

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 strives to be transparent and accessible in its operations. Its work in this area is co-ordinated by the Corporate Development Division within the Corporate Services Department. The Division provides media, publications, public communications and administrative services to the HKMA. It also provides translation and drafting services, and supports the Exchange Fund Advisory Committee (EFAC) and its Sub-Committees.

Media relations

In a year of global financial crisis, maintaining effective and timely communication with the media and the community was even more important than usual. In 2008 the HKMA conducted 41 stand-up media interviews, setting a record and exceeding by three times the figure in 2007. Eight press conferences were organised and 28 media interviews given, in addition to two visits to media organisations. During the year the HKMA issued 271 press releases and handled an average of 50 press enquiries each day. Two media workshops were held: one on the sub-prime crisis and the regulatory response, and the other on the tap issue of Exchange Fund Bills.

 > [Press Releases](#)

 > [What's New? > Forthcoming Events](#)

Public enquiries

The global financial crisis triggered by the collapse of Lehman Brothers in September 2008 resulted in a large increase in the number of enquiries handled by the HKMA's Public Enquiry Service, with the total jumping by nearly 60% to 10,034 from 6,296 in 2007. Nearly 37% of the enquiries were received in the last quarter of the year as the financial crisis intensified. Banking issues attracted most of the attention in 2008. Chart 1 shows the number of enquiries received each year since 2005 and Chart 2 breaks down the enquiries by type.

Chart 1 Number of public enquiries

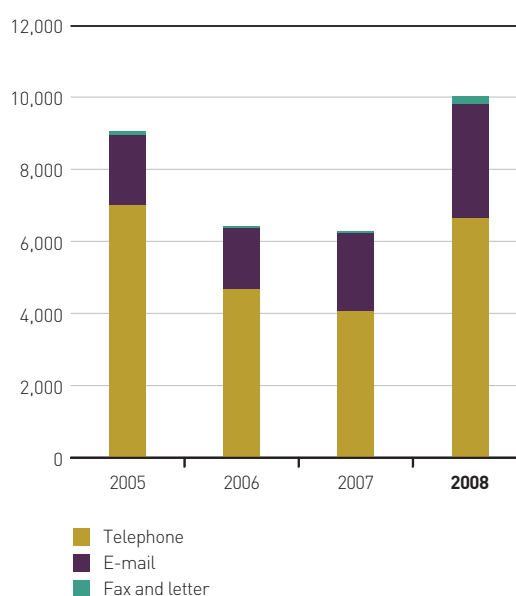
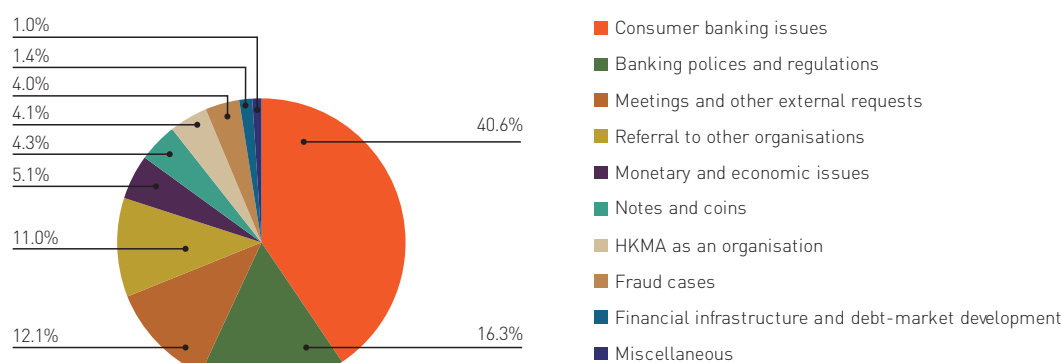


Chart 2 Enquiries received by nature in 2008



Figures do not add up to 100% due to rounding.

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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 *HKMA Annual Report 2007* won a Silver Prize in the Hong Kong Management Association's Best Annual Reports Award. The Report also won a Gold Prize in the 2008 International Annual Report Competition Awards organised by Mercomm, Inc.

 Publications

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, which contains more than 35,000 web pages.

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.

The Centre has displays on 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. Guided tours are organised for visitors. During 2008 the Centre received more than 43,000 visitors, and over 500 guided tours were organised for schools and other groups. A quarter of a million people have 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.

The HKMA continued to organise public education seminars on its work. In 2008, three 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 39,000 people, mostly students, have participated in HKMA seminars.

 HKMA Information Centre

General administration

The HKMA continued to streamline its work wherever possible to improve efficiency and cost-effectiveness. The inventory checking system was upgraded in 2008 to improve control and efficiency. Business continuity plans are kept under constant review and an evacuation drill is held every year. An internal Event Management Team is responsible for monitoring the changes in the response level of Avian Flu and implementing precautionary or contingency measures as appropriate.

