

# Corporate Functions

The HKMA continues to strengthen its ties with the media and the community in general to promote understanding of its work. At the same time, resources are continually reviewed and deployed to maintain banking and monetary stability in an increasingly complex and challenging global financial environment.

## CORPORATE DEVELOPMENT

### Media relations

The HKMA places great emphasis on maintaining effective and timely communications with the media to improve transparency and accessibility to its operations. In 2012, the HKMA continued to strengthen this relationship with the media and the public and enhance their understanding of the HKMA's policies and work. During the year, there were 86 open press events, comprising 18 press conferences, 19 stand-up interviews and 49 other public functions. A further 57 media interviews were arranged. Altogether 324 bilingual press releases were issued and a large number of media enquiries were handled each day.

In addition, nine media workshops were organised covering a wide range of topics to enable better understanding of the HKMA's operations and initiatives. The topics included prudential measures for mortgage lending, the implementation of regulatory requirements under Basel III, the operation of the Currency Board, and offshore renminbi business development, such as the introduction of the renminbi liquidity facility.

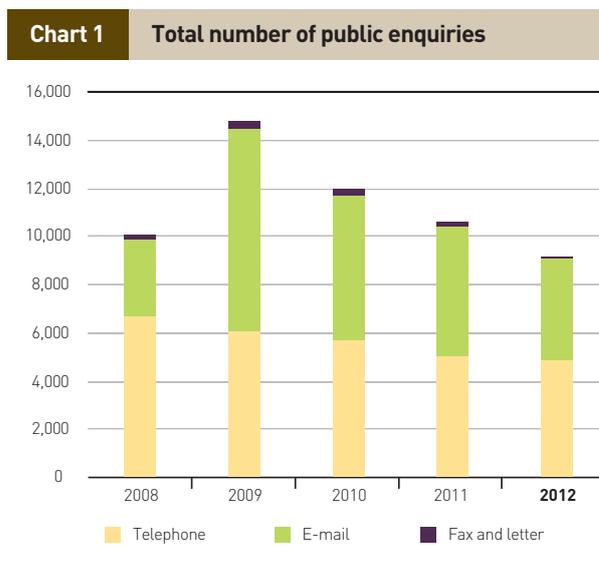


Chief Executive of the HKMA, Mr Norman Chan, briefs the media during the annual visit of the Hong Kong Association of Banks and the HKMA to the Mainland.

### Public enquiries

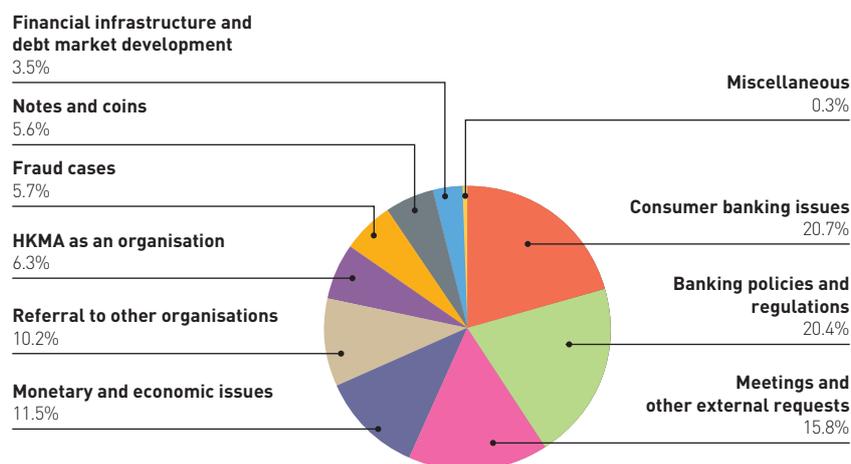
The Public Enquiry Service handled 9,109 enquiries in 2012. The Service continues to be one of the key channels through which the HKMA communicates with the community and helps the public better understand its work.

