

Press release

LCQ7: Investment of public organisations

Wednesday, April 16, 2008

Following is a question by the Dr Hon Joseph Lee and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 16):

Question :

It has recently been reported that the Hospital Authority (HA) used part of its funding from the Government for short-term investment, but as HA is bound by the investment guidelines which were issued by the Financial Services and the Treasury Bureau many years ago, it cannot invest in any non-Hong Kong dollar assets and stocks, its investment opportunities have therefore been limited, and the use of public funds has also been affected. In this connection, will the Government inform this Council:

- (a) which other public organisations besides HA are also bound by the investment guidelines issued by the Financial Services and the Treasury Bureau;
- (b) whether it knows, in the past three years, the means of investment of the public organisations referred to in (a) and the returns of their investments; and
- (c) whether the authorities will revise the above investment guidelines; if not, of the reasons for that?

Reply :

Madam President,

The Financial Services and the Treasury Bureau did not issue any investment guidelines for the Hospital Authority (HA). Under the Hospital Authority Ordinance (Cap. 113), HA may invest money that is not immediately required. Such forms of investment shall be approved by the Secretary for Food and Health (SFH) after his consultation with the Secretary for Financial Services and the Treasury (SFST). In considering HA's proposals, the SFH will strike a balance between enhancing investment returns and reducing investment risks. The current investment guidelines for HA enable HA to invest in a prudent and cost-effective manner through different fixed-income instruments, including certificates of deposit and bonds. HA has also been given the flexibility to invest in equities and HA would explore the best arrangement to make such an investment. As regards the three questions raised, the reply is as follows:

(a) The statutory bodies that require the SFST's approval of their investment strategies mainly include the Hong Kong Housing Authority, Employees Retraining Board and Pneumoconiosis Compensation Fund Board.

(b) The major investment instruments used by these bodies include bank deposits, bonds or equities. The rates of return on their investment for the past three years are set out at Annex.

(c) The above bodies or their finance or investment committees conduct regular reviews of their investment returns and strategies. They will submit proposals to SFST for consideration if there is a need to revise their investment strategies.

Ends