

# Corporate Functions

The HKMA maintained effective communications with the community through the media, public education programme and various other channels to facilitate the public's understanding of its policies and operations. During the year, resources were reviewed and strategically deployed to enhance various work-flows to support new initiatives. HKMA staff continued to show enthusiastic support for charity events and took advantage of various training opportunities to enhance their professional skills and knowledge.

## CORPORATE DEVELOPMENT

### Media relations

The HKMA maintains effective and timely communications with the media to enhance transparency and promote public understanding about its policies and work. In 2013, 69 open press events were held, comprising 15 press conferences, 13 stand-up interviews and 41 other public functions. A further 41 media interviews were arranged. A total of 314 bilingual press releases were issued and a large number of media enquiries were handled every day.

In addition, the HKMA organised media briefings to facilitate better understanding of the HKMA's operations and initiatives on various topics, including prudential supervisory measures for mortgage lending, anti-money laundering, and counterfeit banknotes.

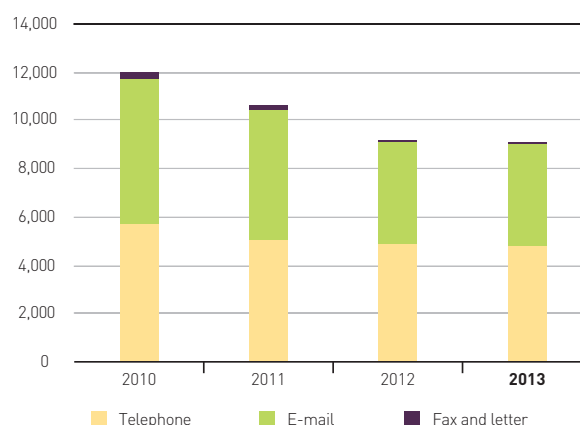
### Public enquiries

The Public Enquiry Service handled 9,034 enquiries in 2013, providing an effective channel for the general public to better understand the functions and operation of the HKMA.

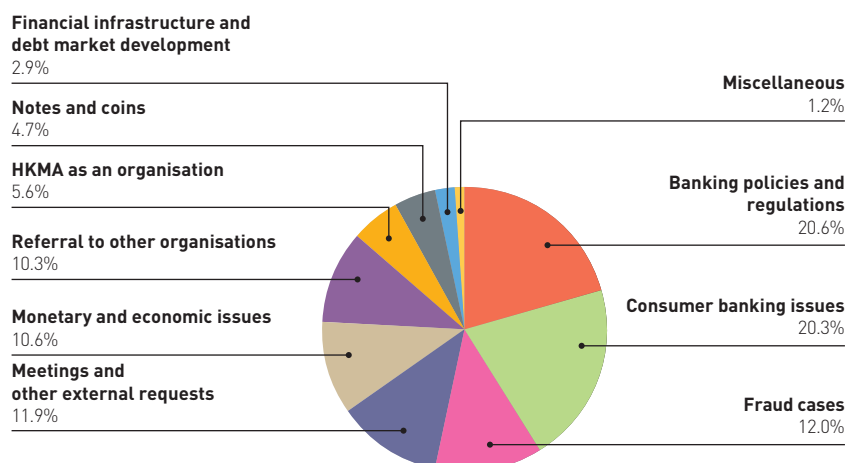
About half the enquiries received were related to banking policies and regulations, consumer banking issues, and fraud cases. Notable examples included prudential measures on residential mortgage loans, prevention of money laundering and terrorist financing, the Treat Customers Fairly Charter launched in October, and counterfeit banknotes.

Chart 1 shows the number of public enquiries received since 2010 and Chart 2 provides a breakdown by nature of the enquiries in 2013.

**Chart 1 Total number of public enquiries**



**Chart 2 Nature of enquiries received in 2013**



Note: Figures in this chart may not add up to 100% due to rounding.

