

**For discussion
on 2 February 2026**

Legislative Council Panel on Financial Affairs

**Securities and Futures Commission
Budget for the Financial Year 2026-27**

PURPOSE

This paper highlights the main features of the budget of the Securities and Futures Commission (“SFC”) for 2026-27.

BACKGROUND

2. Section 13(2) of the Securities and Futures Ordinance (Cap. 571) (“SFO”) requires the SFC to submit the estimates of its income and expenditure (“the budget”) for each financial year to the Chief Executive (“CE”) for approval. The CE has delegated the authority to the Financial Secretary (“FS”). In accordance with section 13(3) of the SFO, the FS shall cause the budget to be laid on the table of the Legislative Council (“LegCo”). This paper briefs Members on the main features of the SFC’s budget for 2026-27.

FUNDING OF THE SFC

3. Section 14 of the SFO stipulates that the Government shall provide funding to the SFC as appropriated by LegCo. In practice, the SFC has not requested appropriation from LegCo since 1993-94. Its funding basically comes from the market in the form of levies, fees and charges.

4. Over the years, levies on securities transactions and futures and options contracts have been the main source of income for the SFC. The current rate of levy on securities transactions is 0.0027%, while that on futures and options contracts is \$0.54 or \$0.10 per contract, depending on the type of contracts.

BUDGET FOR 2026-27

5. The proposed budget of the SFC for 2026-27 is at Annex. The SFC has projected a budget surplus of \$1,493.78 million¹ for 2026-27. As in past years, the SFC does not request any appropriation from LegCo. The main features of the budget for 2026-27 are set out in paragraphs 6 to 13 below.

Income

6. The estimated income for 2026-27 is \$4,153.54 million, which is \$112.85 million (2.8%) above the forecast income for 2025-26 (\$4,040.69 million). The SFC has adopted the following assumptions in projecting the estimated income –

- (a) the average securities market turnover for 2026-27 will be \$256 billion per day and the average futures/options market turnover will be 545 000 contracts per day. For reference, the average securities market turnover for 2025 was about \$250 billion per day; and
- (b) the estimated revenue arising from collection of the annual licensing fees will be \$261 million in 2026-27.

7. The SFC does not propose any change to the levy rate, which is currently at 0.0027%, in 2026-27².

Operating Expenditure

8. The estimated operating expenditure³ for 2026-27 is \$2,659.76 million, which is \$221.43 million (9.1%) above the forecast

¹ The projected surplus is calculated by deducting operating expenditure from the projected income for the year, as set out in part 4.1 of Annex. Capital expenditure is set out in part 4.2 of Annex.

² The SFC effected levy reductions of 20% in December 2006, 25% in October 2010 and 10% in November 2014.

³ Including recurrent expenditure and funding to external parties, such as the Investor and Financial Education Council and the Financial Dispute Resolution Centre.

expenditure for 2025-26 (\$2,438.33 million). The increase is mainly attributable to –

- (a) increase in staff cost by \$152.93 million, arising from a provision of –
 - (i) \$42.78 million for filling vacant positions, which includes the full-year effect of new staff hires in 2025-26 and 18 new headcount proposed in 2026-27 (as detailed in paragraph 10 below);
 - (ii) \$66.71 million for the annual pay adjustment for budgetary purpose. This amount includes the provision of a general pay increase of 3.0% and a merit adjustment for good performance⁴. The final pay adjustment will be subject to deliberation by the SFC's Remuneration Committee and approval by the SFC Board in Q1 2026, having regard to latest pay data, general pay trend within the financial services sector, among other factors;
 - (iii) \$5.93 million for the upgrade of 12 positions to reflect the increasing complexity and scope of the respective roles;
 - (iv) \$37.51 million for other staff-related costs including insurance and retirement benefits;
- (b) increase in expenses on depreciation by \$31.21 million due to the resources invested in technology as well as the full-year effect of depreciation cost for the additional office floor acquired in 2025-26;
- (c) increase in expenses on information and systems services by \$19.63 million due to higher spending on software subscription to drive technology diversification, infrastructure resilience, enhancements, cybersecurity incident management, and use of additional artificial intelligence applications;

⁴ Which is 1.5% on average, with the actual adjustment for individual staff subject to factors such as their ranks and performance.

- (d) increase in project cost by \$9.10 million for covering specific initiatives or projects, and engaging project staff on two-year contract term; and
- (e) increase in other expenses by \$32.63 million, which include regulatory and external activities, learning and development, premises, internship programme and general office expenses.

9. The increase in expenditure is partially offset by the decrease in expenditure including professional fees and interest expenses by \$12.07 million and \$12 million respectively.

