



Professional and Corporate Services

The Corporate Services Department, Office of the General Counsel and Internal Audit Division provide professional, administrative and technical support to the HKMA in carrying out its policy objectives.

THE HKMA IN THE COMMUNITY

The HKMA emphasises transparency and accessibility in its operations. Its work in this area is co-ordinated by the Corporate Development Division within the Corporate Services Department. The Division is responsible for providing media, publications, public communications and administrative services to the HKMA. It also provides translation and drafting services, and support to the Exchange Fund Advisory Committee (EFAC) and its Sub-Committees.

Media relations

The HKMA continues to maintain close ties with the media. In 2007, 13 stand-up media interviews were held and 64 media interviews were given by the HKMA. Senior staff of the HKMA met four overseas media delegations to discuss monetary and financial developments in Hong Kong. During the year the HKMA issued 287 press releases and handled an average of 42 press enquiries each day. A media briefing was organised in March 2007 to provide financial reporters with more information about the new investment-income sharing arrangement between the Exchange Fund and the fiscal reserves.



Chief Executive Joseph Yam at a stand-up interview.

Publications

The *HKMA Annual Report*, *Quarterly Bulletin* and *Monthly Statistical Bulletin* are the major sources of information on monetary, banking and economic issues in Hong Kong. The June and December issues of the *Quarterly Bulletin* include the HKMA's *Half-Yearly Monetary and Financial Stability Report*. The HKMA has published five background briefs introducing the HKMA and its work on maintaining monetary and banking stability. The latest one, published in 2007, explains how Hong Kong's official reserves are managed.

The *HKMA Annual Report 2006* 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 also won three prizes in the 2007 International Annual Report Competition Awards organised by the International Academy of Communications Arts and Sciences, Inc.

The HKMA website

The HKMA website www.hkma.gov.hk provides comprehensive and accessible news and information about the HKMA. All the main HKMA publications, together with a great deal of other information, are available on the website. More than 4,400 subscribers now receive the latest HKMA news through a daily e-mail news service. In 2007 the research publications of the HKMA were re-organised to make access by readers easier.

Public education programme

The HKMA Information Centre on the 55th floor of Two International Finance Centre plays an important role in 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.

The Centre presents a survey of the history of money and banking in Hong Kong and the key policy objectives of the HKMA, and provides information on Hong Kong banknotes, Internet banking security and the payment systems of Hong Kong. Daily guided tours are organised for visitors. During 2007 the Centre received over 48,000 visitors and more than 500 guided tours were organised for schools and other groups. Over 200,000 people have now visited the Centre since it opened in December 2003.

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. It also houses an electronic register of authorized institutions in Hong Kong, maintained under Section 20 of the Banking Ordinance.

In 2007, four public seminars on the Linked Exchange Rate system were organised for more than 3,000 students, teachers and members of the public. Since the launch of the education programme in 1998, more than 36,000 people have participated in the seminars. The HKMA sponsored an RTHK radio quiz programme on finance and economics in November and December, attracting more than 2,000 participants.

 [HKMA Information Centre](#)



Education seminar on the Linked Exchange Rate system.

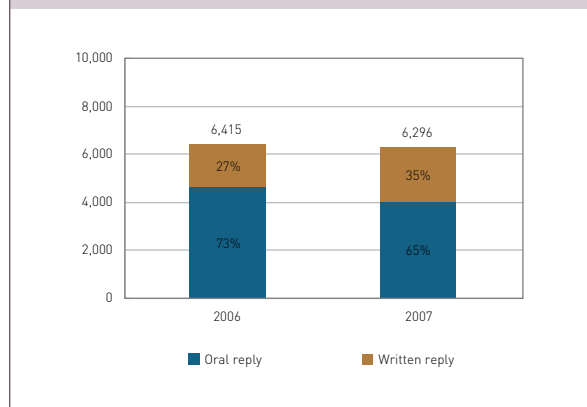


Chief Executive Joseph Yam presents prizes to Mr Raymond Yu Wing-cheung, overall winner of the radio quiz.

Public enquiries

The Public Enquiry Service (PES) of the HKMA received nearly 6,300 enquiries in 2007. The interactive voice response system used by the PES and the HKMA website provide basic information on the work of the HKMA. Over one-third of the public enquiries were related to banking issues. Other major topics included Hong Kong's monetary policy, the Exchange Fund, the issue of notes and coins and market infrastructure. Most of the written enquires came from law firms, researchers, academics and students in finance subjects, and overseas banks and regulators. The percentage of written enquires increased to 35% in 2007 from 27% in 2006 (Chart 1).

