

Exchange Fund Abridged Balance Sheet
as at 30 September 2024
(Expressed in millions of Hong Kong dollars)

	Notes	30 September 2024	31 August 2024
ASSETS			
Foreign currency assets	1	3,871,278	3,832,811
Hong Kong dollar assets	2	<u>262,587</u>	<u>148,651</u>
Total Assets		<u><u>4,133,865</u></u>	<u><u>3,981,462</u></u>
LIABILITIES AND EQUITY			
Certificates of Indebtedness	3, 6	594,268	594,205
Government-issued currency notes and coins in circulation	3, 6	12,794	12,851
Balance of the banking system	3	47,804	44,890
Exchange Fund Bills and Notes issued	3, 5	1,371,290	1,282,601
Placements by banks and other financial institutions		189,292	164,855
Placements by Fiscal Reserves		523,393	565,383
Placements by HKSAR Government funds and statutory bodies		387,935	389,138
Placements by subsidiaries		31,386	31,386
Other liabilities	4	<u>192,314</u>	<u>153,507</u>
Total Liabilities		<u><u>3,350,476</u></u>	<u><u>3,238,816</u></u>
Accumulated surplus		782,518	741,775
Revaluation reserve		<u>871</u>	<u>871</u>
Total Equity		<u><u>783,389</u></u>	<u><u>742,646</u></u>
Total Liabilities and Equity		<u><u>4,133,865</u></u>	<u><u>3,981,462</u></u>

Notes:

- These include US dollar assets for backing the Monetary Base as presented in the Currency Board Account separately released.
- These include lending collateralised by Exchange Fund paper under the Discount Window, which amounted to HK\$3.0 billion at 30 September 2024 (nil at 31 August 2024).
- A component of the Monetary Base.
- These include interest payable on Exchange Fund paper and accounts payable under Currency Board operations.
- In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation, Exchange Fund Bills and Notes held as assets of the Exchange Fund are applied to offset the corresponding liabilities. As a result, the amount of Exchange Fund Bills and Notes in this Abridged Balance Sheet is smaller than that shown in the Currency Board Account by the amount offset.
- In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation, Certificates of Indebtedness and Government-issued currency notes and coins in circulation are stated at cost, which are the Hong Kong dollars equivalent of the US dollars required for their redemption at the exchange rate ruling at the balance sheet date. As a result, the figures for the Certificates of Indebtedness and Government-issued currency notes and coins in circulation in the Abridged Balance Sheet are different from those shown in the Currency Board Account, which represent the Hong Kong dollar face value.

Exchange Fund
Currency Board Account
as at 30 September 2024
(Expressed in millions of Hong Kong dollars)

	Notes	30 September 2024 (Market Value)	31 August 2024 (Market Value)
MONETARY BASE			
Certificates of Indebtedness		596,755	594,175
Government-issued currency notes and coins in circulation		12,847	12,850
Balance of the banking system		47,804	44,890
Exchange Fund Bills and Notes issued	3, 4	1,371,488	1,282,798
Interest payable on Exchange Fund Notes		104	63
Net accounts (receivable)/payable	3, 5, 7	(87,563)	117
Total	1, 3	1,941,435	1,934,893 (a)
BACKING ASSETS			
Investment in designated US dollar assets		2,158,812	2,170,581
Interest receivable on designated US dollar assets		5,925	5,481
Net accounts receivable/(payable)	6	(35,321)	(3,009)
Total	2, 8	2,129,416	2,173,053 (b)
BACKING RATIO [(b) / (a)] * 100%	9	109.68%	112.31%

Notes :

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

	<u>HK\$ million</u>
Balance brought forward	1,934,893
Increase/(decrease) in Certificates of Indebtedness	2,580
Increase/(decrease) in Government-issued currency notes and coins in circulation	(3)
Net issuance/(redemption) of Exchange Fund Bills and Notes	84,750
(Increase)/decrease in Exchange Fund Bills and Notes issued but not yet settled	(84,619)
Accrued interest on Exchange Fund Notes	41
Amortised discount/(premium) on Exchange Fund Bills and Notes	4,262
Revaluation losses/(gains) relating to Exchange Fund Bills and Notes	(322)
Settlement of accrued interest income/(expenses) on interest rate swaps	(6)
Net interest expense/(income) on interest rate swaps	10
Revaluation losses/(gains) relating to interest rate swaps	(26)
Increase/(decrease) in balance of the banking system other than due to Discount Window Operations	(125)
Balance carried forward	1,941,435

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

	<u>HK\$ million</u>
Balance brought forward	2,173,053
Increase/(decrease) in Certificates of Indebtedness	2,580
Increase/(decrease) in Government-issued currency notes and coins in circulation	(3)
Interest from investments	7,837
Revaluation gains/(losses) relating to investments	(4,208)
Assets transferred to the Investment Portfolio of the Exchange Fund	(49,843)
Balance carried forward	<u><u>2,129,416</u></u>

3. Discount Window Operations:

- (i) Discount Window Operations involve Hong Kong dollar overnight advances made to banks by way of crediting their accounts maintained with the HKMA (which is part of the balance of the banking system) on discounting Exchange Fund Bills and Notes. In accordance with generally accepted accounting practice, the Exchange Fund Bills and Notes discounted with the HKMA are not accounted for as reductions in the liabilities of the HKMA but are regarded as securities held against the advances so made.
- (ii) For the purpose of this Account, the advances to banks secured on Exchange Fund Bills and Notes amounting to HK\$3.0 billion at 30 September 2024 (nil at 31 August 2024) are shown as deductions in arriving at the Monetary Base.

4. Exchange Fund Bills and Notes issued:

- (i) Starting from 1 April 1999, interest payments on Exchange Fund Bills and Notes have been allowed to increase the amount of outstanding Exchange Fund paper.
 - (ii) Exchange Fund Bills and Notes issued include Exchange Fund Bills and Notes held as assets of the Exchange Fund.
5. In accordance with the accounting policies adopted by the Exchange Fund, Exchange Fund Bills and Notes issued on tender date but not yet settled are included in "Exchange Fund Bills and Notes issued". For the purpose of this Account, the corresponding accounts receivable amounting to HK\$84.6 billion at 30 September 2024 (nil at 31 August 2024) are shown as deductions in arriving at the Monetary Base.
 6. This represents the net amount of receivable and payable for unsettled transactions of investments and issuance/redemption of Certificates of Indebtedness.
 7. Starting from June 2001, Hong Kong dollar interest rate swaps have been used as a means to manage the cost of issuing Exchange Fund Notes. For the purpose of this Account, interest payable/(receivable) and revaluation losses/(gains) on these interest rate swaps are shown as a component of the Monetary Base and are included in "Net accounts (receivable)/payable".
 8. In accordance with the approval given by the Financial Secretary in January 2000 on the arrangement for the transfer of assets between the Backing Portfolio and the Investment Portfolio of the Exchange Fund, assets were transferred out of the Backing Portfolio to the Investment Portfolio such that the backing ratio was restored to 110%. Under the arrangement, when the backing ratio reaches the upper trigger point of 112.5%, assets will be transferred from the Backing Portfolio to the Investment Portfolio to enhance the investment return such that the ratio is restored to 110%. On the other side, when the backing ratio drops to the lower trigger point of 105%, assets will be injected from the Investment Portfolio to the Backing Portfolio to ensure sufficient liquid backing assets by restoring the ratio to 107.5%.
 9. It should be noted that the whole of the Exchange Fund assets, not just the Backing Assets, are available for the purpose of defending the linked exchange rate.