Manpower Plan

10. The SFC proposes 18 new headcount in the budget for 2026-27, bringing its total headcount to 1 055. Among the 18 new headcount, six is proposed to establish new teams for licensing and supervision work stemming from the proposed new regimes for digital asset dealing and custodian service providers as well as the ASPIRe roadmap⁵. The remaining 12 new headcount is to cater for the significant increase in case flows of IPOs, as well as for enhancing the staffing support for enforcement investigations, market monitoring, supervision of intermediaries and corporate support for new initiatives by the SFC.

Capital Expenditure

11. The total capital expenditure proposed for 2026-27 is \$629.43 million, which comprises the following key items –

- (a) **land and building** – acquisition of one additional office floor at One Island East in 2027⁶ (\$473.30 million);

⁵ The SFC outlined 12 major initiatives to enhance the security, innovation and growth of Hong Kong’s virtual asset market under a five-pillar “ASPIRe” roadmap, which stands for Access, Safeguards, Products, Infrastructure and Relationships.

⁶ The SFC entered into a Sales and Purchase agreement on 17 November 2023 to acquire 12 office floors in the existing office premises at One Island East. The acquisition is partly funded by the SFC’s reserves for property acquisition and partly financed by an external bank loan. The acquisition of nine floors took effect from December 2023, and that of another floor was completed in December 2025. The acquisition of the remaining two floors will be completed in phases by 2028.

- (b) **computer systems development** – adoption of front-end technology to enhance various IT systems, improve access and exchange of information between stakeholders, enhance workflow process, streamline business processes, and upgrade of market surveillance capabilities (\$82.87 million);
- (c) **office furniture and fixtures** – procurement of furniture and fixtures for an additional office floor to be acquired (\$38 million); and
- (d) **office equipment** – investment in storage technology and data base capacity, as well as software upgrade; replacement of the resources system and replacement and diversification of servers and computer equipment; and replacement of obsolete office equipment due to normal wear and tear (\$35.26 million).

Reserves

12. The SFC estimates that by 31 March 2026, the total reserves will be \$9,459.46 million. Of this, approximately 50%, i.e. \$4,709.31 million, is attributable to property-related assets and is not available for use as liquid reserve.

13. The SFC also estimates that, after adding the budget surplus of \$1,493.78 million for 2026-27, the total reserves will increase to \$10,953.25 million by 31 March 2027. Among which, \$5,160.35 million (around 47%) is attributable to property-related assets.

COMPARISON OF THE 2025-26 APPROVED BUDGET WITH THE UPDATED FORECAST

Income

14. The forecast income for 2025-26 is \$4,040.69 million, which is \$1,687.02 million (71.7%) higher than the approved budget of \$2,353.67

million. The higher income is mainly due to a higher-than-budgeted market turnover⁷.

Operating Expenditure

15. The forecast operating expenditure for 2025-26 is \$2,438.33 million, which is \$100.48 million (4.0%) below the approved budget of \$2,538.81 million. The underspending is mainly due to the time lag in filling vacancies as well as lower expenses on depreciation, loan interest, information and systems services, regulatory and external activities, funding to external parties and learning and development. The savings were partially offset by increased expenses on professional fees and legal related fees.

Capital Expenditure

16. The forecast capital expenditure is \$628.50 million, which is \$42.01 million (7.2%) higher than the approved budget of \$586.49 million. The higher expenditure is mainly due to higher spending on furniture and fixtures and computer systems development.

THE GOVERNMENT'S VIEWS

17. We have studied in detail the SFC's proposed budget for 2026-27. We note that the SFC has not requested appropriation from LegCo.

18. It is a public commitment of the SFC, as a publicly-funded organisation, to deploy its resources and control its expenditures in a prudent manner. As a main source of the SFC's income, levy on securities transactions is subject to market fluctuation and difficult to predict with accuracy. We expect the SFC to continue to control expenditure vigorously and enhance its efficiency through measures such as redeployment of available resources and re-engineering of its processes.

⁷ The revised income for 2025-26 is projected based on the prevailing market performance and an assumption that the average daily turnover of securities transactions is \$241 billion and an average of 545 000 contracts per day for the year. The approved budget for 2025-26 was based on an assumption of a turnover of \$135 billion per day and 605 000 contracts per day for the year.

ADVICE SOUGHT

19. Members are invited to note the proposed budget of the SFC for 2026-27.

**Financial Services and the Treasury Bureau
Securities and Futures Commission
January 2026**



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Securities and Futures Commission
Budget of income and expenditure
for the financial year 2026/27

22 December 2025

Contents

1.	Executive summary	3
2.	Assumptions	6
3.	Manpower plan	8
4.	Financials	
4.1	Income and expenditure statement	10
4.2	Capital expenditure statement	11
4.3	Income	12
4.4	Recurrent expenditure	13
4.5	Funding to external parties	16
4.6	Capital expenditure	17

1. Executive summary

1.1 As a publicly funded organisation, the Commission's budgetary principle is to tightly control its expenditure while making sure that it can discharge its duties efficiently and effectively. Prior-year expenditure levels are used as a benchmark except in areas where we identify the need for additional resources to meet our regulatory obligations and objectives or to support new initiatives and regulatory developments. We will also scrutinise and re-deploy resources from areas that are not expected to recur in the next financial year. Strict controls are applied to ensure that costs stay within budget commitments. As in previous years, we have engaged an independent external consultant to conduct an internal audit review of financial controls and policies to ensure that they are robust and practical. No material issues were found.