Chart 1. Total number of public enquiries



General administration

The HKMA continued to streamline its administrative work to improve cost-effectiveness. Contingency plans were kept under review and a number of drills were held, including a table-top exercise on handling an outbreak of influenza.

The HKMA has implemented an Environmental Policy since 2001 with the aim of conserving resources and promoting an environmentally friendly working environment. In 2007 consumption of paper declined by 16%, and recycled paper constituted 41% of the total used, up from 13% in 2006. Electricity consumption in the HKMA's offices decreased by 6.5% during the year.¹

The HKMA supports and encourages recycling. Regular charity campaigns are held to collect unwanted clothes, toys and other re-usable items from staff. Waste paper and used printer cartridges are collected for recycling. Obsolete computers and peripheral equipment are donated to charities for re-use. In recognition of the HKMA's commitment, the Hong Kong Council of Social Service presented "The Most Donation Campaign" award to the HKMA in June 2007.

During 2007 teams from the HKMA participated in a number of charity events, such as the Shenzhen Western Corridor Walk for Millions and the Raleigh Wilson Trail Challenge, in which the HKMA Team came first in the corporate category. Forty-seven staff participated in a blood donation drive organised by the Hong Kong Red Cross in May. Other charity events included the Dress Special Day and the Skip Lunch Day organised by the Community Chest.



HKMA staff participate in the Shenzhen Western Corridor Walk for Millions.

¹ Excluding the data centres, which house crucial IT facilities.

The HKMA Volunteer Team gave more than 300 hours of their free time in 2007 to voluntary services, participating in a fun day organised by the Chak Yan Centre, organising an outing with the senior citizens of the Ho Kwok Pui Chun Social Centre, and visiting the Tung Wah Group of Hospitals Fong Shu Chuen Day Care Centre. The HKMA procured office supplies from a workshop operated by people with disabilities. In recognition of the HKMA's commitment to corporate citizenship, the Hong Kong Council of Social Service awarded the Caring Organisation Logo to the HKMA.



HKMA volunteers and students of the Chak Yan Centre in a fun day.



HKMA volunteers visit the TWGHs Fong Shu Chuen Day Care Centre.

HUMAN RESOURCES

The HKMA is a compact organisation demanding specialised and high-quality skills from its staff. It needs to recruit, develop and maintain a professional and highly qualified workforce to carry out its policy objectives and respond flexibly to changing work priorities. The HKMA is an integral part of the Government but is empowered under the Exchange Fund Ordinance to employ staff on terms different from those of the civil service in order to attract personnel of the right experience and expertise. As a public organisation, the HKMA aims to maintain a lean and flexible structure and to redeploy staff resources to meet new and increased workload whenever possible.

Staffing in 2007

The establishment of the HKMA at the end of 2007 was 622. The quantity and complexity of the work carried out by the HKMA has continued to increase as a result of new and expanded responsibilities arising from an increasingly challenging financial environment requiring new approaches to supervision, investment and financial intermediation.

The HKMA regularly reviews the deployment of staff to achieve greater efficiency. Whenever possible, new demands are met by existing resources before creation of new posts is considered. For example, staff were redeployed to prepare for the implementation of Basel II. Additional workload generated from new projects, such as the Asian Bond Fund programme, was shouldered by existing staff in addition to existing work. Specialist banking supervisory teams were set up mainly through restructuring of existing teams to cope with the work arising from the increasingly complex and innovative financial environment.

同心展關懷

caringorganisation²⁰⁰⁶⁻⁰⁸

Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

The HKMA second staff to other organisations such as the International Monetary Fund to help co-ordinate activities or policy initiatives in which Hong Kong has an interest. A number of staff are redeployed on a full-time or part-time basis to provide operational support to the Hong Kong Deposit Protection Board and the Treasury Markets Association.

Sixteen new posts were added to the establishment in January 2008, an increase of 2.6%, to ensure that the HKMA has sufficient staff resources to carry out its policy objectives in the following main areas:

- maintenance of Hong Kong's status as an international financial centre through the implementation of the Action Agenda proposed by the Focus Group on Financial Services under the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong"
- specialised supervision of banking activities and risk areas
- more complex investment approaches for the Exchange Fund
- a greater focus on risk management, requiring additional surveillance, research, and business continuity planning
- increased participation in international forums and provision of technical assistance to other organisations.