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## Publications

The *HKMA Annual Report*, *Half-Yearly Monetary and Financial Stability Report*, *Quarterly Bulletin* and *Monthly Statistical Bulletin* provide key information on monetary, banking and economic issues in Hong Kong. The HKMA has also published five Background Briefs covering key work areas, such as banking supervision, financial infrastructure and reserves management.

The *HKMA Annual Report 2012* received a Bronze award in the Hong Kong Management Association's 2013 Best Annual Reports Awards.

## The HKMA website

The HKMA corporate website ([www.hkma.gov.hk](http://www.hkma.gov.hk)), with over 50,000 pages in English and Chinese, provides a convenient way for the public to access up-to-date information about the HKMA. It also contains the Register of Securities Staff of Authorized Institutions and the Register of Authorized Institutions and Local Representative Offices, both maintained under section 20 of the Banking Ordinance. In December 2013, a new feature was introduced to enable visitors to subscribe to automatic e-mail alerts of updates on the website. In December 2012, the HKMA website also implemented the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG) 2.0 Level AA standard to improve accessibility for visitors with hearing or visual disabilities.

## Public education programme

The HKMA Information Centre on the 55th Floor of Two International Finance Centre is an important resource for

introducing the work of the HKMA to the community and promoting public awareness of monetary and banking matters.

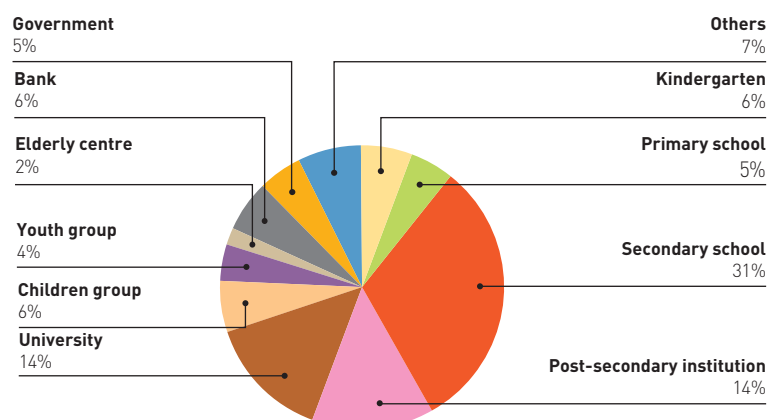
The Centre consists of the Exhibition Area and the Library, and is open to the public six days a week. The Exhibition Area introduces the work of the HKMA and the development of money and banking in Hong Kong. It also contains material and real exhibits for study of Hong Kong's monetary, banking and financial affairs.

In 2013, the Historical Timeline, featuring key milestones of Hong Kong's monetary and banking development, was revamped and updated. A new children's section was added to illustrate the evolution of money in Hong Kong which has proved popular with young visitors.

Guided tours of the Information Centre are also organised for visitors. During the year, the Centre received more than 39,000 visitors and hosted over 520 guided tours for schools and other groups (Chart 3). Over 452,000 people have visited the Information Centre since it opened in December 2003.

The Library, situated next to the Exhibition Area, contains material for the detailed study of Hong Kong's monetary, banking and financial affairs and central banking topics. It also maintains an electronic register of authorized institutions (AIs) in Hong Kong as required by section 20 of the Banking Ordinance.

**Chart 3** Types of group visits to the Information Centre





Young visitors learn about currencies in Hong Kong in a guided tour of the Information Centre.



Students and teachers participate in one of the public education seminars.

As part of its community outreach programme, the HKMA continued to organise public education seminars on topics relevant to its work. In 2013, three seminars were held for over 2,200 secondary school students and teachers. Major topics of discussion included the work of the HKMA, the Linked Exchange Rate System, banknotes in Hong Kong, and the smart use of credit cards. Since the launch of the education programme in 1998, more than 50,000 people have participated in the seminars.

## HUMAN RESOURCES

The HKMA needs to recruit, develop and maintain a highly professional workforce to support its policy objectives and respond flexibly to changing work priorities. While the HKMA is an integral part of the Government, it is able to employ staff on terms different from those of the civil service to attract personnel with 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 workloads whenever possible.

