

SECURITIES & FUTURES COMMISSION

PROPOSED BUDGET

FOR FINANCIAL YEAR 1999/2000

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Executive Summary

Extract of Proposed Estimates for the Year 1999/2000

	<u>Proposed Budget 1999/2000</u> HK\$'M	<u>Revised Budget 1998/1999</u> HK\$'M	<u>Approved Budget 1998/1999</u> HK\$'M
Revenue	309.77	297.88	386.07
Operating Expenditure	421.32	403.14	412.61
Depreciation	19.44	16.37	17.74
Deficits	(130.99)	(121.63)	(44.28)
Reserves at beginning of the year	843.27	964.90	894.87
Reserves at end of the year	712.28	843.27	850.59
Capital Expenditure	20.32	23.13	23.13
Headcount	325*	317*	310

* Including 6 Special Advisers on temporary contract for the market and legislative reform.

Budgetary Strategy

The overall budgetary strategy for the rest of 1998/1999 and 1999/2000 is to control expenditure tightly with its established centralized budgetary control system, and to utilize savings from expenditure areas to strengthen the Commission's regulatory structure in the following areas :

- (a) creation of a Research Department to enhance the Commission's understanding of markets;
- (b) increase of 6 special posts on temporary contract to assist in the market and legislative reform with respect to the Composite Bill; and
- (c) implementation of the Commission's information technology strategy as recommended in the Information Technology Review Report.

Revenue

The estimated revenue for 1999/2000 is \$309.77 million, 3.99% (\$11.89 million) above the revised estimates for 1998/1999. This is mainly attributable to the fact that (i) the average daily SEHK turnover for 1999/2000 is assumed at \$6 billion, 5% higher than the average daily turnover for the revised estimates for 1998/1999 (i.e. \$5.7 billion); (ii) the average daily HKFE turnover for 1999/2000 is assumed at 42,000 contracts per day, 10.53% higher than the average daily turnover for the revised estimates for 1998/1999 (i.e. 38,000 contracts); and (iii) the projected 18.6% increase in the aggregate fees and charges income largely as a result of the anticipated increase in application and authorization of unit trusts/mutual funds/investment schemes following the implementation of the Mandatory Provident Fund scheme and the introduction of a restricted

licence proposed for insurance intermediaries engaged in the promotion of securities linked Mandatory Provident Fund schemes.

For the seventh year as in many years, the Commission has decided to invite the Government not to request the appropriation from the Legislative Council. This decision is without prejudice to the funding principles established when the Commission was formed and has no implication for requests for appropriation in future years. It is estimated that the revenue foregone by the Commission in 1999/2000 as a result of its request is c.\$100 million, and that the total annual grant foregone for the past six years since 1993/94 amounted to \$495 million.

Operating Expenditure

The total estimated operating expenditure for 1999/2000 is \$421.32 million, about \$18.18 million (4.51%) over the revised estimates for 1998/1999. The net upward revision over the revised estimate is mainly the combined effect of :

- (a) the increase in personnel costs (\$32.36 million), which provides no annual salary adjustment, mainly resulting from (i) the full year effect of hiring a new research unit and a team of special advisers in connection with the legislative reform, (ii) the gradual shift to a more professionally heavy staff mix, and (iii) eight additional headcounts mainly for coping with expected influx of applicants from insurance intermediaries for the proposed restricted licence for promoting securities linked Mandatory Provident Fund schemes;
- (b) the increase in information and system services expenses (\$0.64 million) essentially arising from additional maintenance costs for a newly acquired SMART (Securities Market Automated Research, Training and Surveillance) System and a newly subscribed business recovery services for the computer system;
- (c) the decrease in general office and insurance expenses (\$0.92 million) largely due to the fact that less office renovation work than past year is expected to be done in 1999/2000;
- (d) the decrease in professional & others expenses (\$8.42 million). This is mainly due to the fact that the pending litigation in respect of one major case is expected to be finalized in 1998/1999. The expected decrease in legal fees for 1999/2000 is however partially offset by increase in other consultant services and recruitment expenses;
- (e) no provision of funding for the Investment Resources Centre in 1999/2000 (c.f. \$7.5 million provided for in revised estimate 1998/999); and
- (f) the decrease in funding for the Hong Kong Securities Institute from \$3 million in 1998/1999 to \$2 million in 1999/2000.