 > Careers@HKMA

Organisational and senior staff changes in 2007

With the implementation of Basel II on 1 January 2007, the Internal Ratings-based Validation Team was redeployed from the Banking Policy Department to the Banking Supervision Department in September. The number of divisions in the Banking Policy Department decreased from four to three through streamlining.

In early 2008, as a result of the reorganisation of the Monetary Management and Infrastructure Department and the Strategy and Risk Department, two new departments were formed: the Financial Infrastructure Department (FID) and the Monetary Management Department (MMD). The FID comprises two divisions, the Financial Infrastructure Development Division (the former Market Systems Development Division) and the new Payment Systems Operation Division; while the MMD includes the Monetary Operations Division and the Support Services Division. The reorganisation helped the HKMA focus on the implementation of infrastructural projects key to maintaining Hong Kong as an international financial centre.

The former Deputy Chief Executive (Monetary), Mr Y K Choi, took up the post of Deputy Chief Executive (Banking) on 1 September 2007, responsible for the full range of banking policy, development and supervision work, when the position was vacated following the departure of Mr William Ryback at the end of August 2007. Mr Eddie Yue was promoted to Deputy Chief Executive (Monetary) to replace Mr Choi, overseeing the work on monetary management, financial infrastructure, reserves management, and strategy and risk. The Executive Director post vacated by Mr Yue was temporarily taken over by Mr Edmond Lau in addition to his own duties. Table 1 gives a breakdown of the establishment and strength of the HKMA.

Professional and Corporate Services

Department	Functions	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	66	61
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	40	39
Banking Supervision	To supervise day-to-day operations of authorized institutions.	1	1	156	151
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	51	44
Monetary Management & Infrastructure	To maintain currency stability through monitoring of market operations and development issues and developing financial market infrastructure.	1	1	40	35
Research	To conduct research and analysis on economic and international financial market development, both in Hong Kong and in other economies.	1	1	35	31
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	54	50
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, and to ensure adequate supply of banknotes and coins.	1	0	11	9
Office of the General Counsel	To provide in-house legal support and advice.	1	1	15	15
Corporate Services	To provide support services in the form of administrative, finance, human resources, IT, and secretariat services, and to handle media and community relations.	1	1	142	141
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	8	8
Total		14	13	624	590

Remuneration policies and pay review mechanism

The Financial Secretary determines the pay and conditions of service for HKMA staff on the advice of EFAC and its Governance Sub-Committee (GSC) having regard to prevailing market rates and practices. The HKMA remuneration package is a total cash package with minimal benefits in kind and a Provident Fund Scheme. The HKMA pay package consists of two elements: Fixed Pay, which is payable monthly, and Variable Pay, which may be awarded to individual staff members as a lump sum once a year depending on performance.

Pay for HKMA staff is reviewed annually by the Financial Secretary on the advice of EFAC and the GSC, taking into account the findings of independent consultants on pay trends and pay levels in the financial sector, the GSC's assessment of the performance of the HKMA, and other factors considered appropriate. The performance of individual staff members is taken into account in distributing any approved overall pay awards.

Remuneration of senior staff

The remuneration packages of the senior staff in 2007 are shown in Table 2.

Table 2. Remuneration packages of HKMA senior staff in 2007			
	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
\$'000			
Number of staff	1	4	11
Fixed pay	7,181	4,537	3,021
Variable pay	2,741	1,387	639
Other benefits	415	509	318
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 movement during the year and includes, among the EDs, the Chief Executive Officer (CEO) of the Hong Kong Mortgage Corporation. The established number of posts at the DCE level is three and the ED level is eleven (including the CEO of the Hong Kong Mortgage Corporation): please see the organisation chart on page 33 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.			

Training and development

The HKMA accords priority to staff training and development because it believes a motivated and professional team is the organisation's most valuable asset. In 2007, 2,667 training days were provided, including 960 days of training in general skills and 1,707 days of training in job-specific skills. Each staff member received an average of 4.46 days of training during the year.

Two central banking courses were arranged, one for new staff and one for non-managerial staff. A tailor-made three-week induction course was provided for the new assistant managers in the banking departments. Regular briefings and workshops on various banking topics were conducted by in-house experts for staff in the banking departments.

