

Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)

Controlling officer: the Permanent Secretary for Financial Services and the Treasury (Financial Services) will account for expenditure under this Head.

Estimate 2020–21	\$1,165.4m
Establishment ceiling 2020–21 (notional annual mid-point salary value) representing an estimated 98 non-directorate posts as at 31 March 2020 and as at 31 March 2021	\$73.1m
In addition, there will be an estimated 16 directorate posts as at 31 March 2020 and as at 31 March 2021.	
Commitment balance	\$4,564.2m

Controlling Officer's Report

Programmes

Programme (1) Financial Services
Programme (2) Subvention: Financial Services Development Council

These programmes contribute to Policy Area 1: Financial Services (Secretary for Financial Services and the Treasury).

Detail

Programme (1): Financial Services

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	503.8	840.5	737.9 (–12.2%)	1,133.4 (+53.6%)
				(or +34.8% on 2019–20 Original)

Aim

2 The Financial Services Branch aims to:

- maintain and enhance Hong Kong's status as a major international financial centre;
- maintain the integrity and stability of the financial system of Hong Kong;
- ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets; and
- provide a business environment which is open, fair and conducive to financial market developments.

Brief Description

3 The Branch seeks to achieve the above aims through:

- formulating policies and/or introducing legislative proposals covering the banking system; securities and futures market; asset and wealth management sector; insurance industry; Mandatory Provident Fund schemes and occupational retirement schemes; companies, trusts, money lending, corporate insolvency, individual bankruptcy and accountancy matters; as well as financial co-operation with the Mainland;
- assisting the Financial Secretary in overseeing the relevant regulatory authorities, including the Securities and Futures Commission, the Insurance Authority (IA), the Mandatory Provident Fund Schemes Authority (MPFA) and the Financial Reporting Council (FRC);
- co-ordinating and facilitating the implementation of new initiatives on financial infrastructure to enhance Hong Kong's competitiveness;
- facilitating market innovation to deepen and broaden the market; and
- overseeing the operation of the Census and Statistics Department, the Companies Registry and the Official Receiver's Office.

4 The aims of the programme were broadly achieved in 2019.

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Matters Requiring Special Attention in 2020–21

5 During 2020–21, the Branch will:

- engage the industry and formulate proposals to promote the further development of our financial services industry;
- continue to advance financial co-operation with the Mainland, including promoting Hong Kong's efforts in implementing initiatives in relation to the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area development in respect of the financial services sector;
- continue to promote the development of the bond market;
- continue to promote the development of the asset and wealth management industry, including providing profits tax exemption to funds operating in Hong Kong and developing a limited partnership regime for private equity funds in Hong Kong;
- continue to promote the establishment of corporate treasury centres in Hong Kong;
- continue to promote the development of financial technologies in Hong Kong;
- continue to promote the development of green finance in Hong Kong;
- continue to promote the development of the insurance industry, including preparing legislation for:
 - providing tax relief to promote the development of marine insurance and underwriting of speciality risks in Hong Kong;
 - allowing the formation of special purpose vehicles in Hong Kong specifically for issuing insurance-linked securities;
 - enhancing the regulatory framework for the supervision of insurance groups where a holding company for the group is incorporated in Hong Kong; and
 - the establishment of a Policy Holders' Protection Scheme to better protect policyholders' interests in the event of the insolvency of an insurer;
- continue to work with the IA to engage the industry in formulating a Risk-based Capital Regime for the prudential regulation of insurers;
- continue to work with the MPFA to develop the eMPF Platform to facilitate standardisation, streamlining and automation of administration processes of Mandatory Provident Fund registered schemes;
- continue to work with the FRC to monitor the implementation of the new auditor regulatory regime;
- continue to oversee the implementation of the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector;
- continue to strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- continue to enhance Hong Kong's regulatory regime for combating money laundering and terrorist financing, oversee the implementation of the relevant measures, and participate actively in inter-governmental organisations such as the Financial Action Task Force and the Asia/Pacific Group on Money Laundering;
- continue to prepare legislation for introducing a statutory corporate rescue procedure and insolvent trading provisions;
- continue to operationalise the resolution regime established under the Financial Institutions (Resolution) Ordinance (Cap. 628);
- continue to monitor compliance with the licensing conditions by licensed money lenders and conduct public education to raise awareness on prudent borrowing; and
- continue to foster the establishment of an uncertificated securities market regime with a view to enhancing and modernising Hong Kong's financial market infrastructure.

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Programme (2): Subvention: Financial Services Development Council

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	18.3	32.0	30.0 (–6.3%)	32.0 (+6.7%)
				(or same as 2019–20 Original)

Aim

6 The aim is to support the Financial Services Development Council (FSDC) in conducting strategic studies, providing advice, fostering market development and nurturing talent, with a view to enhancing Hong Kong's competitiveness in the international financial market.

