 Non-Civil Service Contract staff will be employed by the Census and Statistics Department to undertake the preparation work for 16BC. The estimated expenditure is around \$29.0 million, of which \$20.9 million is the estimated staff cost.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)151**

**(Question Serial No. 5863)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (4) General Statistical Services  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 89 (if applicable)

Question (Member Question No. 564):

*“Matters Requiring Special Attention in 2014-15” under this programme has mentioned “the need for objective, up-to-date and quality statistical information to facilitate policy planning in the Government as well as community understanding and discussion of public issues continues to increase. To meet this need, the Department will continue to upgrade the quality of statistical services in respect of timeliness, relevance and user serviceability. It will continue to co-ordinate statistical activities across government departments to ensure data compatibility and maintain quality standards.”*

Please advise for the past 5 years the number of forgery cases committed by staff in conducting statistical work, number of disciplinary actions taken as well as type of such actions.

Asked by: Hon. LEUNG Kwok-hung

Reply:

To safeguard the data quality of statistical surveys, the Census and Statistics Department has put in place a rigorous quality assurance mechanism which is modelled on international standards and practices. Data verification is conducted by field supervisors on a random sample of cases completed by each field officer. Upon a review in 2013-14, the verification checks have been strengthened by increasing the proportion of cases checked from at least 5% to at least 7%, and targeting at high risk data categories identified for each survey.

Random spot checks are also conducted by field supervisors and statisticians to ensure that each frontline field officer performs work in his/her duty area as scheduled. The system of spot checks has also been enhanced since 2013-14. These spot checks are considered as an effective tool to prevent frauds in conducting statistical surveys.

During the past 5 years, no proof of forgery of data by field officers was identified in the above quality assurance checks.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)152**

**(Question Serial No. 3354)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (3) National Accounts and Balance of Payments Statistics  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 89 (if applicable)

Question (Member Question No. 30):

As regards "*The Department will continue to enhance the methodology and compilation framework in respect of national accounts, balance of payments and related statistics to take account of the latest international standards and local economic developments*", please advise the following:

- (a) the estimated expenditure in 2014-15 for enhancing the methodology and compilation framework.
- (b) the number and rank of staff undertaking these works.
- (c) the items included in the work plan.
- (d) the progress or timetable for 2014-15.

Asked by: Hon. SIN Chung-kai

Reply:

- (a) & (b) Enhancement of the relevant methodology and compilation framework in respect of national accounts and balance of payments statistics is carried out by a professional team comprising 2 senior statisticians, 4 statisticians and 10 statistical officers, who are responsible for the regular compilation and development of national accounts and balance of payments statistics. As the enhancement work constitutes part of the duties of this professional team, we do not have a separate breakdown.
- (c) The enhancement work mainly relates to the updating of the relevant methodology and compilation framework of the Census and Statistics Department, having regard to the new international statistical standards stipulated in the latest version of the Manuals on "System of National Accounts" and "Balance of Payments and International Investment Position Statistics".
- (d) Major enhancement areas (e.g. adoption of new international standard classification for various types of trade in goods and services activities) have been implemented by phase in the past 2 years. The remaining enhancement work is expected to be completed in 2014-15.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)153**

**(Question Serial No. 6572)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 92 (if applicable)

Question (Member Question No. 76):

As regards the "*Brief Description*" under this programme, the Department each year will prepare the "Quarterly Report of Wage and Payroll Statistics" with reference to employment, vacancies, wage and labour earnings. In this connection, please advise the following:

1. In the "Quarterly Report of Wage and Payroll Statistics", why is the main category of industry for elderly homes classified as miscellaneous activities? What are the relevant criteria?
2. What are the staff and expenditures involved in the compilation of the "Quarterly Report of Wage and Payroll Statistics" for the past 3 years.

