

A cross-section of the trunk of the Chinese red pine, *Pinus massoniana*, one of the most common trees in southern China and the only native pine in Hong Kong. The tree can grow to 25 metres, and has been widely used for afforestation.

PROFESSIONAL AND CORPORATE SERVICES

The in-house services provided by the Corporate Services Department, Office of the General Council, and Internal Audit Division provide professional and administrative support to the HKMA in carrying out its policy objectives.

THE HKMA IN THE COMMUNITY

The HKMA saw a considerable increase in its contacts with the general public in 2004. Enquiries to the HKMA and visits to the HKMA website increased by around 25%. The new HKMA Information Centre, which opened in late 2003, received more than 48,000 visitors in 2004. During the summer, HKMA staff and student ambassadors reached around 93,000 members of the public and retailers through seminars and district visits arranged to explain security features on the new Hong Kong banknotes.

The HKMA has a well-established policy of transparency and accessibility, which is realised through a number of channels:

- extensive contacts with the media
- regular and special publications
- a comprehensive and interactive bilingual website

- the HKMA Information Centre
- regular education programmes for students and community groups
- frequent meetings with legislators
- a public enquiry service staffed nine hours a day.

These services are co-ordinated by the Corporate Development Division within the Corporate Services Department. The Division is responsible for providing media, publications and public relations services to the HKMA. It also provides translation and drafting services, and support to the Exchange Fund Advisory Committee and its Sub-Committees.

Media relations

One of the most important channels of communication between the HKMA and the community is the extensive local and international media in Hong Kong. The HKMA maintains close contacts with reporters and editors, handling a daily average of 40 press enquiries.



Student ambassadors explain to retailers the security features of new banknotes.



Six press conferences were held in 2004 and 283 press releases were issued during the year. Special educational briefings were also arranged for reporters and editors on the new Commercial Credit Reference Agency and on the workings of Hong Kong's Currency Board system.

The HKMA continued to be as open and responsive as possible with the media, in accordance with its policy on transparency. Among the measures to increase disclosure in 2004 was the inclusion of statistics on renminbi deposits in Hong Kong in the monthly press releases on monetary statistics, following the launch of renminbi banking business in Hong Kong in early 2004. Transparency in the residential mortgage survey results was improved by including data on fixed-rate mortgages in the monthly press releases.

 > Information Centre > Press Releases

Publications

The HKMA produces a variety of publications to provide information and statistics, and to promote greater understanding of the work of the HKMA.

The *HKMA Annual Report 2003*, published together with its summary report and an interactive website version, won the gold award in the Hong Kong Management Association's Best Annual Reports Award. The Report was commended for its clear and informative presentation and voluntary disclosure of information on corporate governance.



Selected HKMA publications published in 2004.

The *HKMA Quarterly Bulletin* and on-line *Monthly Statistical Bulletin* continued to be a regular source of information on monetary, banking and economic issues. The June and December issues of the *Quarterly Bulletin* include the HKMA's *Half-Yearly Monetary and Financial Stability Report*. This Report analyses in detail recent external and domestic influences on Hong Kong's monetary and financial systems.

During 2004 the HKMA also published information leaflets on Hong Kong's payment systems and on the security features for the new banknotes.

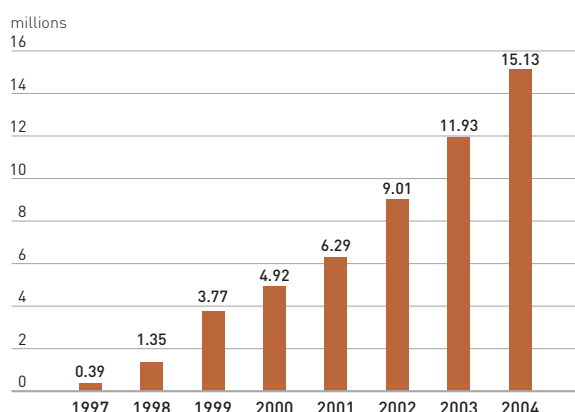
 > Information Centre > Publications

The HKMA on-line

The HKMA website www.hkma.gov.hk is a comprehensive source of news and information on the HKMA conveniently accessible to people throughout the world twenty-four hours a day. All of the main HKMA publications are posted on the website, together with a great deal of additional information. In 2004 website page views exceeded 15 million (Chart 1), a 27% increase over 2003. Around 2,300 subscribers now receive the latest HKMA news through a daily e-mail news service. Sections of the website that were launched or expanded during the year included those on the HKMA Information Centre, new Hong Kong banknotes, the Commercial Credit Reference Agency, and Basel II.