1.2 During 2025/26, the Hong Kong market has been experiencing remarkable developments, including a significant increase in market turnover, as well as an expansion in new areas such as FinTech and Digital Assets (DA). This elevated activity has spurred competition for talent and created headwinds for the SFC in our retention and hiring activities. We view our people as a critical asset, one that enables the SFC to discharge our expanding responsibilities in regulatory and market developments.

1.3 We have experienced the impact of remuneration pressure in 2025/26, which sees wage growth for the sector, while the SFC has instituted a pay freeze for the same period. Against this backdrop, the SFC has invested significantly in non-monetary initiatives to bolster staff retention rates, such as additional learning and development opportunities which serve to enrich their professional experience. Early indications suggest that wage growth is predicted to continue into 2026/27, and therefore the SFC firmly believes that adjustments will be necessary to address competitiveness of our remuneration proposition to staff.

1.4 Set out below is a summary of the SFC's forecast for 2025/26 and the proposed budget for 2026/27. For more detailed explanations, reference should be made to Sections 3 and 4 of this budget book.

	2026/27		2025/26		Variance Proposed Budget vs. Forecast (c/b) %
	Proposed Budget (a) \$'m	Forecast (b) \$'m	Forecast (c) = (a-b) \$'m	Proposed Budget vs. Forecast (c/b) %	
Income	4,153.54		4,040.69	112.85	2.8%
Recurrent expenditure					
Staff costs	1,851.15		1,698.22	152.93	9.0%
Project costs	48.50		39.40	9.10	23.1%
Other recurrent expenditure	617.77		572.71	45.06	7.9%
Total recurrent expenditure	2,517.42		2,310.33	207.09	9.0%
Legal related fees	49.40		43.09	6.31	14.6%
Funding to external parties	92.94		84.91	8.03	9.5%
Total expenditure	2,659.76		2,438.33	221.43	9.1%
Result for the year	1,493.78		1,602.36	(108.58)	-6.8%

- 1.5 For 2026/27, we forecast that income will increase by \$112.85 million (2.8%) over the 2025/26 Forecast, a result of the latest securities market turnover and investment return assumptions. We assume that the securities market turnover for 2025/26 and 2026/27 would be approximately \$241 billion/day and \$256 billion/day, respectively. This assumed securities market turnover level is derived from an internal statistical analysis model and is for budgeting purposes only. It does not constitute any opinion or prediction of the future securities market. The actual securities market turnover for the first six months of 2025/26 averaged \$242 billion/day.
- 1.6 The difficulty to predict market turnover represents an unavoidable degree of uncertainty in the annual budget compilation. A variance of \$1 billion in the average daily turnover of the securities market will have an impact of approximately \$13 million to our income.
- 1.7 The levy rate will remain the same at 0.0027% for the remainder of 2025/26 and for the full financial year 2026/27.
- 1.8 Annual licensing fees for 2025/26 are estimated at about \$240 million, half of which is recognised as income on an accrual basis in the first year of resumption. The annual licensing fees are estimated to be \$261 million for 2026/27.
- 1.9 Total expenditure for 2026/27 is budgeted to increase by \$221.43 million (9.1%) over the 2025/26 Forecast. Of this amount, 69% is attributable to increase in staff costs, 14% to depreciation, 9% to information and systems services, and the remaining 8% to project costs and funding to external parties.
- 1.10 As a long-term accommodation plan, a Sales and Purchase agreement was entered into between the SFC and its landlord on 17 November 2023 with a consideration of \$5.4 billion to acquire 12 office floors. Transaction of the nine office floors was completed in December 2023, one office floor will be completed in December 2025 and the remaining two office floors will be completed by 2028. The possession of new floors will be funded with the available property acquisition reserve.
- 1.11 Of the reserve designated for property acquisition, estimated at \$1,109 million at the start of the 2025/26, \$654 million will be utilised for both the loan repayment and the payment of the additional floor to be taken up in December 2025 and another \$654 million for both the loan repayment and payment of the additional floor in 2026/27. In accordance with our practice in setting aside funds to complete property acquisition, we will continue to top up the reserve by \$125 million at the end of each financial year until 2027/28. This top up will support the acquisition of the three additional floors and future bank loan principal repayments. The property acquisition reserve will stand at \$51 million by March 2027.
- 1.12 The SFC needs to be adequately resourced at all times, to fulfil the core mission of promoting efficient, transparent, and competitive capital markets to further strengthen Hong Kong's status as an international financial centre, and steadfastly implement effective regulation to maintain market integrity and foster development. The talent landscape for financial services in Hong Kong has become increasingly competitive due to tighter labour market conditions, especially for individuals with the right mix of experience and expertise and, as a result, the retention and hiring of staff have become more challenging. We have noted our attrition rates trending upwards in the second half of 2025/26, notably for our junior professional grades which are now in low double digits.