## Staffing

The establishment of the HKMA in 2013 was 818. During the year, the HKMA conducted a cross-department re-engineering exercise to improve the efficiency of the various work-flows and processes and redeploy some existing resources to support new initiatives. As a result of this rigorous exercise, the overall establishment of the HKMA in 2014 is reduced to 816 (a decrease of 0.2%). Resources were redeployed to undertake the following tasks:

- Preparing for the new regulatory regime which empowers the HKMA to regulate stored value facilities and retail payment systems under the Clearing and Settlement Systems (Amendment) Bill to be introduced into the Legislative Council
- Enhancing banking prudential supervision to focus on banks' key risk areas, including corporate sector credit risk, operational risks, capital and liquidity management. This will help provide a more robust and effective regime to meet the regulatory challenges posed by the increasingly complex operations of universal banking
- Strengthening supervisory and enforcement efforts in anti-money laundering and counter-terrorist financing, in line with the increasing global focus on banks' activities in relation to financial crime and money laundering
- Strengthening the strategic asset allocation process of the Exchange Fund by performing in-depth research and exploring alternative asset allocation models to make the process more comprehensive and accountable for the investment performance of the Exchange Fund
- Enhancing the support to further the expansion of Long-Term Growth Portfolio investment and strengthening related risk management
- Enhancing resources in banking policy development, legal advisory work and organisational risk management.

# Corporate Functions

Table 1 gives a breakdown of the establishment and strength of the HKMA.

Department	Functions	Senior staff		Others	
		Establishment	Strength	Establishment	Strength
Chief Executive's and Deputy Chief Executives' Offices	Top management of the HKMA.	4	4	7	7
Banking Conduct	To focus on payment systems oversight, licensing, deposit protection and settlement, and all supervisory and development functions relating to the business conduct of AIs.	1	1	100	96
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	29	29
Banking Supervision	To supervise day-to-day operations of AIs.	1	1	168	164
Enforcement	To focus on securities enforcement and complaint handling functions.	1	1	59	57
External	To help develop and promote Hong Kong as an international financial centre and to foster regional monetary co-operation through participation in the international central banking and financial community.	1	1	42	40
Financial Infrastructure	To develop and enhance the financial market infrastructure important for maintaining and strengthening Hong Kong as an international financial centre.	1	1	32	32
Monetary Management	To maintain financial and monetary stability through macro-financial surveillance, monitoring of market operations and development issues, and to ensure adequate supply of banknotes and coins.	1	1	41	41
Research	To conduct research and analysis on economic and international financial market developments in Hong Kong and other economies.	1	1	40	40
Reserves Management	To manage reserves to achieve investment returns in line with established guidelines and to enhance the quality of returns by diversifying into different investment markets and asset types.	1	1	56	54
Risk Management and Compliance Division	To formulate and monitor compliance with investment guidelines, and manage financial and operational risks, for promoting the integrity and the soundness of reserves management.	–	–	32	31
Office of the General Counsel	To provide in-house legal support and advice.	1	1	21	21
Corporate Services	To provide support services in the form of administrative, finance, human resources, information technology and secretariat services, and to handle media and community relations.	1	1	164	162
Internal Audit Division	To provide audit services through assisting management in controlling risks, monitoring compliance and improving the efficiency of internal control systems and procedures.	–	–	10	10
<b>Total</b>		<b>15</b>	<b>15</b>	<b>801</b>	<b>784</b>

Temporary resources will continue to be deployed to meet other work demands. The HKMA transfers staff on secondment to other international or local organisations, such as the International Monetary Fund (IMF) and the Financial Services Development Council, to assist in activities or policy initiatives in which Hong Kong or the HKMA has an interest. Some staff members are deployed on a full-time or part-time basis to provide operational support to the Hong Kong Deposit Protection Board and the Treasury Markets Association.