The HKMA's environmental policy is designed to promote staff awareness of environmental protection. Following a decrease of 6.5% in electricity consumption in the HKMA offices¹ in 2007, additional energy saving measures were implemented resulting in a further decrease of 1.4% in 2008. The HKMA also supports and encourages recycling, organising regular campaigns to collect unwanted clothes, toys and other reusable items from staff for donation to charities. Waste paper and used printer cartridges are also collected for recycling.

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

During 2008 teams from the HKMA participated in a number of charity events, winning third place in the Raleigh Wilson Trail Challenge and second place in the Sowers Action Charity Marathon. The HKMA Volunteer Team gave more than 180 hours of their free time to voluntary services in 2008. They participated in a fun day organised by Society of Boys' Centres, visited the New Life Psychiatric Rehabilitation Association and the Holy Carpenter Church District Elderly Community Centre. The HKMA procured office supplies from a workshop operated by people with disabilities.



HKMA volunteers visit the Holy Carpenter Church District Elderly Community Centre.



HKMA's kiosk at the fun day organised by Society of Boys' Centres.

HUMAN RESOURCES

The HKMA is a compact organisation that requires high-quality staff with specialist skills in a variety of areas. 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 2008

The establishment of the HKMA at the beginning of the year was 638. To handle increased workload and improve risk management and support services in connection with the management of the Exchange Fund, 16 new posts were created in June 2008.

The large number of complaints about the sale by banks of investment products related to Lehman Brothers in the last quarter of 2008 required a large-scale mobilisation of resources from late September to early 2009. Nearly a hundred staff were redeployed from both the banking and non-banking departments to the Securities Enforcement Division of the Banking Development Department and a further hundred temporary staff were hired from professional accounting firms to help manage enquiry hotlines and carry out initial fact checking. The deployment of staff for this task diverted resources from the core functions of the HKMA at a time when continuing stress in the financial system required close attention. In order to release redeployed staff to return to core activities, the Financial Secretary, on the advice of EFAC, has given approval for the HKMA to recruit contract staff in 2009 to shoulder part of the extra workload arising from the investigation of the complaints. These staff are recruited on short-term contracts, initially for one year, and their appointment will not affect the permanent establishment of the HKMA.

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In an increasingly challenging financial environment, the HKMA's workload has increased and become more complex in many areas of its operations. Twenty-two new posts were added to the establishment of the HKMA in January 2009, bringing the establishment to 676 (an increase of 3.4%). These new posts were deployed in the following areas:

- increased surveillance of financial markets
- reviewing the supervisory regime for Als' liquidity-risk management
- formulating policy responses to the recommendations in the Review of the HKMA's Work on Banking Stability
- intensifying supervision following the introduction of the full guarantee of deposits held with all Als in Hong Kong
- helping to ensure that Als' participating in the Government's enhanced Small and Medium Enterprise Loan Guarantee Scheme comply with the terms of the Scheme
- strengthening supervision of local Als' Mainland business
- investigating complaints about banks
- financial-sector development, including the debt-market and fund-management industry and Islamic financial services
- implementing more sophisticated investment approaches, strengthening risk management and compliance in the management of the Exchange Fund, and providing related support services
- strengthening settlement services, computer centre operations, and other support functions.

The HKMA seconded 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 also redeployed full-time or part-time to provide operational support to the Hong Kong Deposit Protection Board and the Treasury Markets Association.

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

Table 1 Establishment and strength of the HKMA on 1 January 2009

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	125	117
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	34	34
Banking Supervision	To supervise day-to-day operations of authorized institutions.	1	1	111	104
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	47
Financial Infrastructure	To develop and enhance the financial market infrastructure important for maintaining and strengthening Hong Kong as an international financial centre.	1	1	27	23
Monetary Management	To maintain currency stability through monitoring of market operations and development issues, and to ensure adequate supply of banknotes and coins.	1	1	26	25
Research	To conduct research and analysis on economic and international financial market development, both in Hong Kong and in other economies.	1	1	35	34
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	73	65
Office of the General Counsel	To provide in-house legal support and advice.	1	1	17	15
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	149	143
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	14	662	621

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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 in the light of recommendations made to him through EFAC by 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 during the preceding year, and other factors considered appropriate. The performance of individual staff is taken into account in distributing any approved overall pay awards.

Remuneration of senior staff

The remuneration packages of the senior staff in 2008 are shown in Table 2.

