



# PROFESSIONAL AND CORPORATE SERVICES

The Corporate Services Department, Office of the General Counsel, 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 continued its policy of engaging the community in 2005. The HKMA Information Centre has received more than 110,000 visitors since its opening in late 2003. Visits to the HKMA website exceeded 21 million in 2005, a 40% increase from 2004.

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

- extensive contacts with the media
- regular and special publications
- a comprehensive bilingual website
- the HKMA Information Centre
- education programmes for students and community groups
- frequent meetings with legislators
- a public enquiries 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 communications 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. The HKMA maintains close contacts with reporters and editors, handling more than 40 press enquiries each day.

The HKMA tries to be as open and responsive as possible with the media, in accordance with its policy of transparency. Five press conferences were held and 263 press releases were issued in 2005. Special briefings were arranged for the financial press on the refinements to the Linked Exchange Rate system introduced in May 2005 to help reporters understand the reasons for and effects of the refinements.

## Publications

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

The *HKMA Annual Report 2004*, published together with its summary report and an interactive website version, won a Silver Award and a Citation for Achievement in Corporate Governance Disclosure in the Hong Kong Management Association's Best Annual Reports Award. The Report was commended for "its appropriate metaphorical theme design and the novel and attractive summary version." The Report also won a bronze price in the 2005 International Annual Report Competition Awards.

The HKMA publishes its *Quarterly Bulletin* and on-line *Monthly Statistical Bulletin* as useful and easily accessible sources 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*, which analyses the external and domestic influences on Hong Kong's monetary and financial systems.

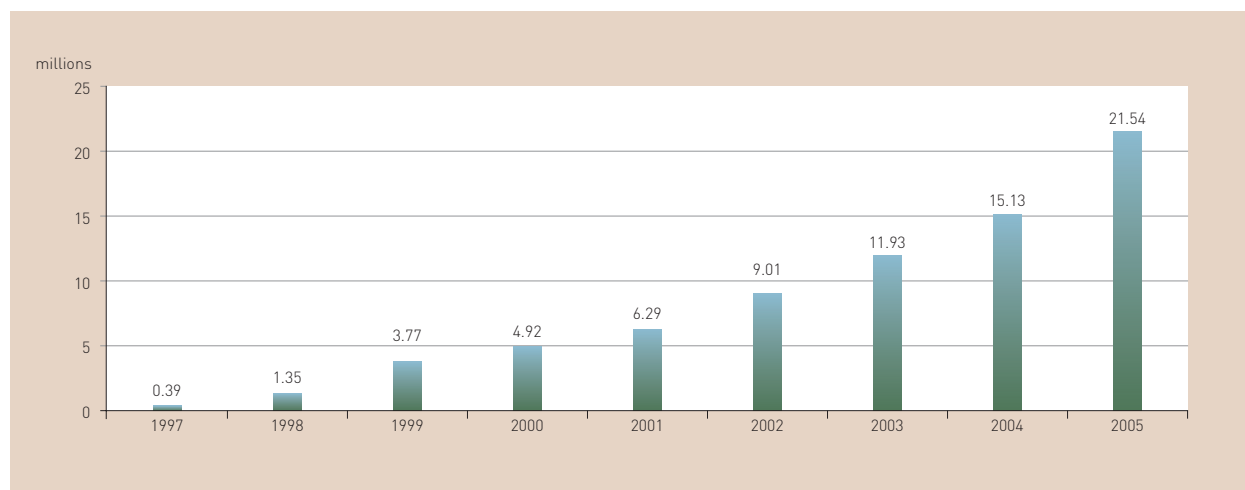
A new edition of the *HKMA Background Brief No. 1* on Hong Kong's Linked Exchange Rate System was published in November 2005, incorporating information on recent initiatives to strengthen and improve the Linked Exchange Rate system.

 > Publications

## The HKMA on-line

The HKMA website [www.hkma.gov.hk](http://www.hkma.gov.hk) is a comprehensive and accessible source of news and information on the HKMA for people throughout the world. All of the main HKMA publications, together with a great deal of other information, are posted on the website. In 2005 the website received more than 21 million page views (Chart 1), an increase of 40% from 2004. Around 3,200 subscribers now receive the latest HKMA news through a daily e-mail news service.