- 1.13 Having critically reviewed our manpower needs for 2026/27, a net increase of 18 full time posts over the SFC's 2025/26 approved headcount has been included in the budget. This represents a total headcount increase of approximately 1.7%. Please refer to Section 3 for more detailed information about the SFC's 2026/27 manpower plan.
- 1.14 In 2026/27, the SFC will continue the two-year Fixed Term Contract pool in order to maintain existing resources for specific initiatives and projects. A provision of \$48.5 million has been made in relation to the two-year contract arrangements.
- 1.15 A surplus of approximately \$1,493.78 million is expected in 2026/27, leaving our non-ring-fenced reserves at \$10.9 billion at the end of that financial year. The total available for use and liquid reserves will be approximately \$6 billion by March 2027.

2. Assumptions

2.1 Investor levy rates

2.1.1 Levy rates will remain unchanged for the year 2026/27:

- (a) Investor Levy Rate - Securities at 0.0027%; and
- (b) Investor Levy Rate - Futures/Options contracts at \$0.54/\$0.1 per contract, depending on the type of contract.

2.2 Market turnover

2.2.1 Equity market

- (a) The average securities market turnover was around \$242 billion/day for the first six months of 2025/26. Based on the latest internal statistical analysis, we assume the average daily turnover of the securities market is \$241 billion/day for the full year 2025/26 (see also para 4.3.2(a)).
- (b) For the purposes of budgeting, \$256 billion/day has been used for the 2026/27 average daily turnover of the securities market.

2.2.2 Futures and Options market

Based on the transaction volumes for the first half of 2025/26, the futures/options market turnover is assumed to be an average of 545,000 contracts per day for the rest of 2025/26. For budgeting purposes, we have assumed that forecast and budget income from futures/options contracts to be the same. On this basis, the futures/options market turnover is assumed to be an average of 545,000 contracts per day in 2026/27.

2.3 Fees and charges

2.3.1 The collection of the annual licensing fees has been resumed since April 2025, and half of the estimated revenue is recognised as income on an accrual basis in 2025/26. The annual licensing fees are estimated to be about \$261 million in 2026/27.

2.3.2 The underlying rates of fees and charges, which will continue to apply to all new licence applications, remain unchanged.

2.4 Rate of return

The average return on investment of our reserve funds before investment management fees is assumed to be 4% p.a. for the year 2026/27. This blended return rate includes currently fixed deposit rates, our held to maturity bond portfolios that comprise investment grade corporate holdings, and the expected long term average returns from our pooled equity portfolios.

2.5 Remuneration adjustment

2.5.1 The recent performance of the city's capital markets is a reflection of its resilience and its ability to thrive even during challenging times, adding credence to Hong Kong's position as a leading international financial centre. This performance has been underscored by a healthy market turnover, IPO transactions, and the continued development within the FinTech and DA space.

2.5.2 One of the key pillars that support and drive the Hong Kong market is human capital. The critical importance of high calibre talents has been recognised by the Government via its various talent admission policies such as the "Top Talent Pass Scheme". The efficacy of these initiatives has supported Hong Kong's rise to fourth position in the World Talent Ranking 2025 – its highest-ever ranking – as well as first in Asia. This has resulted in increased competition for talents, which inevitably impacts salaries in the wider financial services market. The robust growth has led to remuneration increases for the financial services industry for 2025/26, which is expected to continue into 2026/27. This highlights the need for the SFC to take robust steps to ensure talent retention through pay competitiveness, especially in light of the pay freeze for 2025/26.

2.5.3 The SFC wishes to further highlight that there is increased demand and remuneration pressure in specialised areas such as, but not limited to, IPOs, FinTech and DA. This presents a challenge to not only recruitment but also, critically, the retention of our staff.

2.5.4 For budgeting purposes, a provision of 3.0% was made in the original budget for a general salary adjustment for staff. Additionally, the SFC provided a merit adjustment for high performing staff. This provision was based on market information from independent parties including pay consultants and professional associations. The SFC subsequently implemented a pay freeze for its staff in 2025/26, and therefore the proposed salary and merit adjustments have been excluded in the revised 2025/26 figures that were originally submitted.

2.6 General costs

Where an estimate of general price level increases is required, we have assumed 2%¹ when we do not have specific data and/or quotes for estimating our future costs.

2.7 Capital expenditure

Capital expenditure is budgeted based on the level of expenditure that will be spent within a financial year. However, actual expenditure incurred will differ from this and the approved estimates of capital expenditure for different capital projects will, as before, be carried forward until the completion of those projects.

