

Corporate Functions

The HKMA strengthened communications with the media and the community at large, and continued to enhance its robust organisational structure to meet the evolving challenges in maintaining Hong Kong's banking and monetary stability.

CORPORATE DEVELOPMENT

Media relations

The HKMA attaches great importance to maintaining effective and timely communications with the media to provide transparency and accessibility to its operations. Initiatives were taken in 2010 to strengthen this relationship and improve the understanding of the HKMA's policies and work by the media and the public. During the year, 68 open press events comprising 19 press conferences and forums, 15 stand-up interviews and 34 other public functions were held, and 39 media interviews were given. Altogether 324 bilingual press releases were issued and staff handled a large volume of media enquiries each day.

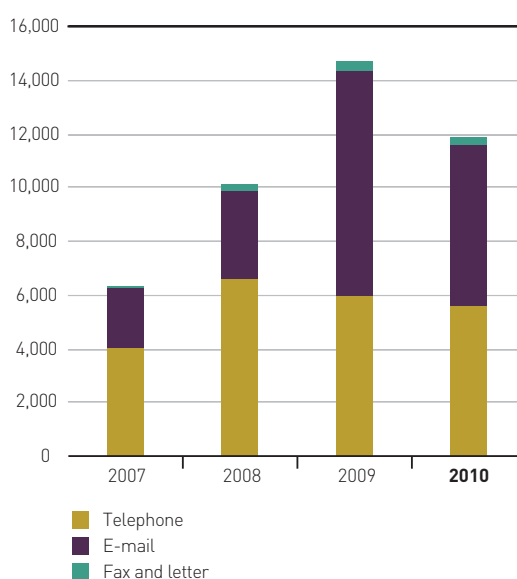
In addition, 26 media briefings were organised covering a wide range of topics to facilitate better understanding of the HKMA's operations and initiatives. These included investment performance of the Exchange Fund, currency board operations, banking policies and regulations, prudential measures for mortgage lending, consumer data privacy, 2010 series banknotes, Hong Kong's credit ratings, financial infrastructure and renminbi business development.

Public enquiries

The Public Enquiry Service received 11,908 enquiries in 2010, reflecting the intense public interest in the HKMA's work since the onset of the global financial crisis in late 2008.

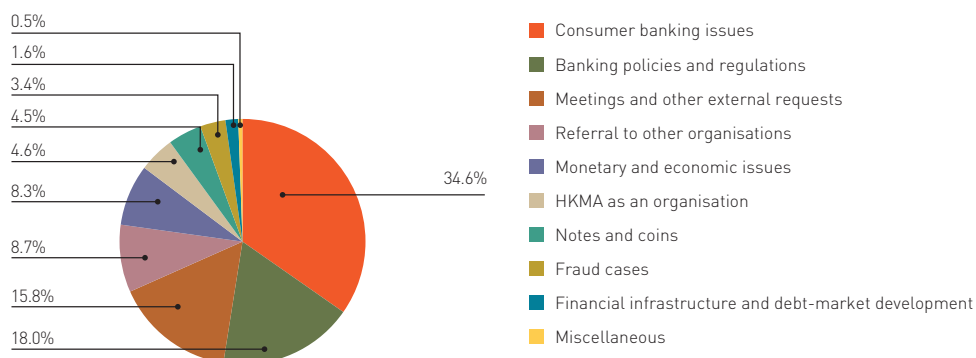
About half the enquiries were on banking policies and regulations, and consumer banking issues. Notable examples were prudential measures on residential mortgage loans and the enhanced Deposit Protection Scheme (DPS). With the rapid development of renminbi businesses in Hong Kong, the number of enquiries on this subject also surged. Chart 1 shows the number of enquiries received since 2007, while Chart 2 breaks down the enquiries in 2010 by type.

Chart 1 Total number of public enquiries



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Chart 2 Enquiries received by nature in 2010



Publications

The *HKMA Annual Report*, *Half-Yearly Monetary and Financial Stability Report*, *Quarterly Bulletin* and *Monthly Statistical Bulletin* are the major sources of information on monetary, banking and economic issues in Hong Kong. The HKMA has also published five background briefs introducing its work on maintaining monetary and banking stability.

The *HKMA Annual Report 2009* received a Bronze award in the Hong Kong Management Association's 2010 Best Annual Reports Awards.