Table 2 Remuneration packages of the HKMA senior staff in 2008

\$'000	Chief	Deputy Chief	Executive
	Executive	Executive	Director
		(average)	(average)
Number of staff	1	3	13
Fixed pay	7,783	4,957	3,203
Variable pay	3,176	1,498	672
Other benefits	974	583	330

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 Executive Director (ED) rank reflects staff movements during the year and includes the Chief Executive Officer (CEO) of the Hong Kong Mortgage Corporation. The established number of posts at the ED level is 11 (including the CEO of the Hong Kong Mortgage Corporation): please see the organisation chart in this Annual Report 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 makes every effort to recruit high-quality staff through open and competitive recruitment and places special emphasis on training and development. Training is designed to equip staff with the necessary knowledge and skills to fulfil their existing duties and to prepare them for posting and career development. It is provided along two dimensions: horizontal training which focuses on general skills common to staff of the same rank, and vertical training which covers specialised skills specific to individual departments.

One of the highlights of horizontal training is an in-house central banking course, which serves as an induction course for all new recruits at the level of Technical Officer or above, and a refresher course for those who wish to update themselves on specific modules. The course is run in half-day sessions totalling two weeks of training. The course includes an overview of central banking and the financial system of Hong Kong delivered by academics, financial market participants and government officials, and presentations on the roles and functions of the HKMA by internal staff. Less technical courses on individual aspects of central banking functions are organised for support staff. Arrangements are made for staff to participate in central banking courses organised by multilateral organisations or other central banks.

Another focus of horizontal training is on language and management skills. Putonghua and English language drafting courses are organised regularly. Workshops on management topics such as the impact of personality on leadership and management style and courses on presentation skills and strategic thinking were also organised.

In 2008 senior HKMA staff participated in a senior-executive programme in the US, an advanced national studies course in Beijing specially organised for Hong Kong senior government officials, a seminar focusing on global issues, and a number of advanced management workshops run by the Government or by local and overseas universities.

A comprehensive foundation vertical training programme is designed for new Assistant Managers in the banking departments. It comprises a two-week induction course covering topics such as supervisory approach, core principles for effective banking supervision, the Banking Ordinance and regulatory framework, the Deposit Protection Scheme, Basel II, e-banking, and risk management. Classroom training is supplemented by a 30-month on-the-job training programme, during which

the Assistant Managers are rotated among on-site and off-site examination teams under the supervision of a team manager. Throughout the year, training in specific topics is also organised for staff in the banking departments: in 2008 these topics included structured investment vehicles, Islamic finance, sub-prime problems and measures to prevent money laundering.

The number of training days in 2008 declined compared with 2007 because of increases in workload arising from the financial crisis, which had to be given priority. Nevertheless, 2,288 training days were provided (2,667 days in 2007), comprising 1,172 days of training in general skills and 1,116 days of training in job-specific skills, with each staff member receiving an average of 3.72 days of training during the year. The HKMA will seek to restore training to normal levels in 2009.

Apart from formal training, regular staff briefings are conducted by the senior executives on general and topical issues such as financial infrastructure, global inflation, sovereign ratings, monetary development, and the HKMA's role in banking stability.

The HKMA also runs a Training Sponsorship Scheme, which provides sponsorship for the pursuit of degree or diploma studies, professional qualifications or other relevant short courses. Partial reimbursement of membership fees of relevant professional bodies is also provided.

 Careers@HKMA

FINANCE

The Finance Division's remit is 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 draws up its annual budget 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

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Financial Secretary on the advice of EFAC. During the budgeting 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 them 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 annual audit of the Exchange Fund.

The administrative expenditure in 2008 and the budgeted expenditure for core activities in 2009 are shown in Table 3. The difference between the 2008 actual expenditure and the 2009 budget arises mainly from an increase in staff costs, reflecting the full-year effects of staff increases and pay adjustments in 2008, and the increase of 22 posts approved for 2009 by the Financial Secretary on the advice of EFAC to meet the increasing quantity and complexity of the work carried out by the HKMA as a result of new and expanded responsibilities, a more risky and challenging financial environment, and new approaches to supervision and investment.

In 2008 unbudgeted expenditures related to the handling of complaints about banking services, mostly for hiring external professional staff, were met from savings in other areas of the HKMA's operations. The continuing commitment to complete the investigation of complaints requires an additional operational expenditure of \$138 million in 2009, mostly for the appointment of contract staff to continue this work and consequential increases in a number of other expenditure items including "premises expenses", "communication services" and "professional and other services". The additional expenditure for this work will be limited to the period necessary for completion of the investigations. Because of the exceptional nature of this work, this additional budget is shown separately in Table 4.