Asked by: Hon. TANG Ka-piu

Reply:

1. The industry classification of the "Quarterly Report of Wage and Payroll Statistics" follows the "Hong Kong Standard Industrial Classification Version 2.0", which is based on the United Nations' latest version of "International Standard Industrial Classification of All Economic Activities Revision 4". Elderly homes are classified under the industry group of "Residential care activities and social work activities without accommodation". The report has no such classification as "miscellaneous activities".
2. Compilation of the "Quarterly Report of Wage and Payroll Statistics" is carried out by a team comprising 2 Senior Statisticians, 3 Statisticians, 1 Senior Census and Survey Officer, 4 Statistical Officers I, 15 Statistical Officers II, 9 Census and Survey Officers, 30 Assistant Census and Survey Officers, 1 Assistant Clerical Officer and 2 Clerical Assistants, who are responsible for the regular compilation and development of statistics on labour earnings and hours of work. As the compilation of the "Quarterly Report of Wage and Payroll Statistics" constitutes part of the duties of this team, we do not have a separate breakdown.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)154**

**(Question Serial No. 5597)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (2) Social Statistics  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Not Specified  
This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 78):

As regards the change in the expenditure of Social Statistics, please advise why the estimate for 2014-15 is substantially higher than the original estimate for 2013-14 by 37.9%?

Asked by: Hon. TO Kun-sun, James

Reply:

The increase in the estimated expenditure for Social Statistics for 2014-15 by 37.9% as compared with the original estimate for 2013-14, is mainly for the preparation work for the 2016 Population By-census. The estimated expenditure for the task is around \$29.0 million, accounting for 97% of the increase in estimated expenditure.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)155**

**(Question Serial No. 4774)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 73):

The Census and Statistics Department is now implementing by stages the recommendations put forward last year by “*The Investigation Task Force on Statistical Data Quality Assurance*” in order to strengthen the data quality assurance mechanism and fieldwork management system of the Department. Please account for those recommendations that have been implemented. What are the details, manpower and expenditure involved? Has any assessment been made on the effectiveness of the measures implemented? What recommendations will be implemented by stages in the future? What are the manpower and expenditure involved?

Asked by: Hon. WONG Kwok-hing

Reply:

The Census and Statistics Department (C&SD) has completed implementation of five of the six recommendations put forward by the Investigation Task Force on Statistical Data Quality Assurance.

Regarding the first recommendation to identify high-risk data categories for close monitoring of data quality, cross-sectional and longitudinal analyses have been undertaken to identify such data categories in various surveys, and targeted data quality assurance measures have been implemented since October 2013.

Regarding the second and third recommendations to oversee the quality assurance of the General Household Survey (GHS) and enhance the sense of ownership among all staff involved in conducting the survey, a “Departmental Committee on Data Quality Assurance of General Household Survey” comprising members from various grades and ranks was set up in June 2013. The Committee is tasked to formulate measures to strengthen the operation of the quality assurance system of GHS and enhance communication among all stakeholders. These measures are at various stages of implementation.

On the fourth recommendation to assess the impact of response rate and rate of proxy reporting on the results of GHS, the assessment was completed in September 2013.

Regarding the fifth recommendation to introduce measures to raise public awareness of GHS and the work of C&SD in general, a TV Announcement of Public Interest (API), a radio API and a poster were produced with a view to appealing to the public for supporting government statistical work. The APIs have been broadcast since January 2014 and the posters will be widely displayed at district level to achieve publicity effect.

As for the sixth recommendation to conduct a comprehensive review of the existing fieldwork management system, C&SD has commissioned a consultancy in end July 2013 and is expected to complete in the first half of 2014. C&SD will follow up on the recommendations of the consultant.

The expenditure involved in the comprehensive review on fieldwork management system is around \$1.4 million and that for the production of the TV and radio APIs and the poster is around \$1.0 million. The expense involved in implementing the above recommendations will be absorbed from within existing resources. We do not have a separate breakdown.

C&SD will closely monitor the response rates and results of quality control checks in various statistical surveys so as to assess the effectiveness of the measures implemented.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)156****(Question Serial No. 4775)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 86 (if applicable)

Question (Member Question No. 78):

The *indicators* under this programme show that 4 surveys were conducted in each of the last 2 years, i.e. 2012 and 2013. Please advise the following:

1. The contents of the surveys conducted in the last 2 years. How many of them was (were) contracted out to private survey research firms? How many households were interviewed in those contracted-out surveys? What were the cost involved in contracting-out the surveys?
2. What criteria did the Department adopt in deciding which survey(s) was (were) to be contracted out?
3. What are the details relating to the 3 surveys to be conducted by the Department in the coming year? Which of them is (are) to be contracted out? What are the costs involved?