### Remuneration policies and pay review mechanism

The Financial Secretary (FS) determines the pay and conditions of service for HKMA staff on the advice of the Governance Sub-Committee (GSC) through the Exchange Fund Advisory Committee (EFAC) taking into account the prevailing market rates and practices. Remuneration comprises a total cash package and a Provident Fund Scheme, with minimal benefits in kind. The cash package consists of fixed pay (or basic 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 FS in the light of recommendations made to him by the GSC through EFAC, taking into account the GSC's assessment of the performance of the HKMA in the preceding year, the pay survey findings of the financial sector conducted by independent human resources consultants and any other relevant factors.

Any approved annual adjustments to the fixed pay or any variable pay awards for the HKMA are distributed to individual staff based on their performance. Investment professionals in the HKMA are subject to a variable pay system that seeks to strengthen the linkage between their investment performance and remuneration award. The pay adjustments or awards for individual staff members at the ranks of Executive Director or above are approved by the FS on the advice of the GSC. The staff members concerned are not present at the meetings when their pay is discussed. The pay adjustments or awards for individual staff members at the ranks of Division Head and below are determined by the Chief Executive of the HKMA under delegated authority from the FS and within the approved overall pay awards.

### Remuneration of senior staff

The remuneration packages of the senior staff in 2013 are shown in Table 2.

**Table 2** Remuneration packages of HKMA senior staff in 2013<sup>1</sup>

\$'000	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
Number of staff <sup>2</sup>	1	3	14
Annualised pay			
Fixed pay	6,000	5,767	3,452
Variable pay	2,596	1,731	855
Other benefits <sup>3</sup>	1,369	670	492

Notes:

- 1 Except for annual leave accrued, the actual remuneration received by staff during 2013 but 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 Executive Director rank reflects staff movements during the year. Including the Chief Executive Officer of the Hong Kong Mortgage Corporation, there are 12 posts at the Executive Director rank.
- 3 Other benefits include provident funds, 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

As in past years, the HKMA focuses on developing staff capabilities to meet operational demand, career development and new challenges. During the year, HKMA staff were provided with 3,078 training days, including 1,442 days of horizontal training in general skills and 1,636 days of vertical training in job-specific issues. Each staff member received on average 3.9 days of training.

As part of the horizontal training programme, an in-house induction course is held each year for new staff to provide an overview of central banking, and the roles and functions of the HKMA. Workshops on communications and presentation skills, time management, and stress management were also attended by staff of various departments. Other horizontal training programmes organised during the year included team-building workshops for specific departments, language courses, such as English writing skills and Putonghua, and computer skills. An advanced leadership course run by an overseas organisation, and national studies courses organised by the Hong Kong Government at Peking

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University and Tsinghua University were attended by managerial staff. Training for senior staff included executive coaching, a locally-run executive leadership programme, a national studies programme conducted by the Chinese Academy of Governance in Beijing, and a central banking seminar organised by the Federal Reserve Bank of New York.

For development of their vertical skills, in-house training on specific topics was organised for Banking departments, covering the latest developments and implementation of the Basel III liquidity standards in Hong Kong, new large exposure rules, complaint handling and investigation skills, investment funds and their latest trends. External consultants were engaged to provide training on advanced bank risk analysis, liquidity risk management and issues relating to the offshore renminbi market in Hong Kong. Staff also participated in courses on corporate credit analysis, corporate failure and protective measures, Islamic capital and money markets run by local professional bodies.

To enhance the knowledge base and professional standards of its staff, the HKMA has been running a Training Sponsorship Scheme to help staff engage in studies at degree, diploma or other professional levels. The reimbursement of membership dues of relevant professional bodies is also provided.

### GENERAL ADMINISTRATION

The HKMA continues to streamline its work to improve efficiency and cost-effectiveness to cope with the increasing workload. Business continuity plans are reviewed constantly to ensure their effectiveness in a changing business environment, and drills on evacuation and the activation of the back-up office are also held annually. The Event Management Team monitors the influenza alerts and other relevant infectious diseases to ensure necessary precautionary and contingency measures are taken in accordance with the Corporate Business Contingency Plan.