The HKMA website

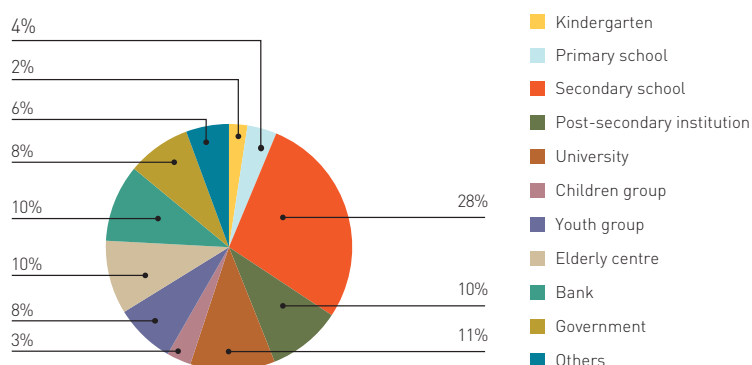
The HKMA website (www.hkma.gov.hk) provides comprehensive and accessible news and information about the HKMA, including its main publications.

Public education programme

The Information Centre on the 55th Floor of Two International Finance Centre is an important resource for introducing the HKMA's work to the community and promoting public awareness of monetary and banking matters.

The Centre consists of an exhibition area and library, and is open to the public six days a week. It 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, the payment systems and deposit protection in Hong Kong. Daily guided tours are organised for visitors. During the year, more than 46,000 people visited the Centre and over 600 guided tours were organised for schools and other groups (Chart 3). The Centre has received some 334,000 visitors since it opened in December 2003.

Chart 3 Type of group visits to the Information Centre



The Library, situated next to the Exhibition Area, contains materials for detailed study of Hong Kong's monetary, banking and financial affairs and of central banking topics. It 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 topics relevant to its work. In 2010, three seminars with the Linked Exchange Rate system as the main theme were organised for more than 2,000 students, teachers and members of the public. Since the launch of the education programme in 1998, more than 44,000 people have participated in the seminars.

During the year, the HKMA invited primary school students to participate in an art competition to show their creativity through the use of images of coins currently or previously in circulation in Hong Kong. Over 3,000 students participated and the winning drawings were displayed in the HKMA Information Centre.



Norman Chan, Chief Executive, and Miss Lee Yim-kam, the champion of the art competition, admire the winning artwork.

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 to those of the civil service 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 workloads whenever possible.

Organisational changes

In April 2010, the responsibilities of the banking departments were re-distributed to cope with an increasingly heavy and demanding workload. The Enforcement Department was created to focus on securities enforcement and complaint handling issues. The re-organisation also involves

- the Banking Development Department being renamed the Banking Conduct Department (BCD)
- the BCD taking over from the Banking Supervision Department (BSD) and the Banking Policy Department (BPD) all supervisory and development functions relating to the business conduct of AIs, in addition to its original responsibilities for payment systems oversight, licensing, deposit protection and settlement
- the BPD taking over from BSD the responsibilities for treasury and operational risk supervision, in addition to its original responsibilities for Hong Kong's participation in international forums, translating new international standards into local practice and monitoring systemic risks
- the BSD focusing on prudential supervision.

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Staffing

The establishment of the HKMA at the beginning of 2010 was 711. During the year, the workload arising from the investigation of complaints about the sale by banks of investment products related to Lehman Brothers continued to be shouldered by about 180 people, mostly temporary staff hired on contract. To build a core team of experienced permanent staff for enforcement and to handle banking complaints, 30 temporary positions were converted to permanent posts in October. At the end of 2010, the establishment of the HKMA was 741.

The aftermath of the global financial crisis and the new challenges posed by the exceptionally low interest rate environment and unprecedented fund flows created considerable strains within the HKMA to meet new and increased demands on various fronts. Additional resources were necessary to implement several major initiatives to address potential risk areas and capture the limited window of opportunity to enhance Hong Kong's status as a premier financial hub. While efforts had been made to cope using existing and temporary resources as much as possible, 34 new posts were needed. They were created in January 2011 to enable the effective discharge of essential functions, bringing the total establishment to 775 (an increase of 4.6%). The new posts will be deployed in a number of key areas:

- (a) **Enhancing macroeconomic and market surveillance** – While the Hong Kong banking sector has remained largely unscathed during the global financial crisis, a high level of vigilance is required to guard against future risks. Different departments will increase cross-sector surveillance, macro-prudential analysis and global market monitoring.
- (b) **Enhancing investor protection** – In the light of more diverse investment products being distributed by banks to customers with varied background, new posts are deployed to
- establish a dedicated investor protection team to supervise Als' sale of securities products
 - enhance supervisory work on other consumer issues, including Als' compliance with the Code of Banking Practice, monitoring international trends in consumer affairs, introducing additional regulatory requirements, and monitoring compliance and incident handling