Asked by: Hon. WONG Kwok-hing

Reply:

1. & 2. Over the past 2 years (i.e. 2012 and 2013), the Census and Statistics Department (C&SD) has conducted 4 statistical surveys in each year under Programme (2) – Social Statistics. Details of the surveys are as follows:

Year	Statistical survey	Content
2012	General Household Survey (GHS)	To collect information on the labour force, employment, unemployment and underemployment as well as information on the demographic and socio-economic characteristics of the population
	Annual Survey on Profile of Inmates of Private Elderly Homes	To collect information on the number of persons residing in private elderly homes and their age and sex profile
	Thematic Household Survey (THS)	To collect the required statistical data on social topics (e.g. smoking pattern and use of language in Hong Kong) proposed by individual bureaux/departments
	Survey on Babies Born in Hong Kong to Mainland Women	To collect information on the babies (and their parents) born in Hong Kong to Mainland women
2013	GHS	To collect information on the labour force, employment, unemployment and underemployment as well as information on the demographic and socio-economic characteristics of the population

Year	Statistical survey	Content
	Annual Survey on Profile of Inmates of Private Elderly Homes	To collect information on the number of persons residing in private elderly homes and their age and sex profile
	THS	To collect the required statistical data on social topics (e.g. health-related issues and time use pattern) proposed by individual bureaux/departments
	Institution Survey on Persons with Disabilities and Chronic Diseases	To collect information on the profile of persons with disabilities and selected health conditions living in institutions which provide residential services

Of the surveys mentioned above, the THS was contracted out to private research firms. The themes of the THS were proposed by bureaux/departments. They were conducted through contract-out service as the manpower needs vary according to the requests, including the topics and the completion time. The contract-out costs involved were funded by the bureaux/departments concerned. C&SD was responsible for awarding the contract, as well as coordinating and managing the work (including monitoring of the work progress and undertaking quality checks of data) of the private research firms, involving an annual staff cost of some \$2 million. Over 30 000 households were successfully enumerated in the THS in each year of 2012 and 2013. The total contract cost for the THS in these 2 years was \$16.61 million.

3. In 2014, C&SD plans to conduct 3 statistical surveys, namely the GHS, Annual Survey on Profile of Inmates of Private Elderly Homes and the THS. Of which, the THS will be contracted out to private research firms. As details of the THS have yet to be worked out, the estimated contract cost is not available for the time being.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)157**

**(Question Serial No. 5398)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (4) General Statistical Services  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 89 (if applicable)

Question (Member Question No. 56):

*“Matters Requiring Special Attention in 2014-15”* under this programme has mentioned *“Following the recommendations made in the Information Systems Strategy Study completed in 2004, the Department is implementing a number of specific IT projects to set up 2 department-wide data capturing systems on top of other strategic IT projects already completed.”* In this connection, please advise the following:

1. What are the measures taken and projects conducted following the Information Systems Strategy Study completed in 2004? What are the costs involved?
2. The 2 department-wide data collection systems as given in the Census and Statistics Department's reply last year are Computer-assisted Telephone Interviewing (CATI) System and Data Collection System using Imaging Technology. What are the current progress regarding these two systems? What are the costs involved? As regards the Data Collection System using Imaging Technology, please advise the estimated reduction in expenditure be achieved per year through the use of electronic questionnaires?
3. After the elapse of 9 years, the recommendations made in 2004 have, however, not yet fully implemented, may some of the items have become obsolete? Please explain the slow progress and give reasons for continuing implementing the IT projects based on the recommendations made in 9 years ago.
4. Does the Department have any plan to conduct another round of study on Information Systems Strategy?