An environmental policy is in place and various measures are adopted to protect and preserve the environment. Green office measures include installing energy-saving devices, recycling, and minimising printing and the use of paper products. Green achievements in 2013 included electricity saving by 1.2%, decrease in envelope usage in the main office by 5.5% and reduction in paper

consumption by 11%. Staff also continued to participate in regular campaigns for collecting reusable items, such as clothes for donation to charities.

During the year, HKMA staff continued to show unfailing support for charity events. The HKMA Corporate Team was the Champion of the Men's category in the Raleigh Challenge - Wilson Trail "Adventurer — Night Course", and came fifth in the Hong Chi Climbathon. Staff also took part in the Blood Donation Day, the Community Chest's Green Day, Dress Casual Day and Love Teeth Day. In 2013, the HKMA Volunteer Team gave more than 290 hours of free time to serving the community. Team members participated in various volunteer activities organised by the Agency for Volunteer Service, arranged visits for students of the Chak Yan Centre and assisted in the donation of recycled computers and peripherals to the Caritas Computer Workshop. The HKMA has been accredited with the "5 Years Plus Caring Organisation Logo" by the Hong Kong Council of Social Service in recognition of its commitment to corporate citizenship.



HKMA staff members take part in the Blood Donation Day on 31 May 2013.

### FINANCE

#### Annual budget

In drawing up the annual budget, the HKMA takes into account both its continuing operations and its strategic development set out in a three-year plan approved by the FS on the advice of EFAC. 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 the value of existing services and the cost-effectiveness of delivery methods. The Finance Division scrutinises all budget requests and discusses them with individual departments before submitting a consolidated draft budget for scrutiny by 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 FS for approval.

All expenditure is subject to stringent financial controls through procurement rules and guidelines. Compliance with these guidelines is subject to internal audit and is reviewed by independent auditors during the annual audit of the Exchange Fund. Expenses are analysed and reported to senior management every month.

The administrative expenditure in 2013 and the budgeted expenditure for core activities in 2014 are shown in Table 3. The difference between the 2013 actual expenditure and the 2014 budget arises mainly from an increase in staff costs due to the full-year effect of staff increases in 2013 and increases in budgets for external relations and

professional services. The request for 2014 was approved by the FS on the advice of EFAC.

Table 4 shows other expenses that are not directly related to the HKMA's own operations. Expenses related to the provision of premises for international organisations, whose presence in Hong Kong promotes its status as an international financial centre, are expected to increase by 18% in 2014, mainly due to larger office space required by these organisations. Spending on financial infrastructure is related to providing and expanding payment and other systems to enable markets to function efficiently and securely. The HKMA also provides operational support to the Hong Kong Deposit Protection Board on a cost-recovery basis as endorsed by the FS according to section 6 of the Deposit Protection Scheme Ordinance (Cap. 581).

**Table 3** HKMA administrative expenditure

\$ million	2013 Budget*	2013 Actual	2014 Budget*
<b>Staff costs</b>	1,057		1,105
Salaries and other staff costs		910	
Retirement benefit costs		80	
<b>Premises expenses</b>			
Operating lease charges	21	21	25
Other premises expenses (including utility charges and management fees)	49	47	57
<b>General operating costs</b>			
Maintenance of office and computer equipment	74	70	71
Financial information and communication services (including trading, dealing terminals and data link charges)	58	48	53
External relations (including international meetings)	57	30	53
Professional and other services	54	28	56
Training	10	7	10
Others	24	12	16
<b>Total administrative expenditure</b>	<b>1,404</b>	<b>1,253</b>	<b>1,446</b>

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

**Table 4** Additional expenses

\$ million	2013 Budget*	2013 Actual	2014 Budget*
Subsidy to the Hong Kong Institute for Monetary Research	21	18	22
Premises expenses of international financial organisations in Hong Kong	34	34	40
Service fees for financial infrastructure	146	95	111

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



# Corporate Functions

In addition to investment income from managing the Exchange Fund, the HKMA earns revenue through licence fees paid by AIs, and custodian and transaction fees from users of the Central Moneymarkets Unit (CMU). For 2014, revenue from licence fees is estimated at \$131 million (2013: \$131 million), and the costs recovered from the Hong Kong Deposit Protection Board and the other income components (excluding investment income) are estimated to total \$80 million (2013: \$81 million).

