

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 2021–22	\$2,290.0m
Establishment ceiling 2021–22 (notional annual mid-point salary value) representing an estimated 98 non-directorate posts as at 31 March 2021 and as at 31 March 2022	\$74.4m
In addition, there will be an estimated 16 directorate posts as at 31 March 2021 and as at 31 March 2022.	
Commitment balance	\$4,864.9m

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

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	2021–22 (Estimate)
Financial provision (\$m)	719.9	1,133.4	1,481.8 (+30.7%)	2,258.0 (+52.4%)
				(or +99.2% on 2020–21 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, 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 2020.

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Matters Requiring Special Attention in 2021–22

- 5 During 2021–22, the Branch will:
- engage the industry and formulate proposals to promote the further development of our financial services industry;
 - 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;
 - promote the development of the bond market;
 - promote the development of the asset and wealth management industry, including taking forward the legislation for providing tax concession for carried interest issued by private equity funds operating in Hong Kong, providing a re-domiciliation mechanism in Hong Kong for open-ended fund companies and limited partnership funds, as well as setting up a dedicated team in InvestHK to step up promotion of family office business in Hong Kong and offer related one-stop support services;
 - promote the development of green and sustainable finance in Hong Kong;
 - promote the development of financial technologies in Hong Kong;
 - work with the MPFA to develop the eMPF Platform to facilitate standardisation, streamlining and automation of administration processes of Mandatory Provident Fund registered schemes;
 - foster the establishment of an uncertificated securities market regime with a view to enhancing and modernising Hong Kong’s financial market infrastructure;
 - work with the FRC to enhance the new auditor regulatory regime;
 - promote the development of the insurance industry, including preparing legislation for:
 - the implementation of a Risk-based Capital Regime for the prudential regulation of insurers; and
 - the establishment of a Policy Holders’ Protection Scheme to better protect policyholders’ interests in the event of the insolvency of an insurer;
 - oversee the implementation of the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector;
 - enhance Hong Kong’s regulatory regime for combatting 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;
 - monitor compliance with the licensing conditions by licensed money lenders and conduct public education to raise awareness on prudent borrowing;
 - strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
 - refine the draft legislation for introducing a statutory corporate rescue procedure and insolvent trading provisions; and
 - operationalise the resolution regime established under the Financial Institutions (Resolution) Ordinance (Cap. 628).

Programme (2): Subvention: Financial Services Development Council

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	2021–22 (Estimate)
Financial provision (\$m)	30.0	32.0	31.8 (–0.6%)	32.0 (+0.6%)
				(or same as 2020–21 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.

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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 2021–22

9 During 2021–22, 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

	2019–20 (Actual) (\$m)	2020–21 (Original) (\$m)	2020–21 (Revised) (\$m)	2021–22 (Estimate) (\$m)
Programme				
(1) Financial Services	719.9	1,133.4	1,481.8	2,258.0
(2) Subvention: Financial Services Development Council	30.0	32.0	31.8	32.0
	<hr/> 749.9	<hr/> 1,165.4	<hr/> 1,513.6 (+29.9%)	<hr/> 2,290.0 (+51.3%)
				(or +96.5% on 2020–21 Original)

Analysis of Financial and Staffing Provision

Programme (1)

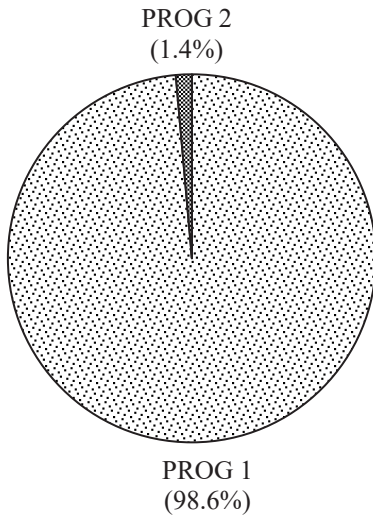
Provision for 2021–22 is \$776.2 million (52.4%) higher than the revised estimate for 2020–21. This is mainly due to the increased cash flow requirement for non-recurrent commitment items.

Programme (2)

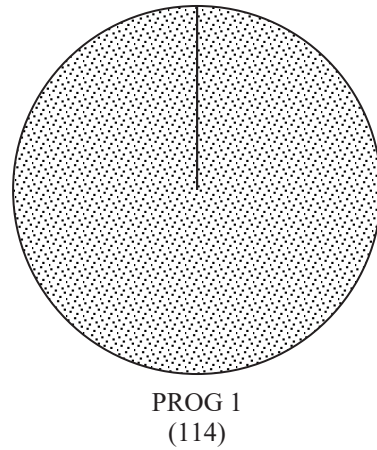
Provision for 2021–22 is \$0.2 million (0.6%) higher than the revised estimate for 2020–21.