Brief Description

7 The FSDC was established in January 2013 to support the sustained development of Hong Kong's financial services industry. It was incorporated as a company limited by guarantee in September 2018 to enhance its operational efficiency and flexibility. The objectives of the FSDC are to:

- advise the Government on strategies and measures to expand the scope of Hong Kong's financial markets and enhance the competitiveness of Hong Kong as an international financial centre;
- support the financial services industry in developing the core competence and knowledge of its practitioners; and
- promote Hong Kong's financial services industry and Hong Kong as an international financial centre in the Mainland and overseas.

8 The FSDC engages the industry and carries out its mission under three broad themes of research, market promotion and human capital development.

Matters Requiring Special Attention in 2020–21

9 During 2020–21, the FSDC will continue to:

- engage the industry and provide strategic advice for the further development of Hong Kong as an international financial centre;
- promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns; and
- help nurture human capital for Hong Kong's financial services industry with outreach programmes for students and practitioners.

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ANALYSIS OF FINANCIAL PROVISION

	2018–19 (Actual) (\$m)	2019–20 (Original) (\$m)	2019–20 (Revised) (\$m)	2020–21 (Estimate) (\$m)
Programme				
(1) Financial Services	503.8	840.5	737.9	1,133.4
(2) Subvention: Financial Services Development Council	18.3	32.0	30.0	32.0
	<hr/>	<hr/>	<hr/>	<hr/>
	522.1	872.5	767.9 (–12.0%)	1,165.4 (+51.8%)
				(or +33.6% on 2019–20 Original)

Analysis of Financial and Staffing Provision

Programme (1)

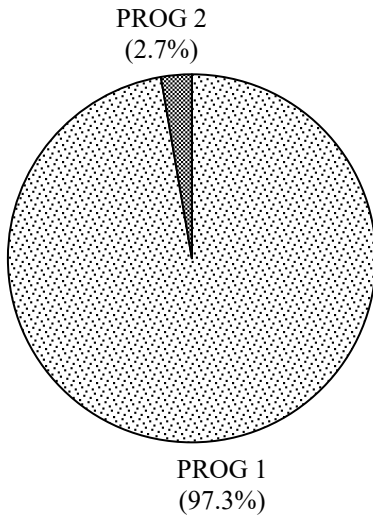
Provision for 2020–21 is \$395.5 million (53.6%) higher than the revised estimate for 2019–20. This is mainly due to the increased cash flow requirement for non-recurrent commitment items, and anticipated increase in hire of services and professional fees and general departmental expenses.

Programme (2)

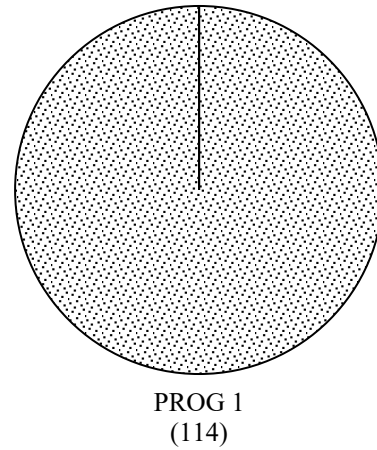
Provision for 2020–21 is \$2.0 million (6.7%) higher than the revised estimate for 2019–20. This is due to the anticipated increase in operating expenses of the FSDC in 2020–21.

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Allocation of provision to programmes (2020-21)

