

**Exchange Fund Abridged Balance Sheet  
as at 31 December 2013  
(Expressed in millions of Hong Kong dollars)**

	Notes	31 December 2013	30 November 2013
<b>ASSETS</b>			
Foreign currency assets	1	2,802,147	2,767,839
Hong Kong dollar assets	2	<u>227,870</u>	<u>182,194</u>
<b>Total Assets</b>		<u><u>3,030,017</u></u>	<u><u>2,950,033</u></u>
<b>LIABILITIES AND FUND EQUITY</b>			
Certificates of Indebtedness	3, 7	327,372	317,059
Government-issued currency notes and coins in circulation	3, 5, 7	10,575	10,478
Balance of the banking system	3	164,093	163,866
Exchange Fund Bills and Notes issued	3, 6	782,605	750,781
Placements by banks and other financial institutions		50,734	50,558
Placements by Fiscal Reserves		773,862	724,087
Placements by HKSAR government funds and statutory bodies		214,911	206,376
Other liabilities	4	<u>68,533</u>	<u>84,379</u>
<b>Total Liabilities</b>		<u>2,392,685</u>	<u>2,307,584</u>
<b>Accumulated Surplus</b>		<u>637,332</u>	<u>642,449</u>
<b>Total Liabilities and Fund Equity</b>		<u><u>3,030,017</u></u>	<u><u>2,950,033</u></u>

## Notes:

1. These include US dollar assets for backing the Monetary Base, which amounted to HK\$1,348,904 million at the end of December 2013 and HK\$1,340,281 million at the end of November 2013.
2. These include lending collateralised by Exchange Fund paper under the Discount Window, which amounted to HK\$199 million at the end of December 2013 (nil at the end of November 2013).
3. A component of the Monetary Base.
4. These include interest payable on Exchange Fund paper and accounts payable under Currency Board operations.
5. Commencing September 2002, ten dollar currency notes issued by the Government are included in this item.
6. In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation, Exchange Fund Bills and Notes held as assets of the Exchange Fund are applied to offset the corresponding liabilities. Exchange Fund Bills and Notes thus extinguished amounted to HK\$1,999 million at the end of December 2013 (HK\$1,999 million at the end of November 2013). As a result, the amount of Exchange Fund Bills and Notes in the Abridged Balance Sheet is smaller by this amount compared with that in the Currency Board Account.
7. In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation, Certificates of Indebtedness and Government-issued currency notes and coins in circulation are stated at cost, which are the Hong Kong dollars equivalent of the US dollars required for their redemption at the exchange rate ruling at the balance sheet date. As a result, the figures for the Certificates of Indebtedness and Government-issued currency notes and coins in circulation in the Abridged Balance Sheet are different from those shown in the Currency Board Account, which represent the Hong Kong dollar face value.

**Exchange Fund  
Currency Board Account  
as at 31 December 2013  
(Expressed in millions of Hong Kong dollars)**

	Notes	31 December 2013 (Market Value)	30 November 2013 (Market Value)
<b>MONETARY BASE</b>			
Certificates of Indebtedness		329,325	318,995
Government-issued currency notes and coins in circulation		10,638	10,542
Balance of the banking system		164,093	163,866
Exchange Fund Bills and Notes issued	3,4	784,604	752,780
Interest payable on Exchange Fund Notes		177	430
Net accounts (receivable)/payable	3,5,7	(32,968)	(1,137)
<b>Total</b>	1,3	<b>1,255,869</b>	<b>1,245,476</b> (a)
<b>BACKING ASSETS</b>			
Investment in designated US dollar assets		1,372,915	1,343,919
Interest receivable on designated US dollar assets		1,177	987
Net accounts receivable/(payable)	6	(25,188)	(4,625)
<b>Total</b>	2	<b>1,348,904</b>	<b>1,340,281</b> (b)
<b>BACKING RATIO</b> [ (b) / (a) ] * 100%	8	<b>107.41%</b>	<b>107.61%</b>