Capital Expenditure

The total proposed capital expenditure budget for 1999/2000 is \$20.32 million. The proposed budget includes (a) the provision of \$12.49 million for major systems development projects recommended in the Information Technology Review Report; (b) the provision of \$2.2 million for furniture and fixtures for replacement of wear and tear, and additional office space; and (c) \$3.79 million for office equipment including a corporate database server and personal computers and softwares for the PCs renewal programme and additional headcounts.

Operating Result

The projections result in a deficit of \$130.99 million, which reduces the reserves from \$843.27 million (March 31 1999) to \$712.28 million (March 31 2000). On this basis, the reserves at March 31 2000 will be approximately 1.62 times the total proposed operating expenditure (including depreciation) for 1999/2000. If the contribution of \$300 million to the Unified Exchange Compensation Fund is also taken into account, the reserves by year end of 1999/2000 will be further reduced from \$712.28 million to \$412.28 million, equivalent to about 11 months operating expenditure.

Should the Commission resume the request for annual grant from the Government, which is provisionally assessed to be about \$100 million for 1999/2000, the projected deficit will be diminished.

However, as always, the projected financial position of the Commission is very much dependent on the level of turnover assumed on the SEHK. It is worth noting that at the prevailing levy rate of 0.004%, any change of \$500 million in the average daily turnover will result in a fluctuation of about \$10 million in the total levy received by the Commission for the year 1999/2000, i.e. \$6.5 billion or \$5.5 billion turnover would result in a variation from the budget of $\pm$ \$10 million and reduce the projected deficit to \$120.99 million or increase it to \$140.99 million.

BASES OF PROPOSED ESTIMATES

The proposed estimates for the year 1999/2000 are prepared on the following bases :-

A. STRATEGY

The overall budgetary strategy for 1999/2000, not only assuming the zero-based budgeting approach, but also is to continue the strategy for the second half of 1998/1999 of imposing tight control on expenditure and re-deploying savings from expenditure areas to strengthen the Commission's regulatory structure in the following areas :

- (a) creation of a Research Department to enhance the Commission's understanding of the markets;
- (b) formation of a team of special advisers to assist in the market and legislative reform with respect to the Composite Bill; and
- (c) implementation of the IT strategy as recommended in the Information Technology Review Report.

B. ASSUMPTIONS

a. Manpower Plan

The total projected headcount for 1999/2000 is 319 (plus 6 Special Advisers), an increase of 8 from the 1998/1999 revised staff complement of 311 (plus 6 Special Advisers). Changes from 1998/1999 are highlighted in the following table which summarizes the headcount by divisions and functions:-

Division	Function	Forecast Headcount per Revised 1998/1999 Budget	Forecast Headcount for 1999/2000	Changes
Chairman's Office	Chairman's Office	7	7	-
Corporate Finance	Corporate Finance	37	37	-
	Investors Education	8	8	-
	Corporate Communications	14	14	-
Intermediaries & Investment Products	Licensing	34	39	+5
	Intermediaries Supervision	32	35	+3
	Investment Products	22	23	+1
Enforcement	Enforcement	74	73	-1
Supervision of Markets	Supervision of Markets	20	19	-1
Research	Research	3	4	+1
Legal Services	Legal Services	17	17	-
Corporate Resources	Finance & Administration	21	21	-
	Human Resources & Training & Development	10	10	-
	Information Resources	12	12	-
Sub-total		311	319	+8
Add : Special Advisers		6	6	-
TOTAL		317	325	+8

Intermediaries & Investment Products

In the Licensing function, it is proposed to reduce one general grade staff post but to increase six professional staff posts to cope with the preliminarily projected workload arising from the proposal of licensing about 25,000 applicants from insurance intermediaries engaged in the promotion of securities linked Mandatory Provident Fund schemes. Heavy workload is expected in the initial period of 12 to 18 months.

It is proposed to increase two para-professional and one professional staff posts in the area of Intermediaries Supervision due to substantial increase in workload which has occurred in the SEHK members area and market area e.g. Year 2000 review, joint inspections with other regulators and review of Exchanges activities.

