



Professional and Support Services



The HKMA relies on the professional support of a range of administrative, technological, internal audit and legal services in carrying out its policy objectives. During 2001 a number of changes were made in these services with the aim of making them more efficient and cost-effective.

Administration

The Administration Division provides the necessary administrative support and resources to facilitate the HKMA in accomplishing its policy objectives and day-to-day operations.

Organisational changes and staffing

In view of the expanding range and increasing complexity of banking policy issues and initiatives, the Banking Policy Department was split into two departments in July 2001: under the new arrangements, the Banking Policy Department deals mainly with the implementation of the New Capital Accord and supervisory policy issues, and the Banking Development Department covers mainly developmental and consumer issues (see also page 41).

A restructuring of training functions within the HKMA took place during 2001. A new Training Division was set up in April 2001 under the Corporate Services Department to provide a more structured and focused training approach

to staff members of the HKMA. The new Division is also tasked with providing training to banking supervisors of the People's Bank of China (PBoC), in response to a request from the PBoC to help equip their banking supervisors with supervisory concepts and skills. Through knowledge transfer, the HKMA can help in enhancing the standard of banking supervision in the Mainland, which will in turn contribute to the stability of our banking system.

As a result of the above reorganisation, the overall establishment of the HKMA increased from 607 to 614 in 2001, representing a 1.2% increase over the previous year.

Following a careful review of the staffing position during the year, we identified savings of 31 posts, or 5% of the overall establishment, for 2002. Of these 31 posts, 13 were vacant and were hence deleted at the start of 2002, thereby reducing the overall establishment by 2.1% to 601 in early 2002. The deletion of the remaining posts will be realised mainly through natural attrition. Table 1 summarises these changes.

TABLE 1

Establishment of the HKMA

Post	Establishment		
	2000	2001	early 2002
Chief Executive	1	1	1
Deputy Chief Executive	3	3	3
Executive Director	8	9	9
Division Head	28	30	31
Senior Manager	70	71	72
Manager	140	149	146
Manager Trainee	10	10	6
Assistant Manager	102	101	98
Technical Officer	102	105	103
Clerk	52	51	50
Secretary	81	74	72
Office Assistant	10	10	10
Total	607	614	601

Review of Human Resources Systems

In recent years, the HKMA had been moving towards establishing a fully performance-based culture. To consolidate past efforts and to move further towards this objective, we conducted a comprehensive review of our human resources system in 2001. As a result of the review, a number of changes were identified in the areas of performance appraisal, career development, and training. These included:

- a clear distinction between measurement of performance and assessment of potential in the performance appraisal process;
- the introduction of a new rating system under which staff would be compared and rated against each other;
- the introduction of career development committees which would meet regularly to assess the advancement potential of staff and their posting and training needs; and
- the adoption of a more structured and proactive approach to our training framework.

These changes will be implemented in 2002.

General Administration

The Administration Division continued to explore appropriate means to streamline workflow with a view to enhancing efficiency and cost effectiveness in the delivery of service.