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Allocation of provision to programmes (2021-22)

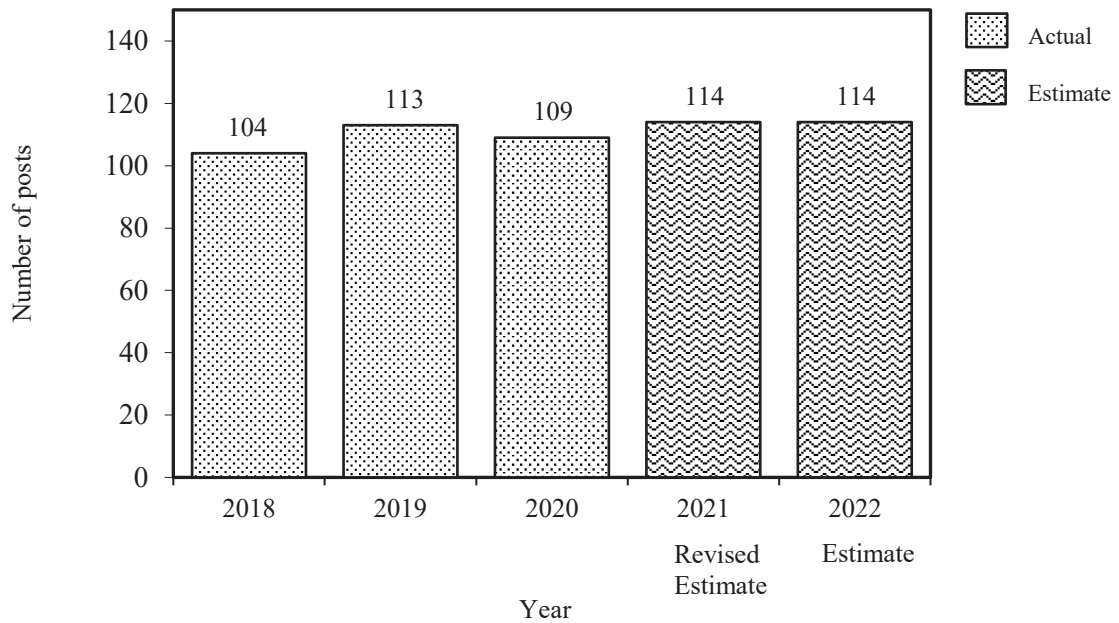


Staff by programme (as at 31 March 2022)



(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 2019–20	Approved estimate 2020–21	Revised estimate 2020–21	Estimate 2021–22	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	212,657	274,338	235,750	255,635
	Total, Recurrent.....	<u>212,657</u>	<u>274,338</u>	<u>235,750</u>	<u>255,635</u>
Non-Recurrent					
700	General non-recurrent	537,258	891,077	1,277,851	2,034,337
	Total, Non-Recurrent.....	<u>537,258</u>	<u>891,077</u>	<u>1,277,851</u>	<u>2,034,337</u>
	Total, Operating Account	749,915	1,165,415	1,513,601	2,289,972
	Total Expenditure	<u><u>749,915</u></u>	<u><u>1,165,415</u></u>	<u><u>1,513,601</u></u>	<u><u>2,289,972</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2021–22 for the salaries and expenses of the Financial Services Branch is \$2,289,972,000. This represents an increase of \$776,371,000 over the revised estimate for 2020–21 and \$1,540,057,000 over the actual expenditure in 2019–20.

Operating Account

Recurrent

2 Provision of \$255,635,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch.

3 The establishment as at 31 March 2021 will be 114 posts including three supernumerary posts. No change in establishment is expected in 2021–22. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2021–22, but the notional annual mid-point salary value of all such posts must not exceed \$74,359,000.

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

	2019–20 (Actual) (\$'000)	2020–21 (Original) (\$'000)	2020–21 (Revised) (\$'000)	2021–22 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	95,904	107,603	98,000	107,500
- Allowances	4,546	5,400	5,400	6,000
- Job-related allowances.....	—	2	1	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	155	141	184	193
- Civil Service Provident Fund contribution	6,598	7,998	7,396	8,104
Departmental Expenses				
- Hire of services and professional fees	16,568	57,000	22,000	26,000
- General departmental expenses	58,886	64,194	70,969	75,836
Subventions				
- Financial Services Development Council ..	30,000	32,000	31,800	32,000
	212,657	274,338	235,750	255,635

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2020	Revised estimated expenditure for 2020–21	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	801	Consultancy study for establishing a Risk-based Capital Regime.....	10,000	—	—	10,000
	802	Funding for promoting and facilitating the development of the financial services sector#.....	1,020,000#	155,935	174,339	689,726
	807	Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes^.....	4,939,276^	—	795,842	4,143,434
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector.....	100,000	70,588	7,670	21,742
		Total	6,069,276	226,523	977,851	4,864,902

The original commitment for the item, as approved in 2018–19, was \$500 million. An increase in the commitment is sought in the context of the Appropriation Bill 2021.

^ The commitment for the item, as approved in 2019–20 and 2020–21, was \$3,903,630,000. An increase in the commitment is sought in the context of the Appropriation Bill 2021.