 > What's New > HKMA News Update E-mail Service

CHART 1 Page views of the HKMA website



Public education programme

The HKMA Information Centre, located on the 55/F of Two International Finance Centre, provides the focus for the HKMA's extensive public education programme. The Centre consists of an exhibition area and a library, and is open to the public six days a week.

Using interactive presentations and video montages as well as the more traditional panels and material exhibits, the exhibition area of the Centre presents a survey of the history of money and banking in Hong Kong and the key policy objectives of the HKMA. Topical panels and showcases in the exhibition area were revised and expanded in 2004 to provide information on the new Hong Kong banknotes, renminbi banking business in Hong Kong, and deposit protection.

The library, situated just beyond the exhibition area, contains materials for detailed study of Hong Kong's monetary, banking and financial affairs and of central banking topics elsewhere in the world.

The main elements of the collections are around 22,000 books and journals on monetary, banking, economics, finance and related subjects. The library also houses an electronic register of authorized institutions in Hong Kong, maintained under section 20 of the Banking Ordinance.

Daily guided tours of the Information Centre are organised for visitors and groups. During the year, 48,400 people visited the Centre, either as individual visitors or in guided tours, a total of 476 of which were arranged.

The HKMA continued to organise public education seminars on its work. In 2004, eleven seminars were organised for more than 4,000 students, teachers and members of the public. The Linked Exchange Rate system and the new banknotes were the main themes for the seminars. Since the launch of the education programme in 1998, more than 28,000 students, teachers and members of the public have participated in these seminars.

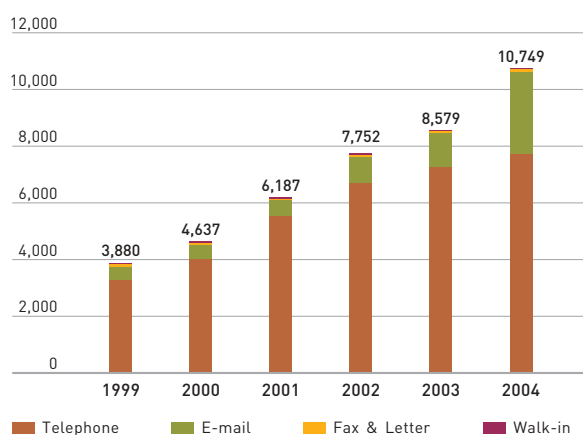
 www.hkma.gov.hk > HKMA Information Centre

Visitors learn about monetary history and security features on new banknotes during guided tours at the HKMA Information Centre.



Seminars to introduce to the general public the design and security features of the new banknotes.



CHART 2 Total number of public enquiries

Public enquiries service

The number of enquiries from members of the public to the HKMA reached a record high in 2004. The HKMA received a total of 10,749 public enquiries during the year (Chart 2). These enquiries, which were received mainly by telephone, mostly consisted of requests for statistical information or information on consumer banking, monetary and other HKMA-related issues from researchers, industry professionals, students and the general public. They also included complaints and suggestions. The HKMA is committed to delivering a speedy and informed response to all enquirers.

The number of enquiries in 2004 increased by 25% over the previous year, and the number of enquiries by e-mail more than doubled. One reason for the increase in enquiries was the readiness of members of the public to report suspected fraudulent bank e-mails and websites. In many cases this helped the HKMA, the police and the banks affected to take speedy action to warn the general public. Over 1,500 enquiries and reports on suspected fraudulent bank e-mails and websites were received by the HKMA during the year.

 [Contact us](#)

HUMAN RESOURCES

The Human Resources Division provides the human resources support to facilitate the HKMA in meeting its policy objectives and day-to-day operations.