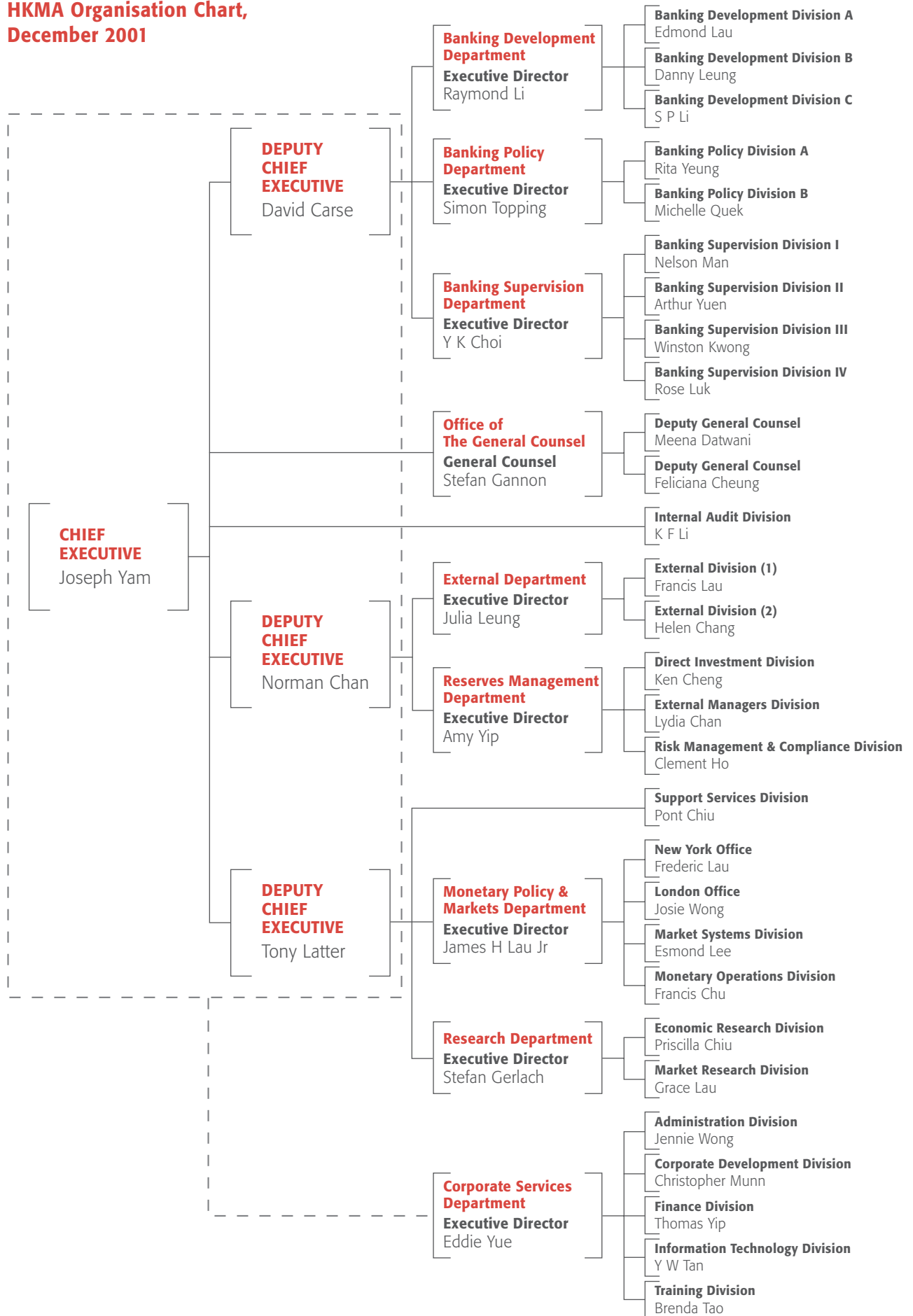
In the light of the events of 11 September, we reviewed our business contingency plan, paying particular attention to office evacuation procedures and emergency staff communication arrangements. Drills on office evacuation, including activation of back-up facilities, were organised. Our contingency plans continue to be subject to periodic review, and regular drills will be conducted.

Negotiations on the acquisition of permanent office accommodation for the HKMA were concluded in 2001. The Financial Secretary Incorporated signed an agreement with the vendor of Two International Finance Centre in Central to acquire 12 office floors and two auditorium floors mainly for use by the HKMA.



■ HKMA staff at activated back-up facilities during an office evacuation drill organised in the light of the events of 11 September.

**HKMA Organisation Chart,
December 2001**



The HKMA and the environment

The HKMA is committed to fostering environmental friendliness in the office and to conducting its operations in an environmentally responsible manner. To underline its commitment, an HKMA Environmental Policy was formulated after extensive staff consultation and was promulgated in September 2001. Some examples of our achievements in 2001 are shown in Table 2 below.

The HKMA continued to encourage recycling. Waste paper was collected for recycling. Phased out personal computers, printers, scanners and other computer peripherals were donated to charitable organisations. Campaigns were held regularly to collect unwanted clothes, toys and other reusable items from colleagues for donation to people in need.

Training and Development

The new Training Division was established in April 2001 to co-ordinate all matters relating to the training to HKMA staff. In addition, the Division is tasked with providing training to banking supervisors of the People's Bank of China (PBoC).

Training for HKMA staff

The HKMA has devoted substantial resources to equipping staff with the necessary knowledge and skills to better perform their duties. During the year, the HKMA provided 3,868 training days for its staff, including 477 days of overseas training. On average, each HKMA staff attended 6.58 days of training.

The local training courses attended by staff members included specialised training on banking supervision, risk management, financial products and information technology as well as general training in management, languages, communications and team building. Most specialised courses were in-house courses delivered by either external experts or senior HKMA staff.