Expenses related to premises for international organisations in Hong Kong are expected to remain stable in 2009. The continued presence of these organisations reflects Hong Kong's status as an international financial centre. Expenditure continued in 2008 in relation to the 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, which is an open browser-based platform. This spending will continue in 2009. 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. These expenses are shown in Table 5. 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.

Table 3 Administrative expenditure (2008 and 2009 budgeted)

\$ million	2008 Budget*	2008 Actual	2009 Budget*
Staff costs	631		656
Salaries and other staff costs		584	
Retirement benefit costs		36	
Premises expenses			
Operating lease charges	5	5	7
Other premises expenses (including utility charges and management fees)	34	33	36
General operating costs			
Maintenance of office and computer equipment	35	33	35
Financial information and communication services (including trading, dealing terminals and data link charges)	36	29	40
External relations (including international meetings)	26	17	28
Professional and other services	17	14	21
Training	7	5	7
Others	5	4	6
Total HKMA administrative expenditure	796	760	836

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

Table 4 Expenses related to investigation of complaints about banking services (2008 and 2009 budgeted)

\$ million	2008 Budget*	2008 Actual*	2009 Budget
Handling of complaints about banking services			
Staff costs	-	-	84
Premises expenses	-	-	7
General operating costs			
Communication services	1	1	3
Professional and other services	17	16	43
Others	-	-	1
Total	18	17	138

* Met from savings in other areas through virement.

Table 5 Additional expenses (2008 and 2009 budgeted)

\$ million	2008 Budget*	2008 Actual	2009 Budget*
Subsidy to the Hong Kong Institute for Monetary Research	16	15	18
Premises expenses of international financial organisations in Hong Kong	26	26	26
Service fees for financial infrastructure	47	17	54

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

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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. The HKMA also receives reimbursement 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 2009 licence fees are estimated at \$135.1 million (2008: \$141.3 million) and the other income components (excluding investment income) at \$116.1 million (2008: \$88.9 million), mainly due to increases in rental income as some of the leases in Two International Finance Centre have been renewed.

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 financial statements in accordance with the Hong Kong Financial Reporting Standards 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 chapter on Reserves Management, while information on the expenditure relating to investment management is shown in the Notes to the Financial Statements.

Events in the money markets led to some changes to the balance sheet of the Exchange Fund. In the last quarter of 2008, in response to capital inflows into the Hong Kong dollar and in accordance with the Currency Board system, the Exchange Fund bought US dollars against Hong Kong dollars, thus increasing the liquidity of the banking system. These changes were reflected on the liability side of the balance sheet in increases in the *Balance of the banking system* and *Exchange Fund Bills and Notes issued*. The US dollars received as a result of market operations were invested in different asset classes leading to corresponding increases in *Placements with banks and other financial institutions* and *Financial assets designated at fair value through profit or loss*, under which debt securities and equity investments purchased were grouped.

INFORMATION TECHNOLOGY

In 2008 the IT Division continued to upgrade infrastructure and application systems, including the Lotus Notes e-mail engine and related workflow applications. A "green-IT" initiative was launched to promote energy saving and waste reduction. The HKMA achieved the highest overall security maturity level of 5 in an IT security audit conducted by the Office of the Government Chief Information Officer.

The migration of the Reserves and Monetary Management System to a new hardware platform was completed in November. The Division continued to provide support to the migration of the RTGS system platform to SWIFTNet. It also helped develop an information system capable of generating statistics and processing information collected on complaints about banking services received by the HKMA.

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 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. For example, the Settlement Section was involved in supporting the implementation of the five temporary measures for providing liquidity assistance to licensed banks in October 2008.

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 and reserves management 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 (OGC) is responsible for providing legal advice to the HKMA with regard to all aspects of the HKMA's work. There are nine lawyers in the OGC, 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 teleconferences with their counterparts in other central banks to discuss and resolve topics of legal concern.

INTERNAL AUDIT

The Internal Audit Division performs independent assessment of the adequacy and effectiveness of risk management and control 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.

During the year the Division co-ordinated the annual organisation-wide risk assessment exercise and reported the results to the Risk Committee. Using a risk-based approach, the Division conducted operational audits and system security reviews covering all the significant risks in various business units in the HKMA. The Division advised on major system development projects and responded to management requests on internal-control matters from time to time. The Division also reviewed the operations of the Hong Kong Deposit Protection Board and the Hong Kong Note Printing Limited.

The Division attaches great importance to keeping abreast of the latest development in practices in the internal audit profession and other central banks. In 2008 the Division received visitors from the State Administration of Foreign Exchange and another central bank to share views and experience in risk management and other issues. Arrangements were made to send the professional staff of the Division to attend training courses on the latest risk-management practices and audit techniques.

 Internal Audit

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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 management 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.

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.