With the assistance of external consultants and institutions, the HKMA organised a number of training courses for staff on general skills, including management, language, presentation and communication. HKMA staff also participated in training courses organised by the Government, other central banks, multilateral organisations and other institutions. Three senior staff participated in advanced management workshops, and two attended advanced national studies programmes in Beijing designed for senior government officials of Hong Kong.

The HKMA plans to increase training in specialised areas and on complex financial products. We also intend to develop more systematic training plans to cater for the needs of individual ranks.

As part of the staff development programme, and to facilitate communication between management and staff, the senior staff conducted regular briefings and discussion sessions with staff on topical issues and subjects related to the work of the HKMA. A number of informal gatherings were also organised during the year.

FINANCE

The Finance Division aims to achieve an efficient allocation of resources within the HKMA and to adhere to the HKMA's policy of transparency in financial reporting.

The HKMA's administration budget is prepared annually to ensure that sufficient resources are available for carrying out its functions. Budgeting takes into account both the continuing operations of the HKMA and its strategic development set out in a three-year plan approved by the Financial Secretary on the advice of EFAC. During the process, departments are required to assess their needs for the coming year and to consider where savings in staffing and expenditure can be achieved. This requires departments to critically assess each year the value of existing services and the cost-effectiveness of different methods of delivering them. The Finance Division scrutinises all budget requests and discusses with individual departments before submitting a consolidated

draft budget for scrutiny by the senior management.

The GSC of EFAC then deliberates on the budget and recommends any changes it believes are necessary, before putting it through EFAC to the Financial Secretary for his approval.

After the budget is approved, all expenditure under it is subject to procurement rules and guidelines and stringent financial controls. Compliance with these guidelines and procedures is subject to internal audit and is reviewed by independent auditors during the Exchange Fund annual audit.

The administrative expenditure in 2007 and the budgeted expenditure for 2008 are shown in Table 3. The difference between the 2007 and 2008 budgets arises mainly from an increase in staff costs, reflecting full-year effects of staff increases and pay adjustments in 2007, the 2008 pay adjustment, and the increase of 16 posts approved for 2008 by the Financial Secretary on the advice of EFAC.

\$ million	2007 Budget*	2007 Actual	2008 Budget*
Staff costs	572		638
Salaries and other staff costs		528	
Retirement benefit costs		30	
Premises expenses			
Operating lease charges	4	4	5
Other premises expenses (including utility charges and management fees)	32	31	34
General operating costs			
Maintenance of office and computer equipment	33	31	33
Financial information and communication services (including trading, dealing terminals and data link charges)	32	28	34
External relations (including international meetings)	21	15	25
Professional and other services	20	15	17
Training	4	4	6
Others	5	4	5
Total HKMA administrative expenditure	723	690	797

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

Table 4. Additional expenses (2007 and 2008 budgeted)

\$ million	2007 Budget*	2007 Actual	2008 Budget*
Subsidy to the Hong Kong Institute for Monetary Research	13	13	16
Premises expenses of international financial organisations in Hong Kong	20	19	26
Service fees for financial infrastructure	48	29	46

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

Expenditure has also increased in relation to the continuing programme to upgrade Hong Kong's financial infrastructure, including the migration of the Real Time Gross Settlement systems and the Central Moneymarkets Unit (CMU) from the existing proprietary platform to SWIFTNet. Spending on financial infrastructure is not related to the HKMA's own operations, but to providing and expanding payment and other systems to enable markets to function efficiently. Expenses related to premises for international organisations in Hong Kong also increased owing to the full-year effect of the expansion of these international organisations during 2007, reflecting and supporting Hong Kong's status as an international financial centre. These expenses are shown in Table 4. The HKMA also provides operational support to the Hong Kong Deposit Protection Board in the areas of investment, accounting and settlement on a cost-recovery basis endorsed by the Financial Secretary. The reimbursement received from the Board is included in the "other income" of the Exchange Fund.

In addition to investment income from managing the Exchange Fund, the HKMA earns revenue mainly through licence fees paid by AIs, rental payments from tenants in Two International Finance Centre, and custodian and transaction fees from users of the CMU. In 2007 the HKMA also received reimbursement of \$12.9 million from the Hong Kong Deposit Protection Board for providing operational support to the Board according to Section 6 of the Deposit Protection Scheme Ordinance. In 2008 licence fees are estimated at \$132 million (2007: \$132 million) and the other income components (excluding investment income) at \$74 million (2007: \$58 million).