A total of 78 staff attended courses organised by central banks, multilateral organisations and financial institutions abroad. These overseas courses focused mainly on central banking and related issues. They provided staff with good exposure to international financial and regulatory concerns, as well as operational aspects of central banking in other countries.

TABLE 2

A more environmental friendly office

Item	Unit	Consumption			Percentage Change 2000 & 2001	Remarks
		1999	2000	2001		
Paper	ream	16,450	15,450	15,000	-3%	Increased use of single-side used paper and electronic communications
Envelopes	item	39,000	25,000	16,800	-33%	Increased re-use of envelopes and electronic communications
Wooden pencils	item	2,500	300	199	-34%	Provision of mechanical pencils
Christmas cards	item	3,700	3,400	3,100	-9%	Increased use of electronic greeting cards

Under its training sponsorship scheme, the HKMA provided funding support for its staff to engage in further studies in degree or diploma courses and in professional examinations. In 2001, six staff successfully completed their courses or examinations under the scheme.

External training

To share the HKMA's expertise in the area of banking supervision, a series of training programmes were designed to prepare PBoC's supervisors for the challenges posed by China's accession to the World Trade Organisation. In April 2001 the HKMA conducted a one-week seminar in Shenzhen for 210 PBoC staff. In July and December 2001, the HKMA hosted two classes of a two-month banking supervision course in Hong Kong. A total of 60 banking supervisory staff of the PBoC attended these two classes. The HKMA will continue to organise similar seminars and courses for staff of the PBoC in 2002.

The HKMA is one of the main supporters of the APEC Financial Regulators Training Initiative and its banking supervision training programme. In November 2001, a staff member served as the lead instructor in the Credit Risk Analysis Course, which the Initiative had arranged for the Philippine banking supervisory agencies. The HKMA has also agreed to host the Initiative's Market Risk Analysis Seminar in Hong Kong in June 2002.

Office of the General Counsel

The Office of the General Counsel (OGC) advises the various departments of the HKMA on the legal aspects of their activities and prepares or reviews all relevant legal documentation. The OGC's lawyers work alongside their colleagues from other departments in planning, structuring and implementing the HKMA's projects, initiatives and operations.

The General Counsel reports directly to the Chief Executive. His office consists of seven lawyers, from both private sector and government backgrounds, and seven support staff.

In addition to its general operational workload, the OGC was involved in a variety of special projects in 2001. These included:

- **Deposit insurance scheme** – The OGC advised the HKMA on the legal issues arising from the introduction of a deposit insurance scheme in Hong Kong. In particular, the OGC analysed different legal frameworks for such a scheme and advised the HKMA on the legislative changes likely to be required to implement the scheme.
- **Sanctions** – The OGC reviewed regulations made under the United Nations Sanctions Ordinance to give effect to United Nations Security Council Resolutions dealing with terrorism, as well as the Executive Order issued by the US President on 24 September 2001, and advised the HKMA on the legal implications for regulators and the banking community.



1



2



3

1-2 Staff members attending a team building training course.

3 Participants from the PBoC holding a simulated prudential meeting during the banking supervision course.

- **Bills** – The OGC was active in the preparation and development of the Banking Amendment Bill 2000 and the Banking Amendment Bill 2001. As is usual in the preparation of legislation, the OGC participated in the preparation of the draft Drafting Instructions, reviewed various drafts of the Bill and advised on questions raised by the Legislative Council.
- **Other projects** – The OGC also advised on a number of other projects including: five bank mergers; the issue of commemorative coins; the establishment of a Commercial Credit Reference Agency; the revamp of the HKMA's computerised Reserves and Monetary Management System; the review of the *Code of Banking Practice*; and the preparatory work for the implementation of the New Capital Accord promulgated by the Basel Committee on Banking Supervision.

During the year, the OGC has been an active participant in a number of international meetings and symposia of interest to central bankers and their legal advisers. In November, the General Counsel was appointed to the Committee on International Monetary Law of the International Law Association. Topics on which the OGC has delivered presentations and speeches both overseas and in Hong Kong include electronic financial infrastructure; the licensing and regulation of authorized institutions; the HKMA and banking supervision; and securitisation and the development of bond markets in Asia.