Organisational changes

A new Market Systems Policy Division was established, initially under the Monetary Management and Infrastructure Department, in February 2004 with responsibility for policy and activities relating to the designation and oversight of clearing and settlement systems either in Hong Kong or involving Hong Kong dollar-denominated transactions. With the creation of the new division, the Market Systems Division in the Department was renamed Market Systems Development Division.

The three banking departments were reorganised in November 2004, following the completion of an internal review, which analysed the major trends to be faced by the banking industry over the coming years and their impact on the work focus. The reorganisation involved adjustments in the responsibilities of different teams. In particular, each of the five divisions in the Banking Supervision Department will in future focus on specific aspects of supervisory work.

Two transfers of responsibilities took place between departments towards December 2004:

- the Monetary Management and Infrastructure Department took over from the Banking Development Department the currency operations of the Support Services Division; and
- the Market Systems Policy Division, which was established under the Monetary Management and Infrastructure Department in February 2004, was transferred to the Banking Development Department.

 [About the HKMA](#) > [The HKMA](#) > [Organisation Chart](#)

Staffing

The post of Deputy Chief Executive (Development), which had been vacant since January 2003 was filled by Mr Peter Pang in July 2004, and the responsibilities for monetary management, financial infrastructure and research, which had been temporarily undertaken by the Deputy Chief Executive (Monetary), were transferred back to the schedule of Deputy Chief Executive (Development).

The overall establishment of the HKMA for 2004 remained at 604, despite the expansion in scope and increase in complexity of various activities undertaken by the HKMA. The human resources required for the new activities were met by internal redeployment or regrading of posts.

Table 1 shows a breakdown of the establishment and strength in various departments at the end of 2004.

Remuneration of senior executives

The remuneration packages of the senior executives in 2004 are shown in Table 2.

TABLE 1 Establishment and strength of the HKMA

Department	Functions	2004			
		Senior staff		Others	
		Establishment	Strength	Establishment	Strength
Chief Executive's and Deputy Chief Executives' Offices	Top management of the HKMA.	4	4	6	6
Banking Development	To formulate policies for the development of the banking industry, and to facilitate settlement for transactions executed by the HKMA for the Exchange Fund.	1	1	65	65
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	38	38
Banking Supervision	To supervise day-to-day operations of authorized institutions.	1	1	155	137
Office of the General Counsel	To provide in-house legal support and advice.	1	1	15	15
External	To help develop and promote Hong Kong as an international financial centre and to foster regional monetary co-operation through active participation in the international central banking and financial community.	1	1	47	46
Monetary Management & Infrastructure	To maintain currency stability through monitoring of market operations and development issues and developing financial market infrastructure, and to ensure adequate supply of banknotes and coins.	1	1	38	38
Research	To conduct research and analysis on economic and international financial market development, both in Hong Kong and in other economies.	1	1	31	30
Reserves Management	To manage reserves to achieve investment returns in line with established guidelines and to enhance the quality of return by diversifying into different investment markets and asset types.	1	1	46	44
Corporate Services	To provide support services in the form of administrative, finance, HR, IT, and secretariat services, and to handle media and community relations.	2*	1	142	136
Internal Audit	To provide audit services through assisting the management in controlling risks, monitoring compliance, and improving the efficiency of internal control systems and procedures.	0	0	7	7
Total		14	13	590	562

* Senior staff" refers to staff at the Executive Director level and above.

* Inclusive of a frozen Executive Director post

TABLE 2 Remuneration packages of HKMA senior executives in 2004

\$'000	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
Number of staff	1	3	10
Fixed pay	6,493	4,102	2,832
Variable pay	1,918	822	394
Other benefits	488	488	204

Note:
Other benefits include provident funds, gratuity, medical and life insurance and annual leave accrued during the year. The provision of these benefits varies among senior staff depending on individual terms of service.

Training and development

The HKMA continued to arrange training programmes to meet organisational and career development needs. During the year, HKMA staff were provided with a total of 3,208 training days. These included 1,311 days of horizontal training in general skills common to staff of the same rank, and 1,897 days of vertical training in job-specific skills and knowledge. Each staff member received on average 5.57 days of training.