The HKMA adopts best practices in financial disclosure as far as these are consistent with central banking operations. These standards include the reporting requirements laid down by the International Monetary Fund's Special Data Dissemination Standard. In the absence of specific reporting requirements applicable to central banking institutions, the HKMA adopts the disclosure requirements applicable to commercial entities as far as possible in order to achieve a high level of transparency. Working with the auditors and other accounting professionals, the Finance Division prepares and presents the group accounts in accordance with the Hong Kong Financial Reporting Standards in as far as these are applicable to central banking operations. In this regard, the *HKMA Annual Report* compares favourably with those of other central banking institutions and monetary authorities. It contains detailed disclosure and thorough analyses of a wide range of expense items and budgetary information. Detailed information relating to the investment management of the Exchange Fund can be found in the Reserves Management chapter, while information on the expenditure relating to investment management is shown in the Notes to the Financial Statements.

INFORMATION TECHNOLOGY

In 2007 the IT division continued the preparatory work for upgrading the Lotus Notes email system and the SWIFTNet migration project. The Division helped conduct tests and rehearsals on the payout system of the Deposit Protection Scheme to ensure its readiness, and upgraded the information system used by the Banking Supervision Department in anticipation of new banking returns to be launched following the implementation of Basel II.

In November, an annual organisation-wide drill on the business continuity plan was conducted to ensure the continuous provision of reliable and efficient IT services in an emergency. All IT services were found to meet the targets set by the business units.

SETTLEMENT SERVICES

The Settlement Section supports the reserves management, monetary operations and other activities of the HKMA requiring transfers of funds or assets of the Exchange Fund, and is also responsible for ensuring that the settlement standards adopted by the HKMA are in line with the best market practice. It also provides professional advice to other departments of the HKMA on projects that have implications for settlement functions.

The Settlement Section reports to one of the Division Heads and the Executive Director of the Banking Development Department. Since the Banking Department is separated from the monetary operations of the HKMA, this arrangement achieves a segregation of duties and helps avoid potential conflicts of interest.

OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel is responsible for providing legal advice to the HKMA with regard to all aspects of its work. There are nine lawyers in the Office, providing a full range of legal services to different departments. They participate in meetings and conferences for central bankers and the banking industry, concerning such issues as prevention of money laundering, risk management and crisis management. They also take part in video conferences with their counterparts in other central banks to discuss topics of legal concern.

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 at the HKMA website. The Division reports directly to the Chief Executive of the HKMA and the Audit Sub-Committee of EFAC.

The Division continued to operate independently and effectively in 2007. Co-ordinated by the Division, line management of all business units updated their risk assessment reports, which 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 covering all the significant risks. The Division also analysed the results of the assessments to facilitate review by the Risk Committee.

Internal audit assignments carried out by the Division covered reserves management, monetary operations, monitoring and supervision of the clearing systems, operations of the CMU, finance and settlement, security and backup arrangements of critical IT systems and business continuity planning. The Division advised on IT systems development projects and performed special reviews at the request of senior management. The Division also reviewed the operations of the Hong Kong Deposit Protection Board and Hong Kong Note Printing Limited. Results of the audits conducted in 2007 were satisfactory. Recommendations for improvement put forward by the Division were accepted and implemented by management.

The Division attaches great importance to keeping abreast of the development of the internal auditing standards in the industry and the practices adopted by other central banks. In 2007 the Division sent staff to attend an international conference organised for heads of internal audit of central banks and monetary authorities by the Bank for International Settlements. Meetings were held with the internal auditors of other central banks from time to time to exchange views and share experience in risk management and internal auditing issues. Training courses and seminars on risk management, audit techniques, management and language skills were arranged for staff of the Division.

 > 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.

The Chief Executive chairs a high-level Risk Committee established 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 Committee meets regularly to review the risk assessments made by the business units and the adequacy of controls, and to identify potential or emerging risks and devise mitigating strategies. One of the areas on which the Committee focused in 2007 was contingency planning for unauthorised smelting of legal tender coins in the event of any substantial surge in the metal value of the coins. The Committee also reviewed and strengthened the back-up-site policy of the HKMA.