¹ Census and Statistics Department, The Government of the Hong Kong Special Administrative Region publishes 12-month average consumer price indices, "Consumer Price Indices".

3. Manpower plan

3.1 Proposed headcount changes 2025/26 vs. 2026/27

Division	2025/26 Approved	2026/27 Proposed	Net Change
Centralised Services ²	56	57	1
Corporate Finance	103	105	2
Enforcement	219	223	4
Intermediaries	308	317	9
Legal Services	54	54	-
Investment Products	124	125	1
Supervision of Markets	57	58	1
Corporate Affairs	116	116	-
Total	1,037	1,055	18

3.1.1 Having critically reviewed our manpower needs for 2026/27, a total headcount increase of 18 has been included in the budget to ensure the SFC is adequately resourced to fulfil our regulatory obligations. This represents a total headcount increase of approximately 1.7%.

3.1.2 The new headcount request is principally for the establishment of DA related teams for licensing and supervision work stemming from the proposed new regimes for DA dealing and custody service providers as well as the ASPIRe roadmap.

3.1.3 The new headcount request is justified by reference to essential skills or new initiatives that the SFC cannot resource from within the existing headcount. In arriving at this request, the SFC has exhausted its options in converting or re-purposing vacancies within the existing headcount to respond to new initiatives or introduce new skills to maximise efficiency. This effort has resulted in a headcount request that is prudent and necessary to meet the increasing workload, due to the buoyant market and new areas of focus for the SFC.

3.2 New headcount request – 2026/27

Centralised Services Division

3.2.1 One new non-executive post is proposed to provide support for the increasingly proactive external relations work of the Secretariat and External department of the Division to facilitate stakeholder engagement and market development.

² Includes CEO's Office, Secretariat and External, International Affairs and Sustainable Finance, Mainland Affairs and Press Office

Corporate Finance Division

3.2.2 Two new executive posts are proposed to cater for the significant increase in case flows of the IPO Team, which is likely to continue into the next financial year, as well as the heavier workload due to the expanded number of listed companies.

Enforcement Division

3.2.3 One new executive post is proposed to focus on blockchain analytics under the CrypTech initiative; three new executive posts are proposed to strengthen the capacity of the Intermediary Misconduct Team and Market Misconduct Team.

Intermediaries Division

3.2.4 Six new executive posts are proposed for two new teams, DA Licensing and Policy Team, and DA Supervision and Policy Team. One new executive post for offsite supervision of firms with Mainland background to support the significantly expanded scope of supervisory responsibilities. Two new executive posts to handle licensing matters related to the OTC derivatives licensing regime.

Investment Products Division

3.2.5 One new executive post is proposed to assist policy and case teams in processing the growing number of Listed Alternative Asset funds products and other related work.