Horizontal training covered regular in-house programmes on personal effectiveness, languages and communications, leadership and computer applications to improve the core competencies of staff at different levels. Others included a crisis management workshop and team building workshops. A central banking course was conducted in July for new appointees.

For vertical training, staff attended a range of courses offered by other central banks, multilateral organisations and other institutions to deepen their skills and knowledge and broaden their international exposure. In-house programmes were also arranged for banking staff: apart from programmes on general supervisory issues conducted in-house, guest speakers from relevant industries were enlisted to speak on specialised areas. Experts from the Federal

Reserve System also conducted workshops at the HKMA to help banking supervisors improve their skills in conducting meetings with authorized institutions.

FINANCE AND ADMINISTRATION

The Finance and Administration Division aims at achieving an efficient allocation of resources within the HKMA. The administrative expenditure in 2004 and the budgeted expenditure for 2005 are shown in Table 3.

TABLE 3 Administrative expenditure (2004 and 2005 budgeted)

\$ mn	2004 Budget*	2004 Actual	2005 Budget*
Staff costs	474		490
– Salaries and other staff costs		421	
– Retirement benefit costs		25	
Premises and equipment expenses			
– Operating lease charges	11	10	5
– Other premises expenses (including utility charges and management fees)	37	33	31
General operating costs			
– Maintenance of office and computer equipment	31	30	27
– Financial information and communication services (including trading, dealing terminals and data link charges)	28	27	30
– External relations (including international meetings)	14	13	15
– Professional and other services (including service fees for operating the interbank payment system)	39	35	26
– Training	5	4	5
– Others	15	10	14
TOTAL	654	608	643

* Includes supplementary budget and relevant provisions in project budgets for the year.

In 2004 the Division continued to streamline the workflow, and implemented electronic receipt and electronic inventory systems to improve operational efficiency.

TABLE 4 A more environmentally friendly office

Item	Unit	2003 usage	2004 usage	Percentage change 2003 to 2004
Paper cup	No.	42,000	36,000	-14.3%
Christmas card	No.	2,600	0	-
Electricity consumption at Main Office in Central	kWh	2,305,140	2,131,016	-7.6%
Chilled water consumption at Main Office in Central	kWh	1,444,940	925,460	-36.0%

Since the introduction of the HKMA's Environmental Policy in late 2001, a number of green-office measures have been implemented and colleagues' awareness of environmental issues has increased. More energy-efficient lighting and air-conditioning in the new offices, and the decision to dispense with printed Christmas cards helped save resources in 2004 (Table 4).

The HKMA continued to support and encourage recycling in 2004, through such measures as collecting waste paper for recycling and donating computer equipment to charitable organisations.

Regular campaigns were held to collect unwanted clothes, toys and other reusable items from colleagues for donation to people in need.

During the year, the HKMA participated in various community events and fund-raising activities. These included several charity races, such as the Hong Kong Marathon and the Green Power Hike in February, and the Run-up Two IFC in November 2004. Fifty-eight colleagues took part in the Hong Kong Red Cross blood donation day in August. Staff also participated in other fund-raising activities such as Community Chest's Skip Lunch Day, Green Day and Dress Casual Day.

In May the HKMA Volunteer Team visited pupils in Liannan, a mountain district in Guangdong province inhabited by the minority Yao people. Various activities were held to appeal for donations, in cash and in kind, to help students in Liannan to continue their education. The HKMA Volunteers also organised an outing for clients of a sheltered workshop and hostel in May 2004.

The HKMA bought suitable office supplies from a workshop staffed by people with physical disabilities. The electronic Christmas card of the HKMA was designed by a charitable organisation for the visually impaired.



An HKMA Corporate Team participates in the Run-up Two IFC Charity Race.



An HKMA Volunteer Team visits the school children in Liannan, a hilly area in Guangdong.

INFORMATION TECHNOLOGY

The Information Technology Division provides reliable and efficient IT services to all business units in the HKMA. During 2004 the Division continued its efforts to strengthen the HKMA's IT systems and infrastructure.