For Investment Products, it is proposed to increase one professional staff post to cope with the significantly increased workload in the Unit Trusts team including supervising a sizable team, conducting policy review and taking on ad hoc projects.

Enforcement

It is proposed to reduce one general grade staff post.

Supervision of Markets

One general grade staff post will be eliminated.

Research

It is proposed to increase one professional staff post.

b. Price Increase

The general price increase for the year 1999/2000 is assumed to be at an average rate of 3%, which is applied to the estimation of general expense items.

c. Remuneration Adjustment

No annual salary adjustment is provided for in the proposed 1999/2000 budget.

d. Deposit Interest Rate

The Hong Kong Dollar deposit interest rate is assumed to be 7% p.a. on average for the year 1999/2000.

e. Capital Expenditure

It is assumed that the approved estimates of capital expenditure on a project basis will, as previously, be carried forward until the completion of the projects.

HIGHLIGHTS OF PROPOSED ESTIMATES

(No Change in Levy Rates)

Following is a summary of major estimate items :-

	(Aa)** Proposed Budget for Year <u>1999/2000</u> HK\$'000	(B) Revised Budget for Year <u>1998/1999*</u> HK\$'000	(C) Approved Budget for Year <u>1998/1999</u> HK\$'000	(Aa)-(B) (B) Proposed Over/(Under) Revised <u>Budget</u> %	(B)-(C) (C) Revised Over/(Under) Approved <u>Budget</u> %
<u>REVENUE</u>					
Investor Levy					
Securities	120,000	111,678	214,512	7.45	(47.94)
Futures/Options Contracts	21,000	18,771	13,776	11.87	36.26
Fees & Charges	115,552	97,427	91,501	18.60	6.48
Investment Income	51,215	68,000	64,280	(24.68)	5.79
Other Income	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	--	--
Total	309,767	297,876	386,069	3.99	(22.84)
<u>OPERATING EXPENDITURE</u>					
Premises	47,408	47,036	49,596	0.79	(5.16)
Personnel Expenses	298,131	265,768	284,546	12.18	(6.60)
Info. & Sys. Services	7,547	6,910	7,035	9.22	(1.78)
General Office & Insurance	5,751	6,670	6,877	(13.78)	(3.01)
Training & Development	11,191	10,467	11,976	6.92	(12.60)
Professional & Others	40,471	48,895	31,516	(17.23)	55.14
Corporate Communications	4,646	4,482	4,482	3.66	--
Funding for the IRC	--	7,500	7,500	(100.00)	--
Funding for the HKSI	<u>2,000</u>	<u>3,000</u>	<u>5,000</u>	(33.33)	(40.00)
Sub-total	417,145	400,728	408,528	4.10	(1.91)
Contingency	<u>4,171</u>	<u>2,409</u>	<u>4,085</u>	73.14	(41.03)
Total	<u>421,316</u>	<u>403,137</u>	<u>412,613</u>	4.51	(2.30)
DEPRECIATION	19,443	16,365	17,736	18.81	(7.73)
DEFICITS	(130,992)	(121,626)	(44,280)	7.70	174.67
<u>CAPITAL EXPENDITURE</u>					
Furniture & Fixtures	2,200	5,593	4,400	(60.67)	27.11
Vehicles	--	1,000	1,000	(100.00)	--
Office Equipment	3,790	6,987	6,729	(45.76)	3.83
Computer Sys. Development	<u>12,487</u>	<u>8,900</u>	<u>8,900</u>	40.30	--
Sub-total	18,477	22,480	21,029	(17.81)	6.90
Contingency	<u>1,848</u>	<u>652</u>	<u>2,103</u>	183.44	(69.00)
Total	<u>20,325</u>	<u>23,132</u>	<u>23,132</u>	(12.13)	--

* The revised budget for the year 1998/1999 was derived from a review undertaken in October 1998 of the Approved Budget for the year 1998/1999.

** Column (Aa) represents no change in levy rates scenario (i.e. SEHK : 0.004%, HKFE : \$1 per contract)

1. REVENUE

a. Annual Grant from Government

S.53 of the Securities and Futures Commission Ordinance provides that each financial year there shall be paid to the Commission out of general revenue such moneys as shall be appropriated for that purpose by the Legislative Council. The Commission will invite the Government not to request an appropriation from the Legislative Council in respect of the financial year 1999/2000. The Commission's decision is made without prejudice to the funding principles established when the SFC was formed and has no implications for requests for appropriations in future years.