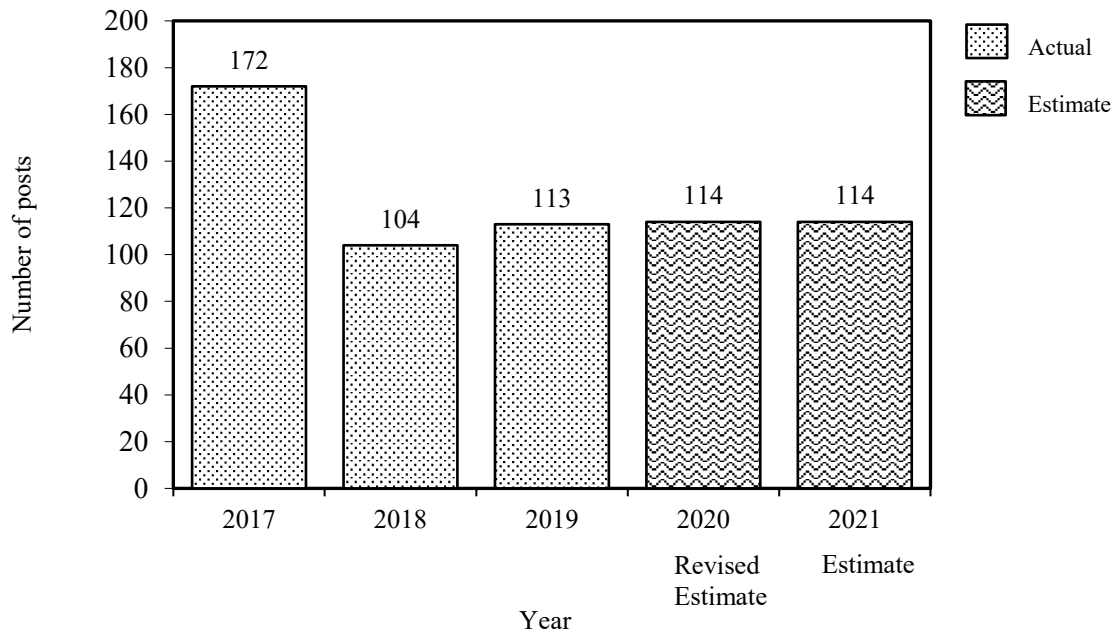


Staff by programme (as at 31 March 2021)



(No government staff under PROG 2)

Changes in the size of the establishment (as at 31 March)



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Sub-head (Code)	Actual expenditure 2018–19	Approved estimate 2019–20	Revised estimate 2019–20	Estimate 2020–21	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	183,284	235,147	217,689	274,338
	Total, Recurrent.....	<u>183,284</u>	<u>235,147</u>	<u>217,689</u>	<u>274,338</u>
Non-Recurrent					
700	General non-recurrent	332,626	637,363	550,191	891,077
	Total, Non-Recurrent.....	<u>332,626</u>	<u>637,363</u>	<u>550,191</u>	<u>891,077</u>
	Total, Operating Account	<u>515,910</u>	<u>872,510</u>	<u>767,880</u>	<u>1,165,415</u>
Capital Account					
Subventions					
	Financial Services Development Council (block vote).....	6,184	—	—	—
	Total, Subventions	<u>6,184</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total, Capital Account.....	<u>6,184</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total Expenditure	<u><u>522,094</u></u>	<u><u>872,510</u></u>	<u><u>767,880</u></u>	<u><u>1,165,415</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2020–21 for the salaries and expenses of the Financial Services Branch is \$1,165,415,000. This represents an increase of \$397,535,000 over the revised estimate for 2019–20 and \$643,321,000 over the actual expenditure in 2018–19.

Operating Account

Recurrent

2 Provision of \$274,338,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. This represents an increase of \$56,649,000 (26%) over the revised estimate for 2019–20. This is mainly due to the anticipated increase in hire of services and professional fees and general departmental expenses.

3 The establishment as at 31 March 2020 will be 114 posts including three supernumerary posts. It is expected that the establishment as at 31 March 2021 will remain at 114 posts including two supernumerary posts. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2020–21, but the notional annual mid-point salary value of all such posts must not exceed \$73,070,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2018–19 (Actual) (\$'000)	2019–20 (Original) (\$'000)	2019–20 (Revised) (\$'000)	2020–21 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	88,894	101,200	96,500	107,603
- Allowances	5,495	6,000	5,050	5,400
- Job-related allowances.....	—	2	1	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	172	179	151	141
- Civil Service Provident Fund contribution	5,479	6,509	6,730	7,998
Departmental Expenses				
- Hire of services and professional fees	18,826	30,000	20,000	57,000
- General departmental expenses	52,363	59,257	59,257	64,194
Subventions				
- Financial Services Development Council ..	12,055	32,000	30,000	32,000
	183,284	235,147	217,689	274,338

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment \$'000	Accumulated expenditure to 31.3.2019 \$'000	Revised estimated expenditure for 2019–20 \$'000	Balance \$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	802	Funding for promoting and facilitating the development of the financial services sector	500,000	30,774	138,093	331,133
	807	Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes^.....	3,903,630^	—	—	3,903,630
	808	Funding for promoting and facilitating the development of the insurance industry in Hong Kong#	300,000#	—	—	300,000
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector.....	100,000	58,491	12,098	29,411
		Total	4,803,630	89,265	150,191	4,564,174

^ With effect from 1 April 2020, this item is retitled from “Funding requirements for a centralised platform for the administration of Mandatory Provident Fund registered schemes”. The original commitment for the item, as approved in 2019–20, was \$3,367,150,000. An increase in the commitment is sought in the context of the Appropriation Bill 2020.

This is a new item, funding for which is sought in the context of the Appropriation Bill 2020.