Asked by: Hon. WONG Kwok-kin

Reply:

1. The measures / projects that have been undertaken by the Census and Statistics Department (C&SD) following the Information Systems Strategy Study completed in 2004 and their respective costs are as follows:
  - (i) Implement the data input sub-system: \$1.24 million
  - (ii) Develop a common data processing and analysis platform: \$8.97 million
  - (iii) Implement the departmental IT infrastructure: \$8.92 million
  - (iv) Conduct process review and feasibility study for developing a common system for data capturing: \$1.98 million
  - (v) Implement department-wide output production system: \$9.81 million
  - (vi) Replace the Full Harmonized System: \$9.12 million
  - (vii) Implement knowledge management support system: \$6.24 million

2. The progress and expenditure of the 2 department-wide data capturing systems are as follows:
  - (i) Computer-assisted Telephone Interviewing (CATI) System: Tendering of this project in 2011 was unsuccessful as no suitable contractor was identified. A re-tendering was then launched in end 2012, with the tender specifications updated to incorporate the latest system requirements and trends in technological developments. The re-tendering process is now completed and system development will start in mid-2014. The estimated cost of this project is \$9.22 million.
  - (ii) Data Collection System using Imaging Technology (Imaging): Along with the latest trends in IT development, paper form questionnaires are being replaced by electronic questionnaires gradually. This renders the use of imaging technology to process paper questionnaires much less effective. C&SD will implement an Online Questionnaire System to replace the original Imaging project in light of the latest technological advancement. Funding for developing the Online Questionnaire System has been obtained and the project will start in mid-2014. The estimated cost of this project is \$8.36 million.

Upon implementation of the Online Questionnaire System, it is expected that C&SD would be able to achieve savings of about \$2.75 million per year in its expenditure on data collection.

3. The Information Systems Strategy Study (ISSS) conducted in 2004 recommended a total of 16 strategic information technology projects, among which 9 were identified as priority ones. The remaining 7 projects will be implemented later. This allows the scope and implementation schedule of these projects to be revisited to take into account the recommendations of the interim ISSS review, after the completion of the 9 projects in light of their implementation experience and the latest technologies.

Of the 9 priority projects, 7 had been completed. The remaining 2 are the 2 department-wide data collection systems mentioned in paragraph 2 above and their development work will start in mid-2014 using the latest technologies.

4. C&SD plans to undertake an interim review on Information Systems Strategy upon the completion of the 2 department-wide data collection systems.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)158**

**(Question Serial No. 5400)**

Head: (26) Census and Statistics Department  
Subhead (No. & title): (-) Not Specified  
Programme: (6) Labour Statistics  
Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 92 (if applicable)

Question (Member Question No. 73):

As regards "*Matters Requiring Special Attention in 2014-15*", please advise the following:

1. What are the details and staff involved in relation to the work of enhancing the labour statistics compilation framework?
2. Will the Census and Statistics Department arrange to upgrade the computer system for maintaining and updating the Central Register of Establishment through tendering or through deploying internal resources? What are the respective staff costs and expenditure involved?

Asked by: Hon. WONG Kwok-kin

Reply:

1. The Census and Statistics Department (C&SD) will continue to enhance the labour statistics compilation framework in 2014-15 in order to produce statistics which are comprehensive, timely and reliable. The details are as follows:
  - (i) Based on the data analyses required for the review of the Statutory Minimum Wage rate, C&SD will continue to review the survey methodology of the Annual Earnings and Hours Survey.
  - (ii) C&SD will continue to review the survey methodology of the various Manpower Surveys conducted for Vocational Training Council in order to reflect the latest manpower requirement situation and training needs in the industries concerned, and to take into account the new data demands for planning the training programmes of the Council.
  - (iii) C&SD will continue to review the survey methodology of the Quarterly Survey of Employment and Vacancies in order to take into account the new data demands for analysing the manpower requirement situations in different industries.

Enhancement of the compilation framework in respect of labour statistics is carried out by a professional team comprising 3 senior statisticians, 3 statisticians, 1 senior statistical officer and 6 statistical officers, who are responsible for the regular compilation and development of labour statistics. As the enhancement work constitutes part of the duties of this professional team, we do not have a separate breakdown.

2. C&SD has appointed a computer system developer through tendering to upgrade the computer system for maintaining and updating the Central Register of Establishments. The total cost, including the salaries of 2 non-civil service contract staff employed by C&SD for undertaking the project, is estimated to be \$9.89 million.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)159**

**(Question Serial No. 5232)**

Head: (26) Census and Statistics Department

Subhead (No. & title): (000) Operating Expenses

Programme: Not Specified

Controlling Officer: Commissioner for Census and Statistics (Mrs Lily OU-YANG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 96 (if applicable)

Question (Member Question No. 8):

What is the 2014-15 estimate of the Census and Statistics Department for duty visits or exchange activities to Mainland China? Please advise the themes of duty visits or exchange activities to Mainland China scheduled to be carried out in 2014-15. How can the Department avoid activities that are not related to official matters during duty visits? And how can the Department avoid the situation where the application for change in the destination of visit only becomes a mere formality?

