

Responsibilities of the Financial Secretary and the Secretary for Financial Services and the Treasury

Articles 106 to 113 of the Basic Law of the Hong Kong Special Administrative Region (HKSAR) set out, among other things, the responsibilities of the Government for the public finance and monetary and financial affairs. This document aims to delineate the responsibilities of the Financial Secretary (FS) and the Secretary for Financial Services and the Treasury (SFST) in these areas. FS and SFST are accountable to the Chief Executive in discharging these responsibilities.

2. In this connection, FS shall be responsible for the following areas-

- (a) the monetary system;
- (b) the Exchange Fund;
- (c) the public finance;
- (d) the financial system; and
- (e) the status of Hong Kong as an international financial centre.

3. As regards the first two of these, FS shall be responsible for determining the monetary policy objective and the structure of the monetary system of Hong Kong, and shall exercise control over the Exchange Fund as provided for in the Exchange Fund Ordinance (Cap. 66). As also provided for in that Ordinance, FS has appointed the Monetary Authority (MA) to assist him in the performance of his functions under the Ordinance. For the purpose of clarity and transparency, FS will further define the relationship between him and MA in discharging his responsibilities in these two and other relevant areas.

4. As regards the public finance, the financial system and Hong Kong's status as an international financial centre, FS shall be responsible for determining the policy objectives at a macro level. SFST shall be responsible for formulating specific policies to achieve such objectives and for overseeing their implementation through the regulatory authorities and other organisations as appropriate.

5. SFST is thus the Principal Official who has primary responsibility for ensuring the effective discharge of our responsibilities in the three areas set out in paragraph 4 above. In performing this function, he shall liaise and consult with other relevant parties within and outside the Government. As the custodian of policies in these areas, SFST is expected to bring to FS's attention any matters which come to his attention and which necessitate any action on FS's part pursuant to statutory powers vested in FS or otherwise. In exercising such powers, FS would seek the advice of SFST as he deems appropriate.

6. SFST has a specific responsibility for the efficient functioning of our financial system. Where this requires regulation, the regulatory authorities shall exercise their powers and discharge their functions independently in accordance with the respective statutes. SFST is expected to safeguard that independence. Where the law requires them to consult, or seek approval from, FS, SFST is expected, if requested by FS, to advise him.

7. SFST shall, in accordance with traditional practice, after seeking FS's policy guidance as appropriate and approval by the Chief Executive in Council, be responsible for introducing legislative proposals into the Legislative Council in respect of all five areas referred to in paragraph 2, with the exception set out in paragraph 8 below.

8. FS shall have responsibility for the preparation of the Government's budget, assisted by SFST, his staff and such other officials as FS deems appropriate. This responsibility will include the introduction of the Appropriation Bill into the Legislative Council. Thereafter, the day-to-day management of the public finance shall be the responsibility of SFST.

9. Under the Interpretation and General Clauses Ordinance (Cap.1), the term "Financial Secretary" means both FS and SFST, unless there is a contrary intention in the relevant legislation. In the interests of transparency and for the avoidance of doubts, there is a need to set out the

circumstances where SFST may exercise statutory powers vested in FS by virtue of this particular provision. In this regard, the Government's intention is that only those statutory powers and functions relating to the public finance, including those provided under the Public Finance Ordinance (Cap.2) and the Financial Secretary Incorporation Ordinance (Cap. 1015), may be exercised and performed by SFST. This is essentially the same as the position before 1 July 2002, when such powers and functions were exercised and performed by the former Secretary for the Treasury. This will enable SFST, inter alia, to give administrative directions and instructions for the control and management of the public finance and to make changes to the approved estimates of expenditure, subject to such conditions, exceptions and limitations as may be specified by the legislature.

10. In the other areas for which SFST has primary responsibility, notwithstanding the broad definition of FS which includes SFST in Cap. 1, FS should reserve to himself all powers and functions, which have not been specifically delegated. However, as mentioned above, he would look to SFST for advice as he deems appropriate in exercising such powers or performing such functions.

Chief Executive

27 June 2003