- establish a new team for on-site examinations of Als' compliance with the representation and disclosure requirements for the enhanced DPS, which came into effect on 1 January 2011.
- (c) **Enhancing supervisory capability in response to the expansion of Mainland operations by Hong Kong banks, and ensuring the development and safety of Hong Kong as a major cross-border financial services hub in Asia** – The rapid increase in the number of local Als having operations on the Mainland and the growing size of Mainland assets of local Als have called for enhanced supervisory arrangements. Resources will be deployed for expanding the scope of thematic examinations of Als to cover risk management and stress testing, and for improving on-site examinations on prevention of money laundering.
- (d) **Promoting Hong Kong as a leading financial services hub** – Additional support will be provided for the work of the Treasury Markets Association and the further development of the treasury markets in Hong Kong.
- (e) **Exploring and developing opportunities to improve returns and diversify risks in managing the Exchange Fund** – Manpower will be deployed to help execute investments in renminbi-denominated assets, such as those under the Qualified Foreign Institutional Investors scheme and the Mainland's interbank bond investment programme.
- (f) **Enhancing internal control and risk management** – In addition to expanding internal audit coverage, more resources will be devoted to upgrading credit risk control for the Exchange Fund. A pricing unit will be established to oversee the setting and applying of prices for revaluating the Fund's investment holdings, and to provide more robust business continuity support.
- (g) **Strengthening professional and support functions** – With a range of new and expanded activities, additional professional and support resources are required in various offices, including legal, accounting and administration.

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

Table 1 Establishment and strength of the HKMA on 1 January 2011

Department	Functions	Senior staff		Others	
		Establishment	Strength*	Establishment	Strength*
Chief Executive's and Deputy Chief Executives' Offices	Top management of the HKMA.	4	4	8	8
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 authorized institutions.	1	1	97	78
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	47	45
Banking Supervision	To supervise day-to-day operations of authorized institutions.	1	1	147	139
Enforcement	To focus on securities enforcement and complaint handling functions.	–	1	50	41
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	50	49
Financial Infrastructure	To develop and enhance the financial market infrastructure important for maintaining and strengthening Hong Kong as an international financial centre.	1	1	25	28
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	34	33
Research	To conduct research and analysis on economic and international financial market developments in Hong Kong and other economies.	1	1	36	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	81	73
Office of the General Counsel	To provide in-house legal support and advice.	1	1	20	18
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	157	148
Internal Audit	To provide audit services through assisting management in controlling risks, monitoring compliance and improving the efficiency of internal control systems and procedures.	–	–	9	8
Total		14	15	761	702

* Inclusive of permanent staff deployed on positions under project votes.

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Temporary resources will also be deployed to meet a number of other work demands, including

- formulating a strategy and marketing plan to promote the further development of Hong Kong as an international financial centre
- maintaining a constructive presence of Hong Kong in international forums, and establishing a banking policy “research and development” team to monitor policy development in various areas, collate and analyse policy options, and support structured policy formulation
- strengthening Hong Kong’s financial market infrastructure to enhance transparency and reducing systemic risks pursuant to the recommendations of the Group of Twenty and the Financial Stability Board
- enhancing the supervision of Als’ insurance intermediary and Mandatory Provident Fund businesses pending development of the proposed reform of their regulatory regime.

The HKMA second staff to other international or local organisations, such as the International Monetary Fund and the Hong Kong Interbank Clearing Limited to help co-ordinate activities or policy initiatives in which Hong Kong or the HKMA has an interest. 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.

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) taking into account the prevailing market rates and practices. The HKMA remuneration comprises a total cash package and a Provident Fund Scheme, with minimal benefits in kind. The cash 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 by the GSC through EFAC, 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 appropriate factors. The performance of individual staff is considered in distributing any approved overall pay awards.

Remuneration of senior staff

The remuneration packages of the senior staff in 2010 are shown in Table 2.

Table 2 Remuneration packages of HKMA senior staff in 2010¹

\$'000	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
Number of staff ²	1	4	13
Annualised pay			
Fixed pay	6,000	4,969	3,124
Variable pay	1,500	1,324	600
Other benefits ³	868	440	302

Notes:

- 1 Except for annual leave accrued, the actual remuneration received by staff during 2010 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 Deputy Chief Executive and Executive Director ranks reflects staff movements during the year and includes, among the Executive Directors, the Chief Executive Officer of the Hong Kong Mortgage Corporation.
- 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

The HKMA emphasises the training and development of staff, and during the year 2,799 training days were provided, compared with 2,772 in 2009. These included 1,007 days of horizontal training in general skills and 1,792 days of vertical training in job-specific issues. Each staff member received an average of 4.1 days of training.