Asked by: Hon. WONG Yuk-man

Reply:

The Census and Statistics Department currently does not have any plan for overseas duty visit or exchange to the Mainland in 2014-15.

To ensure effective monitoring and proper use of public money, expenses of duty visits paid by public money are subject to relevant regulations and guidelines. The relevant regulations stipulate that all duty visits should be fully justified on the ground of operational requirements; prior formal approval should be obtained for all duty visits and any events/activities of non-official nature should be avoided; the applicant should submit all required information about the proposed visit with the application as practicable as possible; the applicant should inform the approving officer if there are subsequent changes in the arrangement of the visit the soonest possible, and the approving officer should assess whether the application needs to be reconsidered, etc.

**CONTROLLING OFFICER'S REPLY**

<b>FSTB(FS)160</b>
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**(Question Serial No.4142)**

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) Not specified

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise (Clement CHEUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Pages 145-146

Question (Member Question No.149):

During the past 5 years, 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:

Details of the money laundering cases detected by the Customs and Excise Department in the past 5 years are as follows:

	2009-10	2010-11	2011-12	2012-13	2013-14 (as at 2 March 2014)
Number of cases	1	8	2	2	2
Number of persons arrested	1	24	20	8	3

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)161**

**(Question Serial No. 5397)**

Head: (31) Customs and Excise Department  
Subhead (No. & title): (-) Not Specified  
Programme: (1) Control and Enforcement  
Controlling Officer: Commissioner of Customs and Excise (Clement CHEUNG)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 144

Question (Member Question No. 53):

The Customs and Excise Department (C&ED) would license and supervise Money Service Operators (MSOs) under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) and take enforcement action against unlicensed MSOs.

1. How many licensed MSOs are there at present? What is their business distribution?
2. What measures are adopted by C&ED to combat unlicensed MSOs? What are the details? What are the number of staff and expenditure involved in such enforcement actions?
3. How many licensed MSOs were found to be non-compliant and thus prosecuted by C&ED last year? And how many unlicensed MSOs were prosecuted by C&ED last year?
4. How many prosecution cases above involved the use of counterfeit notes or the operation of counterfeit notes business? What was the value of such notes involved?

Asked by: Hon. WONG Kwok-kin

Reply:

1. As at 11 March 2014, there are a total of 1,171 MSO licensed operators, of which 204 engaged in remittance business and 43 provided money exchange service while the remaining 924 engaged in both types of businesses.
2. Apart from adopting risk-based, intelligence-led and on-site inspection strategies, C&ED also encourages the public, through announcements of public videos and leaflets, to report illegal activities. In 2014-15, the Department will deploy 6 officers to combat unlicensed operation of money service, involving an expenditure of \$2.3 million. And resources will be deployed flexibly in response to the actual situation.
3. From 1 April 2012 when the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance came into effect to 28 February 2014, 14 operators were prosecuted by the Customs and Excise Department for unlicensed operation of money service.
4. The printing or use of counterfeit notes are not regulated by the AMLO.

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 4407)**

Head: (46) General Expenses of the Civil Service

Subhead (No. & title): (008) Recoverable salaries and allowances (Hong Kong Monetary Authority)

Programme: (-)

Controlling Officer: Chief Executive, Hong Kong Monetary Authority (Mr Norman TL Chan)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 264

Question (Member Question No. 105):

The Government's recoverable salaries and allowances of \$17,810,000 this year are the expenses on staff seconded to the Hong Kong Monetary Authority (HKMA). The estimated HKMA's staff cost for 2013 is \$1 billion. The aforesaid amount accounts for only 1.6% of the HKMA's staff cost. I would like to know the use of this amount, including the number of Government employees involved, their ranks and their duties in the HKMA.