It is estimated that had a request for an appropriation been made it would have been provisionally assessed at about \$100 million. The assessment is based on the principle that the annual grant should be equivalent to the net cost to Government of funding the former Office of the Commissioner of Securities, adjusted annually from 1988/89 prices by reference to adjustments in levels of Government civil service salaries, rent and the general rate of inflation in Hong Kong. For the past six years since 1993/94, the Commission had foregone annual grant amounting to \$495 million.

b. Investor Levy - Securities

The revised estimate of Investor Levy - Securities is expected to be lower than the approved estimate for 1998/1999 by about 47.94% (\$102.83 million). This is because in view of the low transaction volume in the SEHK during the first six months of 1998/1999 (average daily turnover at about \$6.3 billion) and the continuous downturn of the local economic conditions, the average daily turnover assumption for the next six months is adjusted downward to \$5 billion from the average daily turnover of \$10.9 billion originally assumed in the approved estimates. The resultant average daily turnover for 1998/1999 is thus revised to \$5.7 billion. The levy rate is assumed to remain at 0.004% throughout the year 1998/1999.

The average daily turnover for projecting Investor Levy - Securities for 1999/2000 is assumed to be \$6 billion. The transaction levy rate is assumed to remain at 0.004% for the year. As a result, levy income from SEHK is projected to be \$120 million, about 7% higher than the 1998/1999 revised estimate.

c. Investor Levy - Futures / Options Contracts

The revised estimate of Investor Levy - Futures / Options Contracts exceeds the approved estimate by about 36% (\$5 million). The excess reflects the higher than expected average daily turnover on the Futures Exchange (Average 38,000 contracts cf. 28,000 contracts in the approved estimate) during the first six months of the year 1998/1999, and the upward revision of the daily turnover to 38,000 contracts for the period October 1998 to March 1999 (121 trading days).

The average daily turnover for 1999/2000 is assumed at the level of 42,000 contracts, higher than the average of 38,000 contracts of the 1998/1999 revised estimate. The contract levy rate is assumed to remain at \$1 per contract. These assumptions result in a projected revenue of about 12% (\$2.23 million) higher than the 1998/1999 revised estimate.

d. Fees and Charges

The revised estimates of overall fees and charges for the year are revised upward by 6.48% (\$5.9 million). Since the proposed fees increases were repealed by the Provisional Legislative Council, the fees and charges for 1998/1999 are estimated at the old fee levels. The upward revision is the combined effect of the higher than projected number of registrants in the area of Licensing and the lower estimate of fee income from Investment Products and Corporate Finance for the second half year as market activities are expected to slow down in the wake of the latest regional financial turmoil.

The overall income from fees and charges for 1999/2000 is expected to be higher than the revised estimates for 1998/1999 by about 18.6% (\$18.13 million). The increase is mainly due to a projected increase in application and authorization of unit trusts/mutual funds/investment schemes following the implementation of the Mandatory Provident Fund scheme and the introduction of a restricted licence proposed for insurance intermediaries which are engaged in the promotion of securities linked Mandatory Provident Fund schemes despite the projection of a low level of corporate finance activities. No fee increase is proposed for 1999/2000.

e. Investment Income

Investment income includes the return on the investment portfolio operated under the advice of an external advisor after taking into account the amortization of premium or discount on purchase of dated securities. It also includes the interest earned on deposits placed out of in-house funds.

The revised estimate for 1998/1999 is higher than the approved estimate by about 5.79% (\$3.7 million). The increase is mainly due to the greater than anticipated funds available for investment resulting from the higher than originally budgeted level of reserves brought forward from 1997/1998.

For 1999/2000, the average return on dated securities and deposit rate are assumed to be 7% p.a.. The 24.68% decrease over the revised 1998/1999 estimate is the result of the reduction of investment funds expected to be caused by huge deficits projected for 1998/1999 and 1999/2000, and the contribution of \$300 million to the Unified Exchange Compensation Fund during the year.

f. Other Income

Other income for 1998/1999 and 1999/2000 are estimated at the level of \$2 million, mainly comprising costs awarded to the Commission by the Court and sale proceeds of publications.