**Chart 1. Page views of the HKMA website**



## Public education programme

The HKMA Information Centre on the 55th floor of Two International Finance Centre plays an important role in the HKMA's 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 montage, as well as the more traditional panels and material exhibits, the exhibition area presents a survey of the history of money and banking in Hong Kong and the key policy objectives of the HKMA. New computer programmes and interactive elements were added in 2005 to provide information about Hong Kong banknotes, Internet banking security and the payment systems of Hong Kong.



*Senior citizens show great interest in the security features of banknotes.*



*The Information Centre is a popular destination for visits by local schools.*



*Mr Joseph Yam presents a souvenir to the 100,000th visitor to the Information Centre.*



*Mr Cheng Po-hung, a well-known local historian, leads a tour around the old banking and financial districts of Hong Kong.*

The Library, situated just beyond the Exhibition Area, contains a wide range of materials about Hong Kong's monetary, banking and financial affairs and central banking topics elsewhere in the world. The main elements of the collections are publications by the HKMA and other central banks and international organisations, books and journals on monetary, banking, economics, finance and related subjects, and an electronic register of authorized institutions in Hong Kong maintained under section 20 of the Banking Ordinance.

Daily guided tours are organised for visitors. During the year, 52,000 people visited the Centre and 484 guided tours were organised for schools and other groups. A milestone was passed when the Centre received its hundred thousandth visitor in December 2005. More than 110,000 people have now visited the Centre since its opening in December 2003.

The HKMA organises regular public education seminars to explain its work. In 2005, 11 seminars were held for more than 2,000 students, teachers and members of the public. The Linked Exchange Rate system and Hong Kong's currency and banking history were the main topics of these seminars. Since the launch of the education programme in 1998, more than 30,000 students, teachers and members of the public have participated in the seminars.

 > HKMA Information Centre

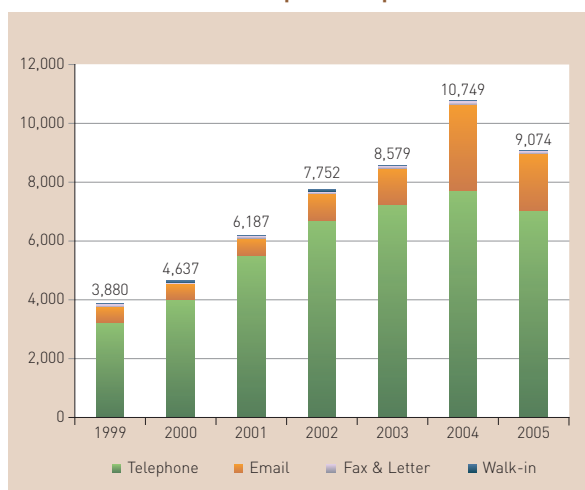


*Students ask questions during a public education seminar.*

## Public enquiries

The HKMA received about 9,000 public enquiries in 2005 (Chart 2). The reduction in enquiries from the peak in 2004 mainly reflects the marked decrease in reports about suspected fraudulent bank e-mails and websites, following measures taken in May to strengthen the security of Internet banking. Most of the enquiries were received by telephone and came from researchers, financial professionals, students and members of the public requesting statistical or other information from the HKMA on consumer banking issues, banking and monetary policies and other HKMA-related issues. They also included complaints<sup>1</sup> and suggestions. The HKMA is committed to delivering speedy and informed responses to all enquirers.

**Chart 2. Total number of public enquiries**



## HUMAN RESOURCES

The Human Resources Division provides human resources support and associated services to the HKMA.