Asked by: Hon. LEUNG Kwok-hung

Reply:

The HKMA was established on 1 April 1993 through a merger of the then Office of the Exchange Fund, the Office of the Commissioner of Banking and the Legal Unit of the then Monetary Affairs Branch. All civil servants of the relevant offices then, together with their posts, were transferred to the HKMA.

The recoverable salaries and allowances of \$17,810,000 are to pay for the salaries and allowances for the civil servants, covering the ranks of Senior Bank Examiner, Bank Examiner, Assistant Bank Examiner and Motor Driver. The majority of the civil servants are deployed to the Banking Departments assisting in the supervision of authorised institutions. As of today, there are 19 serving civil servants in the HKMA.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)163****(Question Serial No. 5704)**

Head: (116) Official Receiver's Office

Subhead(No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (Ms. Teresa S W Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 778 (if applicable)

Question(Member Question No. 47):

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 2014-15? What are the respective changes as compared with those of last year? What are the reasons?

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

Asked by: Hon. LEE Wai-king, Starry

Reply:

ORO outsources the vast majority of compulsory liquidation cases and about  $\frac{1}{4}$  of debtor-petition summary bankruptcy cases to PIPs. For debtor-petition bankruptcy cases which are not outsourced, PIPs are engaged to conduct preliminary examination of bankrupts. The estimated number of cases to be outsourced in 2014-15 is projected mainly with reference to the number of liquidation and bankruptcy cases in previous years. The estimated number of cases to be outsourced and the percentage change as compared with that in 2013-14 are as follows:

Type of work	No. of cases in 2013-14 (Estimated)	No. of cases in 2014-15 (Estimated)	Percentage change (%)
(a) Non-remunerative and summary liquidation cases	232	243	+4.7
(b) Non-summary liquidation cases	9	9	no change
(c) Preliminary examination of bankrupts	6 623	6 027	-9.0
(d) Debtor-petition summary bankruptcy cases	2 202	2 700	+22.6

**CONTROLLING OFFICER'S REPLY****FSTB(FS)164****(Question Serial No. 5705)**

**Head:** (116) Official Receiver's Office

**Subhead(No. & title):** (-) Not Specified

**Programme:** (1) Official Receiver's Office

**Controlling Officer:** Official Receiver (Ms. Teresa S W Wong)

**Director of Bureau:** Secretary for Financial Services and the Treasury

**This question originates from:** Estimates on Expenditure Volume 1 Page 778 (if applicable)

**Question(Member Question No. 48):**

How many complaints against practitioners in the private sector ("PIPs") did the Official Receiver's Office ("ORO") receive in each of the past 5 years? 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 82 complaints against PIPs during the period from 2009-10 to 2013-14 (up to February 2014). A breakdown by year and by type of complainants is as follows:

Nature of cases	Type of Complainants	Nature of Complaints	2009-10	2010-11	2011-12	2012-13	2013-14 (up to Feb. 2014)
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 inquiries</li> <li>• Misconduct</li> </ul>	5	7	3	1	2
	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 inquiries</li> <li>• Misconduct</li> </ul>	5	7	4	1	6
Bankruptcy	Creditors	<ul style="list-style-type: none"> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> </ul>	0	1	1	1	1
	Bankrupts	<ul style="list-style-type: none"> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Failure to respond to inquiries</li> </ul>	5	6	9	2	7
	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 inquiries</li> </ul>	3	1	2	1	1
<b>Total</b>			<b>18</b>	<b>22</b>	<b>19</b>	<b>6</b>	<b>17</b>

The ORO has completed investigations on 52 complaints, of which 3 complaints were substantiated or partially substantiated. For the first case which involved the substandard performance of the PIPs concerned, the liquidators were removed by the court on ORO's applications. For the second case which involved the misconduct of the PIPs concerned, apart from being removed as liquidators by the court on ORO's application, a court order was also obtained by ORO disqualifying the practitioners from acting as liquidators for a specified period. For the third case which involved failure of the PIPs concerned to respond to inquiries, it was resolved after ORO's liaison.

As regards the remaining complaint cases, 1 complaint received was withdrawn by the complainant and the investigations on the remaining 29 complaints are underway.