Most enquiries were related to consumer banking issues, and banking policies and regulations. Notable examples were the prudential measures on mortgage loans and the prevention of money laundering and terrorist financing. Other enquiries covered such issues as personal renminbi business for non-Hong Kong residents, automatic teller machine chip cards and Hong Kong dollar fund flows. Chart 1 shows the number of enquiries received since 2008 and Chart 2 shows the breakdown by nature of the enquiries received in 2012.



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**Chart 2** Nature of enquiries received in 2012



## 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 2011* received an Honourable Mention in the Hong Kong Management Association's 2012 Best Annual Reports Awards.

## The HKMA website

The HKMA corporate website ([www.hkma.gov.hk](http://www.hkma.gov.hk)), with over 50,000 pages in three language versions, provides comprehensive and up-to-date information about the HKMA in an accessible manner. Its Really Simple Syndication (RSS) function helps users keep track of updates. It also contains the Register of Securities Staff of Authorized Institutions and the Register of Authorized Institutions and Local Representative Offices, both maintained under section 20 of the Banking Ordinance.

### 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.

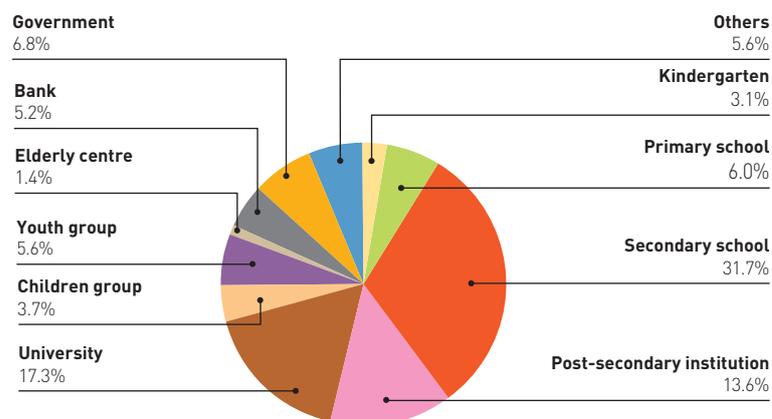
The Centre consists of an exhibition area and library, and is open to the public six days a week. There are displays on the history of money and banking in Hong Kong and the key policy objectives of the HKMA, and it provides information on Hong Kong's banknotes, Internet banking security, the payment systems and deposit protection in Hong Kong. During the year, the Centre received more

than 39,000 visitors and held over 510 guided tours for schools and other groups (Chart 3). Over 413,000 people have visited the Centre since it opened in December 2003.

During the year, the Centre was refurbished for showcasing new exhibits and displays to improve services to the public. The Historical Timeline featured on the main wall of the Centre will also be revamped in February 2013 to include a children's version of the timeline showing the evolution of money in Hong Kong.

The Library, situated next to the Exhibition Area, contains material for the detailed study of Hong Kong's monetary, banking, financial affairs and central banking topics.

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



The refurbished Information Centre showcases new display elements and a children's version of timeline on the evolution of money in Hong Kong.

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The HKMA continued to organise public education seminars on issues relevant to its work. In 2012, three seminars were held for over 2,500 students, teachers and members of the public. The main subjects were the Linked Exchange Rate system, Hong Kong's banknotes and the work of the HKMA.

The HKMA collaborated with the Leisure and Cultural Services Department in presenting the Hong Kong Currency Exhibition at the Hong Kong Museum of History,

with the support of the three note-issuing banks. The Exhibition, the largest of its kind ever held in Hong Kong, brought together about 700 artefacts covering a wide array of relics, some of which have rarely been seen. To support the Exhibition, the HKMA donated to the Museum a collection of 5,331 Certificates of Indebtedness issued to note-issuing banks between 1935 and 1995, including the first batch issued in December 1935 following the establishment of the Exchange Fund the same year. The series was featured in the Exhibition.