## Organisational changes and staffing

Following the departure of Mr Norman Chan in May 2005, the responsibilities at the Deputy Chief Executive level were reorganised. Mr Y K Choi, who was appointed Deputy Chief Executive (Monetary) in June 2005, assumed responsibility for monetary management, financial infrastructure, reserves management, and strategy and risk. Mr Peter Pang, Deputy Chief Executive (Development), took over responsibility for external affairs and corporate services, while retaining responsibility for research. Mr William Ryback, Deputy Chief Executive (Banking), continued to be responsible for banking policy, development and supervision.

A frozen Executive Director post was reactivated in June 2005 to enable the HKMA to focus on broad strategic planning and risk management in an increasingly complex and unpredictable financial environment. The position helps the HKMA to examine more deeply the impact on its policies and operations of such processes as the globalisation and liberalisation of financial markets and technological change, and to develop strategic responses.

The staffing requirements arising from new or expanded activities in 2005 were met by internal redeployment or re-grading of posts. The overall establishment of the HKMA for the year remained at 604. Table 1 gives a breakdown of the establishment and strength of the HKMA at the end of 2005. In January 2006, 10 new posts were added to the HKMA establishment, representing an overall increase of 1.7%, to cater for areas of new or increased workload including prevention of money laundering, securities supervision and financial links with the Mainland.

 > [Careers @ HKMA](#)

<sup>1</sup> The number of complaints about banking business received by the HKMA can be found in the Banking Stability chapter.

**Table 1. Establishment and strength of the HKMA**

Department	Functions	2005			
		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	63	63
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	41	41
Banking Supervision	To supervise day-to-day operations of authorized institutions.	1	1	153	141
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	43
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	39	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	47	46
Strategy & Risk	To examine and develop strategic responses to the impact on the HKMA's policies and operations of such processes as the globalisation and liberalisation of financial markets and technological change.	1	1	1	1
Corporate Services	To provide support services in the form of administrative, finance, HR, IT, and secretariat services, and to handle media and community relations.	1	1	140	133
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
<b>Total</b>		<b>14</b>	<b>14</b>	<b>590</b>	<b>564</b>

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

## Remuneration of senior executives

The remuneration packages of the senior executives in 2005 are shown in Table 2.

## Training and development

The HKMA places great emphasis on developing staff capabilities to meet operational needs and new challenges. During 2005, HKMA staff were provided with about 2,500 training days. These included more than 800 days of general training in skills common to staff of the same rank, and 1,600 days of job-specific training. Each staff member received on average 4.19 days of training in 2005.

**Table 2. Remuneration packages of HKMA senior executives in 2005**

\$'000	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
Number of staff	1	4	13
Fixed pay	6,724	3,981	2,728
Variable pay	2,550	1,380	522
Other benefits	701	477	203

Notes:

- (1) Except for annual leave accrued, the actual remuneration received by staff not serving a full year is annualised for the purpose of calculating the average annual package for the rank.
- (2) The number of staff in this table at the Deputy Chief Executive (DCE) and Executive Director (ED) ranks reflects staff movements during the year and includes, among the EDs, the Chief Executive Officer of the Hong Kong Mortgage Corporation. The established number of posts at the DCE level is three and at the ED level eleven (including the CEO of the Hong Kong Mortgage Corporation): please see the organisation chart on page 29 for details.
- (3) Other benefits include provident funds or gratuity as the case may be, 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.

For general training, two senior staff participated in a national studies programme run by the National School of Administration of the State Council in Beijing for senior government officials of Hong Kong. Another senior staff member attended a residential programme on leadership and strategic management delivered in Hong Kong by a renowned university in the US. Four other staff members attended central banking courses offered by other central banks. In addition to these training opportunities, the HKMA provided training to staff at different levels to improve their management, language and communication skills. A central banking course was also arranged for new staff to provide them with basic central banking knowledge.

For job-specific training, the HKMA continued to arrange for staff from different departments to attend programmes offered by other central banks, multilateral organisations and other institutions. Regular briefings and workshops were arranged for front-line bank supervisors to keep abreast of the latest developments in their field. Topics covered included Basel II, the Deposit Protection Scheme, the control of money laundering, the composite interest rate and specialised banking business. During the year, a three-week induction course was arranged for the new Assistant Managers in the banking departments.