## Notes :

1. Movements in the Monetary Base during the period were as follows:

	<u>HK\$ million</u>
Balance brought forward	1,245,476
Increase/(decrease) in Certificates of Indebtedness	10,330
Increase/(decrease) in Government-issued currency notes and coins in circulation	96
Net issue/(net redemption) of Exchange Fund Bills and Notes	32,222
(Increase)/decrease in Exchange Fund Bills and Notes issued but not yet settled	(31,959)
Accrued interest on Exchange Fund Notes	98
Settlement of accrued interest on Exchange Fund Notes	(351)
Amortised discount/(premium) on Exchange Fund Bills and Notes	88
Revaluation losses/(gains) relating to Exchange Fund Bills and Notes	(486)
Settlement of accrued interest income/(expenses) on interest rate swaps	59
Net interest expense/(income) on interest rate swaps	(35)
Revaluation losses/(gains) relating to interest rate swaps	303
Increase/(decrease) in balance of the banking system other than due to Discount Window Operations	28
Balance carried forward	<u>1,255,869</u>

## 2. Movements in the Backing Assets during the period were as follows:

	<u>HK\$ million</u>
Balance brought forward	1,340,281
Increase/(decrease) on issue/(redemption) of Certificates of Indebtedness	10,330
Increase/(decrease) on issue/(redemption) of Government-issued currency notes and coins in circulation	96
Interest from investments	490
Revaluation gains/(losses) relating to investments	(2,293)
Balance carried forward	<u><u>1,348,904</u></u>

## 3. Discount Window Operations:

- (i) Discount Window Operations involve Hong Kong dollar overnight advances made to banks by way of crediting their accounts maintained with the HKMA (which is part of the balance of the banking system) on discounting Exchange Fund Bills and Notes. In accordance with generally accepted accounting practice, the Exchange Fund Bills and Notes discounted with the HKMA are not accounted for as reductions in the liabilities of the HKMA but are regarded as securities held against the advances so made.
- (ii) For the purpose of this Account, the advances to banks secured on Exchange Fund Bills and Notes amounting to HK\$199 million at 31 December 2013 (nil at 30 November 2013) are shown as deductions in arriving at the Monetary Base.

## 4. Interest payments on Exchange Fund Bills and Notes:

- (i) Starting from 1 April 1999, interest payments on Exchange Fund Bills and Notes have been allowed to increase the amount of outstanding Exchange Fund paper.
- (ii) During December 2013, the nominal value of Exchange Fund Bills and Notes increased from HK\$751.60 billion to HK\$783.91 billion (HK\$751.15 billion if Exchange Fund Bills and Notes issued but not yet settled were excluded). Exchange Fund Bills and Notes issued include Exchange Fund Bills and Notes held as assets of the Exchange Fund.

5. In accordance with the accounting policies adopted by the Exchange Fund, Exchange Fund Bills and Notes issued on tender date but not yet settled are included in "Exchange Fund Bills and Notes issued". For the purpose of this Account, the corresponding accounts receivable amounting to HK\$32,750 million at 31 December 2013 (HK\$791 million at 30 November 2013) are shown as deduction in arriving at the Monetary Base.

6. This represents the net amount of receivable and payable for unsettled transactions of investments and issuance/redemption of Certificates of Indebtedness.

7. Starting from June 2001, Hong Kong dollar interest rate swaps have been used as a means to manage the cost of issuing Exchange Fund Notes. For the purpose of this Account, interest payable/(receivable) and revaluation losses/(gains) on these interest rate swaps are shown as a component of the Monetary Base and are included in "Net accounts (receivable)/payable". At 31 December 2013, there were interest receivable and revaluation losses amounting to HK\$31 million (HK\$55 million at 30 November 2013) and HK\$12 million (a gain of HK\$291 million at 30 November 2013) respectively.

8. It should be noted that the whole of the Exchange Fund assets, not just the Backing Assets, are available for the purpose of defending the linked exchange rate.