2. OPERATING EXPENDITURE

a. Premises

The revised estimate of premises expenses in total is expected to be about \$47.04 million, lower than the approved estimate of \$49.6 million by about \$2.56 million, which mainly represents (i) the half yearly rental saving on the additional floor space which was leased only from the middle of the year rather than from the beginning of the year as assumed in the approved budget and (ii) the more favourable rates concluded for all floors (actual \$2.5/sq. ft. vs. budget \$3.2/sq. ft.).

Premises expenses for 1999/2000 will be increased by about 1% (\$0.37 million) over the revised 1998/1999 estimate. The increase is due to that the increases in expenses such as rates, management fee and electricity for the additional floor are expected to be largely offset by the expected lower rental for all floors, which is believed to be achievable on the rental review due by the end of 1999 in view of the current property market (current average effective rent of around \$59/sq. ft. vs. projected effective rent negotiated upon rent review of around \$41/sq. ft.).

b. Personnel Expenses

	Approved Headcount 1998/1999	Actual Headcount at 30.09.1998	Revised Headcount at 31.03.1999	Projected Headcount at 31.03.2000
Professional staff	185	160	190	199
General grade staff	125	127	121	120
Total	310	287	311	319
<i>Special Advisers</i>	<i>0</i>	<i>0</i>	<i>6</i>	<i>6</i>

In the first six months, the recruitment process lagged behind schedule. 287 staff (about 92.6% of the total staff complement) were in post. By deploying headcounts from other divisions to accommodate the newly created Research Department, the Commission manages to keep its headcount at 311 by 31.03.1999, reflecting only 1 additional from the approved budget. It is expected that the ED-CF, the Research Department of three staff mainly comprising professionals and a team of six special advisers on temporary contract for legislative/market reform will be brought on the scene gradually in the second half year. As a result, personnel expenses are revised downward by 6.6% to reflect the underspending during the first six months.

For the upcoming financial year 1999/2000, the Commission plans to add eight more headcounts bringing the total staff complement from 311 to 319 (not including the 6 special advisers). The increase is mainly for coping with the projected influx of applicants for a restricted licence proposed for insurance intermediaries which are engaged in promoting securities linked Mandatory Provident Fund schemes, enhancing the capacity of supervising market intermediaries and accommodating the heavy workload in the investment products area.

In view of the local economic downturn, the Commission assumes no annual salary adjustment in the coming year. The increase of 12.18% over the revised estimate in personnel expenses is largely attributable to the full year effect of the shift to a more professionally heavy staff mix which was initiated in the later half of 1998/1999 (160/127 at 30.09.1998, 190/121 at 31.03.1999 and 199/120 at 31.03.2000), additional headcounts and some minor provision for staff progression.

c. Information and Systems Services

The revised 1998/1999 estimate is lower than the approved estimate by 1.78% (\$0.13 million). The downward revision is the net effect of reduction in various communication expenses and computer related maintenance costs, partially offset mainly by the increase expected in expenses related to investigation.

The proposed 1999/2000 estimate is higher than the revised 1998/1999 estimate by 9.22% (\$0.64 million). After allowing for the impact of inflation at an assumed rate of 3% and increase in communication expenses stemming from projected higher activities, the increase is mainly attributable to the provision for the maintenance of the newly acquired SMART (Securities Market Automated Research, Training & Surveillance) System and the full year effect of the newly subscribed business recovery services for the computer system.

d. General Office and Insurance

The revised 1998/1999 estimate is lower than the approved estimate by about 3.01% (\$0.21 million) because the majority of expenses of the category is revised downward in view of their actual level of expenditure of the first six months.

The proposed 1999/2000 estimate is lower than the revised 1998/1999 estimate by about 13.78% (\$0.92 million). This is largely attributable to that less office re-configuration work than prior year is expected to be done in 1999/2000.

e. Training and Development

The revised 1998/1999 estimate is adjusted downward by 12.6% (\$1.51 million) to reflect the suspension of the Commission's sponsorship for the SAFE (State Administration of Foreign Exchange) training programme and the lower than budget expenditure during the first half year in the various expenses categories such as External Training - Overseas, Overseas Secondment, Overseas Travelling and Translation Services.