Supervision of Markets Division

3.2.6 One new executive post is required to enhance Supervision of Markets' data analytics and surveillance of markets.

4. Financials

4.1 Income and expenditure statement

	Para. ref.	2026/27 Proposed Budget (a) \$'000	2025/26 Forecast (b) \$'000	2025/26 Approved Budget (c) \$'000	Variance			
					Proposed Forecast (d)=(a)-(b) \$'000	Budget vs. Forecast (d)/(b) %	Forecast vs. Approved Budget (e)=(b)-(c) \$'000	Variance (e)/(c) %
Income								
Investor levy	4.3.2							
Securities		3,366,144	3,178,373	1,782,405	187,771	5.9%	1,395,968	78.3%
Futures/Options contracts		147,160	147,160	160,730	-	-	(13,570)	-8.4%
Fees & charges	4.3.3	399,112	267,226	246,917	131,886	49.4%	20,309	8.2%
Net investment income	4.3.4	236,121	442,930	158,686	(206,809)	-46.7%	284,244	>100.0%
Other income	4.3.5	5,003	5,000	4,935	3	0.1%	65	1.3%
Total		4,153,540	4,040,689	2,353,673	112,851	2.8%	1,687,016	71.7%
Recurrent expenditure								
Staff costs	4.4.1	1,851,150	1,698,224	1,744,246	152,926	9.0%	(46,022)	-2.6%
Project costs	4.4.2	48,500	39,400	49,500	9,100	23.1%	(10,100)	-20.4%
Premises	4.4.3	46,042	41,058	40,990	4,984	12.1%	68	0.2%
Information & systems services	4.4.4	148,555	128,930	137,685	19,625	15.2%	(8,755)	-6.4%
General office & others	4.4.5	17,894	16,424	16,326	1,470	9.0%	98	0.6%
Learning & development	4.4.6	18,293	13,409	16,310	4,884	36.4%	(2,901)	-17.8%
Professional fees & others	4.4.7	54,940	67,012	61,304	(12,072)	-18.0%	5,708	9.3%
Regulatory & external activities	4.4.8	36,624	30,769	36,344	5,855	19.0%	(5,575)	-15.3%
Interest expenses	4.4.9	66,000	78,000	89,000	(12,000)	-15.4%	(11,000)	-12.4%
Internship programme		12,200	11,100	11,100	1,100	9.9%	-	-
		2,300,198	2,124,326	2,202,805	175,872	8.3%	(78,479)	-3.6%
Legal related fees	4.4.10	49,400	43,088	38,343	6,312	14.6%	4,745	12.4%
		2,349,598	2,167,414	2,241,148	182,184	8.4%	(73,734)	-3.3%
Depreciation	4.4.11	217,214	186,003	209,395	31,211	16.8%	(23,392)	-11.2%
Total (1)		2,566,812	2,353,417	2,450,543	213,395	9.1%	(97,126)	-4.0%
Funding to external parties								
Funding to the IFEC	4.5.1	84,310	80,569	82,555	3,741	4.6%	(1,986)	-2.4%
Funding to the IFRS Foundation	4.5.2	840	840	840	-	-	-	-
Funding to the FDRC	4.5.3	6,000	3,500	3,500	2,500	71.4%	-	-
Funding to the HKSI and other education initiatives	4.5.4	1,793	-	1,368	1,793	N/A	(1,368)	-100.0%
Total (2)		92,943	84,909	88,263	8,034	9.5%	(3,354)	-3.8%
Total expenditure (1) + (2)		2,659,755	2,438,326	2,538,806	221,429	9.1%	(100,480)	-4.0%
Result for the year		1,493,785	1,602,363	(185,133)	(108,578)	-6.8%	1,787,496	>-100.0%
Reserves brought forward		8,879,534	6,748,212	6,748,212	2,131,322	31.6%	-	-
Transfer from property acquisition reserve		528,959	528,959	137,025	-	-	391,934	>100.0%
Reserves carried forward		10,902,278	8,879,534	6,700,104	2,022,744	22.8%	2,179,430	32.5%

4.2 Capital expenditure statement

Para. ref.	2026/27		2025/26		2025/26		Variance		
	Proposed		Approved		Forecast		Proposed Budget vs.		Forecast vs.
	Budget (a) \$'000	Forecast (b) \$'000	Budget (c) \$'000	Forecast (d)=(a)-(b) \$'000	(d)/(b) %	Approved (e)=(b)-(c) \$'000	Budget (e)/(c) %		
<u>Capital expenditure</u>	4.6								
Land and buildings	473,300	473,300	473,300	-	-	-	-	-	-
Furniture & fixtures	38,000	38,000	6,000	-	-	32,000	>100.0%		
Office equipment	35,260	34,657	29,865	603	1.7%	4,792	16.0%		
Computer systems development	82,870	82,544	77,320	326	0.4%	5,224	6.8%		
Total	629,430	628,501	586,485	929	0.1%	42,016	7.2%		

4.3 Income

4.3.1 Annual grant from government

Section 14 of the Securities and Futures Ordinance provides that: “For each financial year of the Commission, the Government shall pay to the Commission out of the general revenue the moneys appropriated by the Legislative Council for that purpose.” As in previous years, the SFC proposes that the Government does not request any appropriation from the Legislative Council for the financial year 2026/27. The SFC’s decision is made without prejudice to the funding principles established when the SFC was formed, and has no implications on requests for appropriations in future years.

4.3.2 Investor levy

(a) The following turnover and levy rate assumptions have been used in preparing levy income estimates:

	<u>2025/26</u> Approved Budget	<u>2025/26</u> Forecast	<u>2026/27</u> Proposed Budget
Securities			
Daily turnover (billion/day)	\$135	\$241	\$256
Levy rate	0.0027%	0.0027%	0.0027%
Futures/Options Contracts			
Daily turnover (contracts)	605,000	545,000	545,000
Levy rate (per contract)	\$0.54 / \$0.1	\$0.54 / \$0.1	\$0.54 / \$0.1

(b) The 2025/26 Forecast for Investor Levy – Securities is higher than the Approved Budget by \$1,395.97 million (78.3%) whereas Investor Levy – Futures/Options is lower than the Approved Budget by \$13.57 million (8.4%). These variances reflect variations in the actual turnover of the securities market for the first six months of 2025/26 (around \$242 billion/day) when compared to the estimates underlying the Approved 2025/26 Budget.

(c) We assume that the average securities market turnover for 2025/26 Forecast would be around \$241 billion/day. Based on the actual and current levels to date, we have budgeted \$256 billion/day for 2026/27.

(d) For budgeting purposes, we assume that the volume of future contracts remains unchanged in 2026/27.

4.3.3 Fees and charges

(a) The Forecast aggregate fees and charges income for 2025/26 is \$20.31 million (8.2%) above the Approved Budget, as fees from Corporate Finance are higher than expected.