As part of the horizontal training programme, courses on central banking and the work of the HKMA were organised for new staff. A course on English writing skills was conducted for Assistant Managers, and training sessions on PC skills were organised for staff from various ranks. Putonghua classes were provided according to staff operational needs. Workshops on communications and media training were conducted for staff in the Communications Unit, while managerial staff attended workshops on coaching, conflict management, team-building, decision-making, interviewing skills, performance management and staff communication. Training sessions attended by senior staff included a central banking course in New York organised by the Federal Reserve Bank of New York, an advanced national studies course arranged for Hong Kong senior government officials conducted by the Chinese Academy of Governance in Beijing, and a seminar on global financial issues organised by the Salzburg Global Seminar.

Other training courses were organised throughout the year to cover the latest developments on specific topics of interest for staff in the banking departments, including updates on renminbi business, the enhanced DPS, a sound remuneration system, trade financing, supervision of securities business and complaints handling.

In addition to formal training, briefings were conducted by senior executives to keep staff informed on a range of topics about the HKMA's work.

The HKMA runs a Training Sponsorship Scheme for the pursuit by staff of degree or diploma studies, professional qualifications or other short courses relevant to the work of the HKMA. Partial reimbursement of membership dues of relevant professional bodies is also provided.

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 Financial Secretary on the advice of EFAC. In the budget 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 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 approval.

After the budget is approved, all expenditure is subject to stringent financial controls through procurement rules and guidelines. 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. Expenses are analysed and reported to senior management every month.

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The administrative expenditure in 2010 and the budgeted expenditure for core activities in 2011 are shown in Table 3. The difference between the 2010 actual expenditure and the 2011 budget arises mainly from an increase in staff costs, reflecting the full-year effect of staff increases in 2010 and the increase of 34 posts approved for 2011 by the Financial Secretary on the advice of EFAC.

In 2010, expenditure relating to the handling of complaints about banking services, mostly for hiring external professional staff and renting the necessary office accommodation, amounted to \$119 million. With the progressive completion of outstanding complaints, operational expenditure in 2011 is projected to be \$125 million, mostly for the continued employment of contract staff and related operational support. This expenditure will be limited to the period necessary for completion of outstanding investigations. This budget is shown separately in Table 4.

Expenses related to premises for international organisations, whose presence in Hong Kong reflects its status as an international financial centre, are expected to remain stable in 2011. Expenditure continued in 2010 on the programme to upgrade Hong Kong's financial infrastructure, including the migration of the Real Time Gross Settlement systems and the Central Moneymarkets Unit to the SWIFTNet platform. 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 as endorsed by the Financial Secretary according to section 6 of the DPS Ordinance.

In addition to investment income from managing the Exchange Fund, the HKMA earns revenue mainly through licence fees paid by AIs, and custodian and transaction fees from users of the Central Moneymarkets Unit. The HKMA also received reimbursement from the Hong Kong Deposit Protection Board for providing operational support to the Board according to section 6 of the DPS Ordinance. In 2011, licence fees are estimated at \$131 million (\$134 million in 2010) and the other income components (excluding investment income) at \$67 million (\$56 million in 2010).

Financial disclosure

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 applying to central banking institutions, the HKMA adopts the 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: it contains detailed disclosure and thorough analyses of a wide range of expense items and budgetary information.

Table 3 Administrative expenditure (2010 and 2011 budgeted)

\$ million	2010 Budget*	2010 Actual	2011 Budget*
Staff costs	698		802
Salaries and other staff costs		611	
Retirement benefit costs		51	
Premises expenses			
Operating lease charges	8	8	9
Other premises expenses (including utility charges and management fees)	40	37	39
General operating costs			
Maintenance of office and computer equipment	41	38	45
Financial information and communication services (including trading, dealing terminals and data link charges)	41	35	43
External relations (including international meetings)	30	23	46
Professional and other services	25	17	28
Training	9	6	9
Others	6	5	6
Total HKMA administrative expenditure	898	831	1,027

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

Table 4 Expenses related to investigation of complaints about banking services (2010 and 2011 budgeted)

\$ million	2010 Budget	2010 Actual	2011 Budget
Handling of complaints about banking services			
Staff costs	95	88	84
Premises expenses	17	12	10
General operating costs			
Communication services	3	1	2
Professional and other services	31	18	26
Others	3	–	3
Total	149	119	125

Table 5 Additional expenses (2010 and 2011 budgeted)

\$ million	2010 Budget*	2010 Actual	2011 Budget*
Subsidy to the Hong Kong Institute for Monetary Research	19	17	20
Premises expenses of international financial organisations in Hong Kong	29	29	31
Service fees for financial infrastructure	55	27	72

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

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General administration

The HKMA continued to streamline its work to improve efficiency and cost-effectiveness to cope with the increasing workload. Business continuity plans are reviewed constantly, and drills on evacuation and the activation of the backup office are held annually.