The proposed 1999/2000 estimate is about 6.92% (\$0.72 million) higher than the revised 1998/1999 estimate. Major increases are due to that (i) more training programmes will be organized for staff; (ii) provision is made for events to mark the 10th anniversary of the Commission; and (iii) increase in business trips is envisaged with respect to liaison with overseas regulatory bodies and investigations.

f. Professional & Others

The revised estimate 1998/1999 is revised upward by 55.14% (\$17.38 million). The upward revision mainly covers the \$10 million increase in Legal Fees and the \$7.48 million increase in the External Professional Services for non-budgeted consultancy such as (i) Year 2000 consultancy for the Government; (ii) Review year 2000 compliance of intermediaries; and (iii) Compensation fund actuarial study.

The proposed 1999/2000 estimate is lower than the revised 1998/1999 estimate by about 17.23% (\$8.42 million). The decrease in Legal Fees (\$10 million) is partially offset by the projected increase in (i) External Professional Services for more consultancy work planned, (ii) Recruitment Expenses and (iii) Non-executive Directors' Fees for one additional non-executive director.

g. Corporate Communications

The approved 1998/1999 estimate is retained for Annual Report, Public Relations Publications, Public Relations Programmes and Community Education.

The proposed 1999/2000 estimate will be slightly increased, largely as a result of the increase in expenses for Public Relations Programmes (including the 10th anniversary publications), Public Relations Publications and the production of the Annual Report.

h. Funding for the Investment Resources Centre (IRC)

The original provision of \$7.5 million is retained in the 1998/1999 revised estimate for the Commission's contribution to finance the operating costs of the IRC.

No funding is provided for the IRC in 1999/2000.

i. Funding for the Hong Kong Securities Institute (HKSI)

The approved 1998/1999 estimate of \$5 million will be spanned over two years, i.e. \$3 million is provided for in 1998/1999 and \$2 million in 1999/2000.

3. CONTINGENCY

The contingency for the year 1999/2000 is calculated at 1% of the total operating expenditure to cover unforeseen expenses arising from abrupt changes of environment or unforeseen special requirements.

4. CAPITAL EXPENDITURE

a. Revised Estimates

The total capital expenditure estimate is retained with adjustments in various sub-heads: (i) Furniture and Fixtures are revised upward by 27.11% (\$1.19 million) to cater for the fitting out cost of the additional office space leased in September 1998; (ii) Office Equipment is revised upward by 3.83% (\$0.26 million) as a result of the office expansion project; and (iii) Contingency is reduced by 69% (\$1.45 million) to reflect the reallocation of resources to (i) and (ii) mentioned above.

b. Proposed Estimates

The total proposed capital expenditure budget for 1999/2000 is \$20.32 million. The budget includes:

- i. \$2.2 million furniture and fixtures for additional office space and replacement of existing loose furniture due to normal wear and tear;
- ii. \$3.79 million for office equipment including a corporate database server and personal computers and softwares for the PCs renewal programme and additional headcounts;
- iii. \$12.49 million for contract systems developers, hardware and software costs related to the development of computer systems projects as recommended in the Information Technology Review Report, with an aim to implement the recommendations of the report in three years; and
- iv. a contingency equals to 10% of the projected total capital expenditure.

SECURITIES & FUTURES COMMISSION
ESTIMATES OF INCOME FOR THE YEAR 1999/2000
(No Change in Levy Rates)

	Proposed Estimates Year 1999/2000 HK\$	Revised Estimates Year 1998/1999 HK\$	Approved Estimates Year 1998/1999 HK\$
Annual Grant from Government	-	-	-
Investor Levy - Securities	120,000,000	111,678,000	214,512,000
Investor Levy - Futures / Options Contracts	21,000,000	18,771,400	13,776,000
Fees and Charges	115,551,720	97,426,890	91,501,133
Investment Income	51,215,000	68,000,000	64,280,000
Other Income	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total	<u><u>309,766,720</u></u>	<u><u>297,876,290</u></u>	<u><u>386,069,133</u></u>