(b) The 2026/27 Budget for this income will be \$131.89 million (49.4%) higher than the 2025/26 Forecast. This increase is due to the full-year effect of reinstating the annual licensing fee after the fee waiver ended in March 2025. The annual licensing fee will be about \$261 million in 2026/27.

4.3.4 Net investment income

(a) Budgeted net investment income for 2025/26 was \$158.69 million which comprised of \$82.95 million of fixed income and deposit interest and \$75.74 million gains from equity pooled funds. Due to exceptional year to date gains of our pooled equity fund investments and higher than expected investment performance, we have revised our net investment income to \$442.93 million for the 2025/26 Forecast.

(b) 2026/27 net investment income is budgeted to be \$236.12 million. For budgeting purposes, we assume that the average return on investments before management fees is 4% p.a. The actual rate of return may vary, depending primarily on market performance and the adopted investment strategy.

4.3.5 Other income

(a) Other income for 2025/26 and 2026/27 is minimum, representing licence fees and service fees received from the Investor and Financial Education Council (IFEC) and Investor Compensation Company (ICC) for providing office space, accountancy, human resources and IT support services, recoveries from enforcement cases and sales of SFC publications. The 2026/27 Budget for other income is kept at the same level as the 2025/26 Forecast.

4.4 Recurrent expenditure

4.4.1 Staff costs

(a) The overall staff costs for 2025/26 is forecast to be lower than the 2025/26 Budget by \$46.02 million (2.6%). This is principally due to the extended recruitment lead time required to fill vacancies which reflects the competitive talent landscape within financial services.

(b) Staff costs are \$152.93 million (9.0%) higher than the 2025/26 Forecast. The increase is attributable to the filling of vacant positions that includes the full year impact of positions hired part way through 2025/26, new positions proposed in 2026/27, as well as increased insurance, retirement and recruitment costs.

- (c) For budgeting purposes, a provision of 3.0% was made in the original budget for a general salary adjustment for staff. Additionally, the SFC has provided a merit adjustment for high performing staff. This proposal reflects the dynamic and tight talent market faced by the financial services industry, especially in highly specialised areas of growth. This underscores the importance of promoting the adoption of a more market aligned compensation approach to ensure that the SFC is able to retain and hire expert talent.
- (d) The SFC would like to stress that, while there is a need to be competitive, the provision is still below the latest market pay trend for the financial services industry. The SFC subsequently implemented a pay freeze for its staff in 2025/26, and therefore the proposed salary and merit adjustments have been excluded in the revised 2025/26 figures.

4.4.2 Project costs

- (a) In 2026/27, the SFC intends to continue the two-year fixed term contract pool. 34 two-year fixed term contract positions are proposed to cover various initiatives undertaken by our Divisions. A total of \$48.5 million has been provisioned.

4.4.3 Premises

- (a) The Forecast for 2025/26 is retained at the Approved Budget level.
- (b) The Budget for 2026/27 will be \$4.98 million (12.1%) above the 2025/26 Forecast due to the increase in management fees, rates and electricity resulting from the acquisition of additional floor space.

4.4.4 Information and systems services

- (a) The 2025/26 Forecast for information and systems services expenses is \$8.76 million (6.4%) lower than the Approved Budget due to the lower than expected spend on system contract services and software licence subscriptions and maintenance.
- (b) For 2026/27, we project a \$19.63 million (15.2%) increase owing to a higher spend on software subscription costs to drive technology diversification, infrastructure resilience, enhancements, cybersecurity incident management, and the use of additional AI applications.

4.4.5 General office and others

- (a) The Forecast for 2025/26 is retained at the Approved Budget level.
- (b) The Budget for 2026/27 is \$1.47 million (9%) above the 2025/26 Forecast mainly due to expected increases in spending on repairs and maintenance.

4.4.6 Learning and development

- (a) Forecast learning and development related expenses for 2025/26 are lower than the 2025/26 Budget by \$2.9 million (17.8%). This is mainly due to the decrease in the number of overseas staff exchanges and secondments.
- (b) The Budget for 2026/27 will be \$4.88 million (36.4%) higher than the 2025/26 Forecast. It is anticipated that more customised staff development to address specific learning and development needs of our various grades of staff as well as focused executive development initiatives, sponsorship and overseas staff secondment will help to further upskill our staff. The SFC views staff development as a key pillar of our employee value proposition, allowing us to provide meaningful and holistic career development to our staff.

4.4.7 Professional fees and others

- (a) The Forecast for 2025/26 is \$5.71 million (9.3%) above the Approved Budget mainly due to a higher demand for professional services rendered by external forensic accounting firms and external support for investigations.
- (b) The Budget for 2026/27 will be \$12.07 million (18%) lower than the Forecast for 2025/26 mainly due to lower demand for external expert services following the adoption of new internal technology. Key projects under professional fees in 2026/27 will include DA related research, intermediary risk assessment frameworks and technology and cybersecurity supervision research.