An environmental policy is in place to promote staff awareness of protecting the environment. The HKMA 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. As a result of staff awareness in various green office measures, the consumption of electricity per staff at the HKMA main office decreased by 3% and the total paper consumption decreased by 14% in 2010.

During 2010, HKMA staff teams participated in a number of charity fund-raising events, winning the Corporate Cup of the Sowers Action Charity Marathon and taking second place in the Bank Category of the Green Power Hike. Staff also took part in the Oxfam Trailwalker, Blood Donation Day, the Community Chest's Dress Special Day and Love Teeth Day, and the HKMA Volunteer Team gave more than 100 hours of free time to voluntary services. Team members visited the New Life Building Long Stay Care Home, provided translation services for International Volunteer Day and assisted in the training camp organised by TREATS. The HKMA procured office supplies from a workshop operated by people with physical disabilities. In recognition of its commitment to corporate citizenship, the Hong Kong Council of Social Service awarded the 5 Consecutive Years Caring Organisation Logo to the HKMA.

INFORMATION TECHNOLOGY

The IT Division maintained 100% operational uptime in 2010 for all critical systems. It also completed expansion of the computer centre at Two IFC as part of the upgrade of the HKMA's IT infrastructure and the new application systems. In December, an annual organisation-wide business continuity drill was conducted and the recovery times of the IT systems met the required targets. To promote IT security awareness, the Division conducted an IT security quiz for staff in the summer of 2010. The Division continued to support the Hong Kong Deposit Protection Board in enhancing the payout system.

SETTLEMENT SERVICES

The Settlement Section provides settlement and operational support to ensure efficient and reliable transfers of funds or assets of the Exchange Fund arising from reserves management, monetary operations and other activities of the HKMA. In keeping with the Settlement Section's adherence to best market practices, an external consultant was engaged to review settlement operations in 2010. The review confirmed the Section provides professional settlement and operational services to support the investment and monetary operations of the Exchange Fund.

The Settlement Section is put under the Banking Conduct Department, which is separated from the monetary operations and reserves management functions 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 on all aspects of its functions and activities. It comprises 13 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

- preparation of proposed legislative amendments to the Banking (Capital) Rules and the Banking (Disclosure) Rules called for by the Basel Committee on Banking Supervision's enhancements to the Basel II framework
 - preparation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Bill
 - implementation of the Government Bond Programme and proposed establishment of the China Bond Index Fund under the second phase of the Asian Bond Fund Programme
 - negotiation for Hong Kong's participation in the new arrangement to borrow with the International Monetary Fund and in the Note Purchase Agreement
 - continued development of the renminbi business in Hong Kong, including amending the Renminbi Clearing Agreement and Settlement Agreement as a result of the expansion in the scope of the renminbi business
 - deliberation of ways to strengthen the cross-border resolution regime for financial institutions and the Government's review of the legislative proposal on the Corporate Rescue Procedure
- implementation of the mystery shopper programme to ensure compliance with the Code of Banking Practice and enhance protection to bank customers
 - promotion of Islamic finance initiatives
 - negotiations on the formulation of global settlement agreements with the SFC and a number of distributing banks on Lehman Brothers-related and other financial products.

The OGC manages HKMA litigation matters and provides comments to government bureaux on significant legislative proposals, such as the Companies Bill and the Competition Bill. OGC's lawyers participate in the Financial Stability Board Steering and Working Groups and other 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.

INTERNAL AUDIT

The Internal Audit Division performs independent assessments of the adequacy and effectiveness of risk management and control, 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 it co-ordinated the annual organisation-wide risk assessment exercise and reported the results to the Risk Committee. Using a risk-based approach, operational audits and system security reviews were conducted to cover all the significant risks facing the HKMA. The Division advised on major system development projects and responded to management requests on internal-control matters, as well as advising senior executives on issues with control implications.

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To keep abreast of developments in practices in the profession and other central banks, the Division attended the Heads of Audit Forum organised by the Bank of England to exchange views and experiences in risk management and audit matters. It also contributed to the Asian Chief Audit Executives Leadership Forum organised by the Asian Confederation of Institutes of Internal Auditors. In addition, professional staff attend seminars and training courses on the latest risk-management practices and audit techniques.

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.