Information Technology

The Information Technology Division aims at providing reliable and efficient information technology (IT) services to all business units in the HKMA. During 2001, the Division continued its efforts to strengthen the HKMA's IT systems and infrastructure to facilitate all operations in the HKMA. In the last quarter, it also directed efforts to refine and test the disaster recovery procedures for the mission critical systems of the HKMA.

Upgrade of IT infrastructure

To improve the efficiency and robustness of the HKMA's IT support systems, the technology infrastructure of both the HKMA's local and overseas offices was upgraded in 2001. This included an upgrading of the internal mail and workflow system, as well as the introduction of a secure electronic mail system, which used the Hongkong Post e-Cert as the standard digital certificate of the HKMA. To further enhance network security control, the firewall system was upgraded with more advanced security control tools.

Disaster recovery planning

The provision of a reliable and robust back-up facility is one of the prerequisite IT requirements in the HKMA. One of the lessons learned from the events of 11 September was the importance of disaster recovery plan for the mission critical systems of any central banking institution. In November and December 2001, the HKMA conducted two extra drill exercises in addition to the regular drill practice. The drill exercises covered all IT systems within the HKMA in areas of reserves and monetary management, banking supervision, internal administration and financial support services, as well as the Real-Time Gross Settlement (RTGS) system operated by Hong Kong Interbank Clearing Limited. Both exercises went well, and the experience gathered was useful in further refining the disaster recovery plan for the IT support systems and operations.

Reserves and Monetary Management System

The Reserve and Monetary Management System (RMMS) project was initiated in 2000 with the aim of developing a fully integrated transaction processing with comprehensive management information system for the operation and management of the Exchange Fund. The project went into full gear in 2001 and is expected to be completed in mid-2003. The new system is designed to enable straight-through processing linking all major business processes, covering front, middle and back office functions.

Enhancement of IT security

In 2001, the HKMA conducted two separate IT security audits on the HKMA's Internet perimeter, and the internal mail and workflow system. The auditors commended the overall network design and security measures of the HKMA's network environment, which was found to be secure and reliable. They also made recommendations on areas of improvements, which were adopted. During the year, an IT Security Management Programme was also developed to provide a framework of common security standards for the various system platforms in the HKMA.

IT support for prudential supervision

The technology platform of the Enhanced Prudential Supervision System (EPSS) underwent a major upgrade in 2001. The processing computer was upgraded from a proprietary VMS computer platform to an open UNIX-based platform. The new platform provides higher scalability to cater for future expansion of system capacity and improves the performance and reliability of the EPSS.

Internal Audit

The Internal Audit Division (IAD) was established in 1995 with the mission to assist management in controlling risks, monitoring compliance and improving the efficiency and effectiveness of control systems and procedures within the HKMA. In support of the IAD, the Chief Executive of the HKMA has granted an Internal Audit Charter to the IAD to formalise its role, mission and authority.

Infrastructure development

Steps have been taken to build up IAD's infrastructure in Information Technology Auditing. Appropriate computer audit tools were acquired to assist the IAD audit professionals in conducting IT audits. The IAD will continue to explore other suitable IT audit tools to further strengthen its infrastructure. From time to time, continuous professional development will be arranged for auditors of the IAD to enhance and maintain their proficiency.

Audit results in 2001

As in previous years, the IAD continued to operate independently, with the trust and support of the Chief Executive of the HKMA. The IAD was satisfied with the results of its audits in 2001. Recommendations for improvement proposed by the IAD were well received by the auditees. Apart from normal audits, the IAD also adopted a pro-active approach in advising on various IT systems development projects. Co-operation and assistance from other HKMA staff during the audits contributed to another year of success for the work of the IAD.

In 2001, the Risk Assessment Methodology (RAM) was introduced not only to facilitate the IAD to prioritise its audit resources but also to assist senior management to manage risks. On completion of the pilot case, the IAD will refine the RAM for implementation that can assist line management in re-assessing in detail the underlying risks and appropriate controls in each operational division.

The IAD considers it important to keep abreast of internal audit developments and standards in other central banks. During the year, the IAD received central bank internal auditors from Korea, Indonesia and India. Working experience and expertise were exchanged with these counterparties. In addition, the IAD attended for a second time the meeting of central bank internal auditors. This meeting was sponsored by the Bank for International Settlements Representative Office for Asia and Pacific Region in Hong Kong. Through these meetings, recent developments and trends were discussed with the aim of arriving at a broader view of international professional standards to be observed and maintained.