4.4.8 Regulatory and external activities

- (a) Forecast expenses on regulatory and external activities for 2025/26 are lower than the Approved Budget by \$5.58 million (15.3%) mainly due to lower than expected expenses on public relations campaigns and seminar and hospitality.
- (b) The 2026/27 Budget will be \$5.86 million (19%) higher than the 2025/26 Forecast due to more public relations campaigns, public conferences and experience sharing opportunities with other overseas regulatory bodies and the deferral of forums and seminars from 2025/26.

4.4.9 Interest expenses

- (a) We entered into a five-year term loan agreement with a commercial bank to partially finance the property acquisition in December 2023. The Forecast for 2025/26 is \$11 million (12.4%) below the Approved Budget mainly due to an early principal repayment made during the year.

(b) For budgeting purposes, no additional drawdown from the loan is assumed. Taking into account the principal repayment portion, with reference to the estimated outstanding loan balance, and the lowered loan interest rate, the 2026/27 Budget will be \$12 million (15.4%) lower than the 2025/26 Forecast.

4.4.10 Legal related fees

(a) Based on the latest case developments included in the current pipeline, the Forecast for 2025/26 has been revised upward by \$4.75 million (12.4%) compared to the Approved Budget.

(b) The 2026/27 Budget will be \$6.31 million (14.6%) higher than the 2025/26 Forecast due to increased caseloads.

4.4.11 Depreciation

(a) Forecast depreciation expenses for 2025/26 are \$23.39 million (11.2%) lower than the Approved Budget mainly due to the lower than expected depreciation of computer systems development and office equipment as a result of the deferral of various IT capital projects, and lower than expected renovation expenditure during the year.

(b) We expect that depreciation expenses for 2026/27 will be \$31.21 million (16.8%) higher than the 2025/26 Forecast mainly due to the resources invested in technology (see also para 4.6.2) as well as the full-year effect of depreciation for land and buildings, following the acquisition of additional floor space in 2025/26.

4.5 Funding to external parties

4.5.1 Funding to the Investor and Financial Education Council (IFEC) is set at \$80.57 million in 2025/26, in alignment with their forecast work programme. In 2026/27, the IFEC proposes total expenditure of \$84.31 million. Major expenses are summarised below:

	<u>2025/26 Approved Budget</u> \$'m	<u>2025/26 Forecast</u> \$'m	<u>2026/27 Proposed Budget</u> \$'m
Staff costs	39.43	37.73	41.38
Education programmes	31.81	31.81	31.61
Premises	3.96	3.96	3.89
Information and systems services	3.30	3.30	3.49
General office and others	1.91	1.82	1.95
Professional fees and others	1.65	1.45	1.49
Capital expenditure	0.50	0.50	0.50
Total	82.56	80.57	84.31

4.5.2 To support the work of the International Financial Reporting Standards Foundation (IFRS Foundation) and the International Sustainability Standards Board, the SFC will provide funding of US\$0.11 million (or \$0.84 million) in both 2025/26 and 2026/27.

4.5.3 Provision of \$3.5 million and \$6 million have been made in 2025/26 and 2026/27 respectively for funding the operations of the Financial Dispute Resolution Centre (FDRC).

4.5.4 Funding to the Hong Kong Securities and Investment Institute (HKSI) and other education initiatives is to support the development of licensing examinations for new licensing regimes expected to be deferred to 2026/27 and the training sponsorship with other regulatory bodies.

4.6 Capital expenditure

4.6.1 Forecast capital expenditure is \$42.02 million (7.2%) higher than the Approved Budget mainly due to the increase of furniture and fixtures for the additional floor space (certain items might be classified under office equipment to reflect the proper nature of assets upon actual expenditure (see also para 4.6.2(b)), computer systems development and computer hardware for new projects, as well as the replacement of equipment not included in the original budget.

4.6.2 Capital expenditure for 2026/27 will be \$629.43 million, with its breakdown as follows:

Capital expenditure

	\$'m	Note
Land and buildings	473.30	(a)
Furniture and fixtures	38.00	(b)
Office equipment	35.26	(c)
Computer systems development	82.87	(d)
Total	629.43	

Note :

- (a) An additional floor of \$473.3 million will be taken up in 2027 according to the property acquisition plan.
- (b) \$38 million is provided for furniture and fixtures for the additional floor space to be taken up.
- (c) Office equipment:
 - (i) \$2 million for replacement of obsolete office equipment due to normal wear and tear; and
 - (ii) \$33.26 million for investment in storage technology and data base capacity, software upgrades, replacement of the resources system plus costs relating to the replacement as well as diversification of servers and computer equipment.

- (d) \$82.87 million is provided for viable front-end technology to enhance various IT systems, improve access and exchange of information between stakeholders, enhance workflow processes to strengthen divisional collaboration, streamline certain business processes and upgrade our market surveillance capabilities.