## Financial disclosure

The HKMA adopts best practices in financial disclosure as far as they are consistent with central banking operations. These standards include the reporting requirements laid down by the Special Data Dissemination Standard of the IMF. In the absence of specific reporting requirements applying to central banking institutions, the HKMA adopts disclosure requirements applicable to commercial entities as far as possible to achieve a high level of transparency. Working with the external auditor and other accounting professionals, the Finance Division prepares and presents the group financial statements in accordance with the Hong Kong Financial Reporting Standards applicable to central banking operations. The *HKMA Annual Report* compares favourably with those of other central banking institutions and monetary authorities in terms of financial disclosure. It contains detailed disclosure and thorough analyses of a wide range of expense items and budgetary information.

## INFORMATION TECHNOLOGY

The Information Technology Division maintained 100% operational uptime in 2013 for all time-critical systems.

To meet the Banking Departments' evolving needs for IT support in discharging their responsibilities, the existing banking supervisory information system continues to be upgraded. This covers three main areas – new system infrastructure, the development of business intelligence tools and enhancement of the existing banking return electronic submission system. The new business intelligence and work-flow features will help the HKMA to oversee various supervisory issues, keep track of work targets and ensure that supervisory work will be carried out according to procedures with a clear audit trail. The project is expected to be operational in the second half of 2014.

To ensure continued reliability of the HKMA's IT systems, ageing components of the IT infrastructure were updated in batches. The Division also explored alternative office automation services, including assessing the feasibility of migrating to a Virtual Desktop Infrastructure (VDI) platform. The VDI platform will be introduced in the first half of 2014.

IT security continued to be the Division's high priority task. The IT security information and event management software provided extremely effective early security warning to prevent possible security attacks. With advances in mobile technology, the Division continued to explore and deploy new arrangements for supporting staff on the move to enhance productivity. The Division also participated in the Hong Kong Police's Cyber Security Centre activities.

## SETTLEMENT SERVICES

The Settlement Section provides settlement and operational support to ensure the sufficient and reliable transfer of funds or assets of the Exchange Fund arising from reserves management, monetary operations and other activities, as well as for the administration of the HKMA. In view of the potential settlement risks from a broad range of transactions involving different products and markets undertaken by the HKMA, the Settlement Section remains vigilant towards operational issues that may arise during the provision of settlement services. It is also dedicated to enhancing operational controls and settlement infrastructure with the ultimate aim of delivering greater accuracy, control and efficiency for the HKMA's funds and assets transfers.

The Settlement Section is committed to effective risk control mechanisms for settlement and operational support. To ensure proper segregation of duties and avoid potential conflicts of interest between the monetary operations and reserves management functions of the HKMA, the Section is grouped under the Banking Conduct Department, which is separated from other HKMA functions.

## OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel (OGC) is responsible for providing legal advice to the HKMA on all aspects of its functions and activities. It comprises 15 lawyers who assist the HKMA in maintaining Hong Kong's banking and monetary stability, enhancing its financial infrastructure, maintaining its status as an international financial centre, and ensuring the effective management of the Exchange Fund.