## FINANCE AND ADMINISTRATION

The Finance and Administration Division aims at achieving an efficient allocation of resources within the HKMA. The administrative expenditure in 2005 and the budgeted expenditure for 2006 are shown in Table 3. In 2005 the Division continued to streamline and integrate its work to improve operational efficiency. The electronic procurement system was upgraded and an interactive voice responding system for handling external telephone calls was developed.

**Table 3 Administrative expenditure (2005 and 2006 budgeted)**

\$ million	2005 Budget*	2005 Actual	2006 Budget*
Staff costs	492		523
– Salaries and other staff costs		449	
– Retirement benefit costs		25	
Premises and equipment expenses			
– Operating lease charges	5	4	4
– Other premises expenses (including utility charges and management fees)	31	31	32
General operating costs			
– Maintenance of office and computer equipment	27	27	29
– Financial information and communication services (including trading, dealing terminals and data link charges)	30	28	31
– External relations (including international meetings)	16	12	18
– Professional and other services (including service fees for operating the interbank payment system)	29	23	45
– Training	5	4	4
– Others	15	13	15
<b>TOTAL</b>	<b>650</b>	<b>616</b>	<b>701</b>
* Includes supplementary budget and relevant provisions in project budgets for the year.			

The HKMA back-up site was remodelled during 2005 to meet the requirements of a revised and expanded business continuity plan. A two-week drill was carried out with satisfactory results. Corporate plans were also drawn up to prepare for a possible outbreak of novel influenza.

The HKMA issued an Environmental Policy in 2001 to increase colleagues' awareness of and support for environmental protection. Since then, a number of green-office measures have been implemented and the results have been encouraging. In 2005 requests for additional air-conditioning decreased by 65%, and the number of paper hand towels used was reduced by 25%. Since 2004 the HKMA has been using only electronic greeting cards.





*The HKMA Corporate Team finish fourth in the MTR Hong Kong Race Walking 2005.*



*Students of the Chak Yan Centre visit the HKMA Information Centre on 21 May 2005.*



*HKMA volunteers organise games for the Chak Yan Centre students.*

The HKMA continued to support recycling. Waste paper and used printer cartridges were collected for recycling. Old chairs were donated to charitable organisations. Regular campaigns were held to collect unwanted clothes, toys and other reusable items from staff for donation to charities.

During 2005, the HKMA participated in various community events and fund-raising activities. In February an HKMA team participated in the Hong Kong Marathon and the Green Power Hike. In the MTR Hong Kong Race Walking held on 3 April, the HKMA Team came fourth among 39 participating corporations. Forty-one staff took part in the Hong Kong Red Cross blood donation day in May. Staff also participated in various other fund-raising activities such as the Community Chest's Skip Lunch Day, Green Day and Dress Casual Day.

Members of the HKMA Volunteer Team gave more than 110 hours of their free time to voluntary service during 2005. They arranged for the students of the Chak Yan Centre to visit the HKMA in May, assisted the Airport Authority to conduct an emergency drill in June, and helped to organise activities, with environment-protection themes, to raise donations for the pupils in Liannan, one of the mountainous areas of Guangdong, inhabited by the minority Yao people.

## INFORMATION TECHNOLOGY

The HKMA back-up computer centre was expanded and remodelled in April 2005 to meet operational needs in the next three to five years. In July 2005, the Exchange Fund Advisory Committee (EFAC) endorsed a comprehensive IT upgrade programme covering PCs, printers, the file-and-print system, the e-mail and workflow system, IT security systems, the SWIFT system (a financial industry-owned



co-operative messaging and interface software), and banking supervision applications. The programme is expected to be completed in 2007. To prepare for the implementation of Basel II, a feasibility study of the processing of new banking returns was carried out and a project plan developed in 2005. System enhancement work commenced in early 2006. In 2005, the Submission Through Electronic Transmission (STET) system was upgraded to improve the efficiency of electronic statutory submissions by the authorized institutions. A secure e-mail communication channel within the STET network for day-to-day communication between the HKMA and authorized institutions has been established. This channel will gradually replace the existing Internet connection. The CMU Bond Price Bulletin, which disseminates the indicative bid/offer prices of fixed-income instruments provided by a number of banks, was developed in 2005 and launched in January 2006.