Business continuity plan

After the relocation of the HKMA office to Two International Finance Centre, a full review of the business continuity plan (BCP) was initiated in February, taking into account lessons learnt from various incidents, including the events of 11 September 2001 and the SARS (severe acute respiratory syndrome) epidemic in 2003. The review was carried out at both the divisional and organisation level, examining all of the critical business impacts of different BCP scenarios, IT system recovery and administrative support. The review also scrutinised the decision-making process, activation procedures, seating arrangements, and return-to-normal procedures. Following revisions to the updated BCP procedures, a drill was held successfully on 20 November 2004.

OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel (OGC) advises the HKMA on the legal aspects of all of the HKMA's activities. The OGC's lawyers are involved at an early stage in the planning and implementation of the HKMA's projects, initiatives and operations.

In addition to its general operational workload, the OGC was involved in a number of projects in 2004, including the implementation of the Clearing and Settlement Systems Ordinance and the Deposit Protection Scheme Ordinance, the preparation of the Banking (Amendment) Bill 2005 to implement

the revised Basel II capital accord in Hong Kong, the launching of the Asian Bond Fund 2, and the admission of the Hong Kong dollar into the Continuous Linked Settlement System. The OGC also advised on a number of other projects, including a review of the penal provisions of the Banking Ordinance, the conduct of personal renminbi business in Hong Kong and several bank mergers and bank restructurings. The OGC continued to advise on the supervision of securities business conducted by authorized institutions under the Banking Ordinance and the Securities and Futures Ordinance.

During the year, lawyers of the OGC participated in meetings and conferences for central bankers and their legal advisors to keep abreast of topical developments in important international financial centres. These conferences covered issues such as money laundering, electronic financial infrastructure and central bank governance. OGC lawyers also took part in a series of teleconferences with their counterparts from central banks and international legal think-tanks to clarify and resolve topics of current concern. Presentations were made by lawyers of the OGC at professional seminars and universities (both local and overseas) on subjects ranging from corporate governance issues for banks, banking supervision, anti-money laundering measures and prevention of terrorist financing.

INTERNAL AUDIT

The Internal Audit Division was established in 1995 to assist management in controlling risks, monitoring compliance and improving the efficiency and effectiveness of control systems and procedures within the HKMA. The role, mission and authority of the Division are defined in the Internal Audit Charter granted by the Chief Executive of the HKMA. The Charter is available at the HKMA website.

Audit work performed in 2004

Reporting directly to the Chief Executive of the HKMA and the EFAC Audit Sub-Committee, the Division continued to operate independently throughout the year. The internal audit assignments carried out by the Division covered the HKMA's key functions, which included monetary operations, reserves management, settlement operations, finance and administration, and the security arrangements of various IT systems. In addition, the Division advised on IT system development projects and performed ad hoc reviews at the request of senior management. Working jointly with a professional accounting firm, the Division also conducted a value-for-money audit to assess the economy, efficiency and effectiveness of the use of resources within the organisation. The results of the audits conducted in 2004 were satisfactory. Recommendations for improvement put forward by the Division were well received and implemented by auditees.

With the input from line management, the Division completed the organisation-wide implementation of Risk Assessment Methodology in early 2004. This exercise systematically identified and assessed the risks and corresponding controls in the operations of individual business units. The results of the risk assessments enabled management to ensure that resource allocation and controls in operations are commensurate with the underlying risks. The Internal Audit Division was also able to map the risk profiles of individual business units against the audit requirements to ensure that all the significant risks will be adequately and systematically covered by its audit work.

The Internal Audit Division attaches great importance to keeping abreast of the developments in the internal auditing profession and of the practices adopted by other central banks. During the year, the Division staff attended various international conferences on internal audit of central banks and monetary authorities, and met with the internal auditors of other regulatory authorities and financial institutions to exchange views and share experience on risk management and internal audit approaches. Training courses and seminars on risk management, audit techniques, management and language skills were arranged for the professional staff of the Division to facilitate the performance of audits and career development.



> About the HKMA > Internal Audit