In addition to providing legal support to the operation of each line department within the HKMA, the OGC assists in the planning and implementation of projects, initiatives and operations, most of which involve complex issues of commercial, regulatory and administrative law. Examples include:

- facilitation of the IMF's 2013 assessment of the Hong Kong Special Administrative Region pursuant to its Financial Sector Assessment Programme by providing assistance on the self-assessment exercise regarding the International Organization of Securities Commissions's "Objectives and Principles of Securities Regulation"
- providing assistance on the self-assessment exercise regarding the Basel *Core Principles for Effective Banking Supervision* conducted by the IMF
- continued development and promotion of Islamic finance initiatives, including conducting a feasibility study on sukuk issuance in Hong Kong and co-operation with the central bank of Malaysia
- formulation and implementation of the regulatory regime for the over-the-counter (OTC) derivatives market, including establishing a trade repository in Hong Kong for OTC derivatives transactions and publishing oversight guidelines
- formulation of the proposed regulatory regime for stored value facilities and retail payment systems
- formulation of proposals for regulating insurance intermediation services offered by AIs as part of the new regulatory regime for the insurance industry
- deliberation on effective resolution regimes to strengthen cross-border resolution for global systemically important financial institutions, including participation in the Financial Stability Board (FSB) Resolution Steering Group and Information Sharing Workstream, and preparation of bank-specific cross-border co-operation agreements
- deliberation on arrangements to improve information gaps and systemic linkages for global systemically important banks, including participation in the FSB Data Gaps Implementation Group
- conduct and management of litigation matters involving the HKMA.

The OGC provides comments to government bureaux on significant legislative proposals from time to time, such as the new Companies Ordinance. OGC lawyers participate in regular meetings and conferences for central bankers, financial regulators and the banking community to keep abreast of topical developments in major international financial centres and to discuss and resolve issues of current legal concern. The OGC assists in promoting education and awareness of the HKMA's work and legal issues by taking up speaking engagements in academic programmes, professional symposiums and international forums.

## INTERNAL AUDIT

The Internal Audit Division performs independent assessment of the adequacy and effectiveness of controls, risk management and governance processes, and advises on opportunities for improvement. The Division reports directly to the Chief Executive of the HKMA and the Audit Sub-Committee of EFAC.

# Corporate Functions

Using a risk-based approach, operational audits and system security reviews were conducted to cover all significant risks of the HKMA. The Division also advised on major system development projects and responded to management requests on internal control matters, including giving advice to senior executives on internal control issues. During the year, the Division strengthened its role by providing quarterly updates of the organisation-wide risk assessment which enabled the Risk Committee to more timely assess risks of all business units in a macro-perspective.

## 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. There are two high-level committees under the HKMA's risk management framework, the Macro Surveillance Committee and the Risk Committee. Both Committees are chaired by the Chief Executive of the HKMA.

The terms of reference of the Macro Surveillance Committee are:

- to identify potential risks and threats to the monetary and financial system in Hong Kong and discuss possible measures to address such risks
- to review existing measures for managing risks in the monetary and financial system to identify possible gaps and ensure the adequacy of these measures
- to encourage cross-department sharing of relevant information on macro surveillance with a view to enhancing the macro surveillance capability of the HKMA.

The terms of reference of the Risk Committee are:

- to identify potential risks and threats to the organisation and devise strategies to reduce the impact of such events
- to review the existing system for managing risks across different departments to identify possible gaps and significant risks and ensure the adequacy of measures to address them
- to harmonise the criteria and methods of risk measurement and prioritise the resources management of risks identified
- to encourage a stronger risk management culture institutionally which promotes the proper levels of authorization and controls.

In view of the growing complexity of the HKMA's work and the increasing public expectation of the organisation, the operational risk management process has been strengthened. Specifically, the framework now covers organisational risks at two levels: entity-level and department-level. Entity-level risks mainly refer to those which concern the entire organisation in the medium term, or which might call for a cross-departmental response. In general, potential or emerging risks identified by the business units, and the adequacy of the control measures and mitigating strategies they devise, are reported and reviewed on a quarterly basis. This is supplemented by a top-down approach to manage entity-level risks, in which senior colleagues actively identify risks of wider impact and propose mitigating measures. These assessments are discussed at the Risk Committee, at which appropriate follow-up actions are decided.

## EXTERNAL AUDITOR

In accordance with section 7 of the Exchange Fund Ordinance, the Audit Commission of the Government of the Hong Kong Special Administrative Region audits the financial statements of the Exchange Fund. The Commission does not charge for this service.