SECURITIES & FUTURES COMMISSION
ESTIMATES OF EXPENDITURE FOR THE YEAR 1999/2000

OPERATING EXPENDITURE

	Proposed Estimates Year 1999/2000 HK\$	Revised Estimates Year 1998/1999 HK\$	Approved Estimates Year 1998/1999 HK\$
Premises	47,408,000	47,035,700	49,596,000
Personnel Expenses	298,131,000	265,768,000	284,545,916
Information & Systems Services	7,547,000	6,910,000	7,035,200
General Office & Insurance	5,751,000	6,670,000	6,877,000
Training & Development	11,190,500	10,466,900	11,976,057
Professional & Others	40,471,000	48,895,500	31,515,450
Corporate Communications	4,646,500	4,482,000	4,482,000
Funding for the Investment Resources Centre	-	7,500,000	7,500,000
Funding for the Hong Kong Securities Institute	<u>2,000,000</u>	<u>3,000,000</u>	<u>5,000,000</u>
Sub-total	417,145,000	400,728,100	408,527,623
Contingency (Note 1)	<u>4,171,450</u>	<u>2,409,000</u>	<u>4,085,276</u>
Total Operating Expenditure	<u><u>421,316,450</u></u>	<u><u>403,137,100</u></u>	<u><u>412,612,899</u></u>

Note 1 : Contingency is provided for at 1% of the total 1999/2000 operating expenditure (1998/1999 : 1%)

SECURITIES & FUTURES COMMISSION
ESTIMATES OF EXPENDITURE FOR THE YEAR 1999/2000

CAPITAL EXPENDITURE

	Proposed Estimates Year 1999/2000 HK\$	Revised Estimates Year 1998/1999 HK\$	Approved Estimates Year 1998/1999 HK\$
Furniture & Fixtures	2,200,000	5,593,000	4,400,000
Vehicles	-	1,000,000	1,000,000
Office Equipment			
Mainframe Computer & Peripherals	2,240,000	600,000	600,000
PCs & Peripherals	450,000	3,564,000	3,564,000
Computer Softwares	600,000	1,445,000	1,445,000
General Office Equipment	500,000	1,378,000	1,120,000
Computer Systems Development	12,487,000	8,900,000	8,900,000
Sub-total	18,477,000	22,480,000	21,029,000
Contingency (Note 1)	1,847,700	651,900	2,102,900
Total Capital Expenditure	20,324,700	23,131,900	23,131,900

Note 1 : Contingency is provided for at 10% of the total 1999/2000 capital expenditure (1998/1999 : 10%)

SECURITIES & FUTURES COMMISSION
PROJECTED INCOME & EXPENDITURE STATEMENT
FOR THE YEAR 1999/2000
(No Change in Levy Rates)

	Proposed Estimates 1999/2000	Revised Estimates 1998/1999
	HK\$	HK\$
INCOME		
Investor Levy - Securities	120,000,000	111,678,000
Investor Levy - Futures/Options Contracts	21,000,000	18,771,400
Fees & Charges	115,551,720	97,426,890
Investment Income	51,215,000	68,000,000
Other Income	<u>2,000,000</u>	<u>2,000,000</u>
Total Income	<u>309,766,720</u>	<u>297,876,290</u>
EXPENDITURE		
Operating Expenditure	421,316,450	403,137,100
Depreciation	<u>19,443,000</u>	<u>16,365,000</u>
Total Expenditure	<u>440,759,450</u>	<u>419,502,100</u>
RESULT FOR THE YEAR	<u>(130,992,730)</u>	<u>(121,625,810)</u>

SECURITIES & FUTURES COMMISSION
PROJECTED BALANCE SHEET
FOR THE YEAR 1999/2000
(No Change in Levy Rates)

	Proposed Estimates 1999/2000	Revised Estimates 1998/1999
	HK\$	HK\$
Fixed Assets	<u>29,682,800</u>	<u>30,649,000</u>
Net Current Assets	<u>682,598,907</u>	<u>812,625,437</u>
Net Assets	<u><u>712,281,707</u></u>	<u><u>843,274,437</u></u>
Representing:		
Reserves		
Government Start-up Grant	<u>42,840,429</u>	<u>42,840,429</u>
Income & Expenditure Account		
Beginning Balance	800,434,008	922,059,818
Result for the year	<u>(130,992,730)</u>	<u>(121,625,810)</u>
	<u>669,441,278</u>	<u>800,434,008</u>
	<u><u>712,281,707</u></u>	<u><u>843,274,437</u></u>