## 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 2005, including the preparation of the Rules to be issued under the Banking (Amendment) Ordinance 2005 and the Deposit Protection Scheme Ordinance, for the implementation of the Basel II capital accord in Hong Kong and the specification of asset maintenance requirements for the Scheme's member banks respectively, the launch of Asian Bond Fund 2, and the implementation of the Clearing and Settlement Systems Ordinance. The OGC also advised on a number of other projects, including the establishment of the Treasury Markets Association, the expansion of the scope of renminbi banking business conducted in Hong Kong, and several bank mergers and bank restructurings.

During the year, lawyers of the OGC participated in meetings and conferences for central bankers and their legal advisers to keep abreast of topical developments in important international financial centres. These conferences covered issues such as money laundering, electronic financial infrastructure, banking supervision 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, payment and settlement systems, anti-money laundering measures and prevention of terrorist financing.

## INTERNAL AUDIT

The Internal Audit Division was established in 1995 to assist management in accomplishing organisational objectives by independently reviewing and evaluating the effectiveness of risk management, control and governance processes, and advising on opportunities for improvement. 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 on the HKMA website. The Division reports directly to the Chief Executive of the HKMA and the EFAC Audit Sub-Committee.

### Audit work performed in 2005

The Division continued to operate independently and effectively throughout the year. Co-ordinated by the Division, line management of all business divisions carried out the annual update of their risk assessments to identify and assess risks and corresponding controls in their operations. Based on the risk profiles of individual business units, the Division prepared an audit plan in which all the significant risks were adequately and systematically covered. The Division also analysed

the results of the assessments to facilitate review by senior management and the Risk Committee.

In 2005 internal audit assignments carried out by the Division covered monetary operations, reserves management, settlement operations, security arrangements of critical IT system and other important corporate services. In addition, the Division advised on IT system development projects and performed ad hoc reviews at the request of senior management. The results of the audits conducted in 2005 were satisfactory. Recommendations for improvement put forward by the Division were well received and implemented by auditees.

The Division attaches great importance to keeping abreast of the developments of the internal auditing standard and the practices adopted by other central banks. During the year, Division staff attended an international conference of the heads of internal audit of central banks and monetary authorities organised by the Bank for International Settlements. They also met with the internal auditors of other central banks and financial institutions to exchange views and share experience in 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.

 > Internal Audit

## RISK MANAGEMENT

One of the most important tasks of the HKMA is to manage risks to the monetary and banking systems. Risk management is undertaken both at a working level in the day-to-day operations of the HKMA and at a higher level through strategic planning. Reflecting developments in risk management practices in the financial sector, a number of improvements to corporate risk management in the HKMA were introduced in 2005.

An internal, high-level Risk Committee was established in early 2005. The Committee is chaired by the Chief Executive and the three Deputy Chief Executives serve as members. The functions of the Risk Committee are to

- identify potential risks and threats to the organisation and the monetary and financial systems more broadly, and devise strategies to reduce the impact of these risks and threats
- review the existing systems for managing risks across different departments to identify possible gaps and significant risks, and ensure the adequacy of measures to address them
- harmonise the criteria and methods of risk measurement and prioritise the resource management of risks identified
- encourage a stronger risk management culture which promotes the proper levels of authorisation and controls.

The Risk Committee provides direction and assistance for senior management in managing risk in the HKMA's operations. It meets regularly to review the risk assessments made by different business units and the adequacy of related controls, as well as to identify potential or emerging risks and devise strategies to mitigate them. In 2005, the Committee examined a number of major risks including the potential disruption to business continuity of critical facilities in the monetary and banking sectors in the event of disturbances associated with the World Trade Organization Ministerial Conference in Hong Kong and the potential threat to banking and monetary stability in the event of an outbreak of avian influenza.