**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)165**

**(Question Serial No. 5287)**

Head: (116) Official Receiver's Office  
Subhead (No. & title): (000) Operational expenses  
Programme: Not Specified  
Controlling Officer: Official Receiver (Ms. Teresa S W Wong)  
Director of Bureau: Secretary for Financial Services and the Treasury  
This question originates from: Estimates on Expenditure Volume 1 Page 782 (if applicable)

Question (Member Question No. 63):

What is the 2014-15 estimate for the Official Receiver's Office's Mainland duty visits or exchanges? Please provide the themes of Mainland duty visits or exchanges planned for 2014-15. How will the Administration prevent activities irrelevant to official duties from taking place during duty visits outside Hong Kong? And how will the Administration prevent applications for revising visit destinations from becoming a mere formality?

Asked by: Hon. WONG Yuk-man

Reply:

The Official Receiver's Office has neither planned nor budgeted for any duty visits or exchanges in the Mainland in 2014-15.

If expenses for duty visits are paid by public funds, they are governed by relevant regulations and guidelines to ensure effective monitoring and proper use of public funds. The relevant regulations include the following: there must be sufficient operational grounds for duty visits; all duty visits have to obtain formal prior approval and to avoid unofficial items; when submitting applications, officers concerned have to provide all the necessary information regarding the proposed duty visits; if there is any change of arrangement of the duty visits, officers concerned have to notify the approving officers as soon as practicable and the approving officers have to assess whether the applications have to be re-considered.

**CONTROLLING OFFICER'S REPLY****FSTB(FS)166****(Question Serial No. 6312)**

Head: (G01) Bond Fund

Subhead (No. & title): (-) Not Specified

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: (if applicable)

Question (Member Question No. 288):

Currently, Hong Kong attains a rather high credit rating. Will the Administration consider further expanding its Bond Programme besides issuing the iBond in 2014-15 so that the public may choose to have an investment vehicle offering a better reward than bank deposits on the one hand, and the Government may raise funds for other investments to earn an investment income on the other hand. If so, what are the details? If not, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

The Legislative Council ("LegCo") passed the relevant resolutions in 2009 to establish the Bond Fund ("the Fund") and implement the Government Bond Programme ("GBP") to promote the further and sustainable development of the bond market in Hong Kong. The GBP aims to provide more diversified investment products and avenues for financing, and reinforce Hong Kong's position as an international financial centre. When considering the types, timetable, size and other parameters of bonds to be issued under the GBP, we shall take into account relevant factors including the prevailing market conditions such as interest rates, inflation rate and the potential impact on other prospective bond issuers in Hong Kong, as well as the sustainability of the Fund. To this end, the Loans (Amendment) Ordinance 2014 enacted by the LegCo on 26 March 2014 enables the issuance of sukuk (i.e. Islamic bonds) under the GBP, so as to broaden the product types and investors' base and promote the further development of the local bond market. We will consider issuing sukuk under the GBP having regard to the prevailing market conditions and needs.

The Fund does not form part of the fiscal reserves and is managed separately from other Government accounts. As stipulated under the relevant LegCo resolutions, sums borrowed under the GBP are to be credited to the Fund. Earnings from interest or dividends on investments of the Fund are to be retained for the purposes of the Fund. Money may only be expended from the Fund for the purposes of paying the principal of and interest on bonds issued, and expenses incurred in relation to bond issuances or investments of the Fund.

**CONTROLLING OFFICER'S REPLY**

**FSTB(FS)167**

**(Question Serial No. 5657)**

Head: (G01) Bond Fund

Subhead (No. & title): (-) Not Specified

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Budget Speech Paragraph 85 Page 26

Question (Member Question No. 71):

It is mentioned in Paragraph 85 of the Budget Speech that "In view of the enthusiastic public response to inflation-linked retail bonds (iBond) issued by Government and the prevailing low interest rates of the Hong Kong dollar, I propose another iBond issue of up to \$10 billion with a maturity of three years. This issue 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". Will the Administration inform this Committee of whether an overall review on the past three iBond issuances has been conducted? If so, what are the results? Will the Administration consider increasing the issuance size to over \$10 billion in next issuance in response to the enthusiastic public demand? If not, what are the reasons?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

The size of the coming issuance of iBond will be up to \$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. When considering the size and other parameters of bonds to be issued, we shall take into account relevant factors including the prevailing market conditions such as interest rates, inflation rate and the potential impact on other prospective 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.