*The Hong Kong Currency Exhibition offers visitors an extensive overview of the development of the different types of currency used in Hong Kong, and the change in the purchasing power of the local currency over the years.*

## HUMAN RESOURCES

The HKMA needs to recruit, develop and maintain a highly professional workforce to support its policy objectives and to respond flexibly to changing work priorities. While it is an integral part of the Government, the HKMA is able to employ staff on terms different from those of the civil service to attract personnel with the right experience and expertise. As a public organisation, the HKMA aims to maintain a lean and flexible structure and to redeploy staff resources to meet new and increased workloads whenever possible.

### Organisational changes

To strengthen the HKMA's risk infrastructure, the Risk Management and Compliance Division (RMC Division) was separated from the front office of the Reserves Management Department and put under the direct supervision of one of the Deputy Chief Executives in July 2012. The Pricing Unit, which oversees the process of setting and applying prices for revaluing the Exchange Fund's investment holdings, was transferred from the Banking Conduct Department to the RMC Division in August.

### Staffing

In 2012, the establishment of the HKMA was 794. To ensure there were sufficient staff resources to address continuing pressure arising from the increasingly complex and dynamic financial environment, 24 new posts will be added to the establishment in January 2013, bringing the total establishment to 818 (an increase of 3%). These new posts will be deployed in the following areas:

- (a) **Enhancing the capability for macro-economic surveillance and market surveillance** – Resources will be deployed to strengthen analyses and surveillance of macro data, and for improving surveillance and supervision of the over-the-counter (OTC) market to comply with the requirements of the Financial Stability Board (FSB).
- (b) **Enhancing prudential supervisory capability and strengthening investor protection** – There is a need to keep up with the rapid growth and increasing complexity of the banking environment including the expanding variety of Mainland-related businesses, and to comply with the new regulations coming into force. Resources will be deployed for strengthening the supervision of banks and undertaking the related regulatory and policy development work.
- (c) **Promoting Hong Kong as the premier financial services hub, especially in offshore renminbi business, and as an asset/wealth management centre** – A new regulatory framework for stored value facilities and retail payment systems is being planned, and resources are needed to commence work on policy development and the related legislative proposals. Support will also be enhanced for Hong Kong's participation in the FSB and in the activities of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP).
- (d) **Enhancing capacity in investment, internal control and risk management of the Exchange Fund** – With the expanding investment activities and coverage of new asset classes, additional investment specialists will be required to manage the investment portfolios, and resources will also be deployed to strengthen operational risk management, credit risk management and legal support.

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

Department	Functions	Senior staff		Others	
		Establishment	Strength	Establishment	Strength
Chief Executive's and Deputy Chief Executives' Offices	Top management of the HKMA.	4	4	7	7
Banking Conduct Department	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 (AIs).	1	1	99	95
Banking Policy Department	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	30	30
Banking Supervision Department	To supervise day-to-day operations of AIs.	1	1	165	157
Enforcement Department	To focus on securities enforcement and complaint handling functions.	1	1	61	58
External Department	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	52	48
Financial Infrastructure Department	To develop and enhance the financial market infrastructure important for maintaining and strengthening Hong Kong as an international financial centre.	1	1	32	25
Monetary Management Department	To maintain financial and monetary stability through macro-financial surveillance, monitoring of market operations and development issues, and to ensure adequate supply of banknotes and coins.	1	1	40	40
Research Department	To conduct research and analysis on economic and international financial market developments in Hong Kong and other economies.	1	1	38	37
Reserves Management Department	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	58	55
Risk Management and Compliance Division	To formulate and monitor compliance with investment guidelines, and manage financial and operational risks, for promoting the integrity and the soundness of reserves management.	–	–	32	29
Office of the General Counsel	To provide in-house legal support and advice.	1	1	21	18
Corporate Services Department	To provide support services in the form of administrative, finance, human resources, information technology and secretariat services, and to handle media and community relations.	1	1	158	154
Internal Audit Division	To provide audit services through assisting management in controlling risks, monitoring compliance and improving the efficiency of internal control systems and procedures.	–	–	10	9
<b>Total</b>		<b>15</b>	<b>15</b>	<b>803</b>	<b>762</b>

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

### Remuneration policies and pay review mechanism

The Financial Secretary (FS) determines the pay and conditions of service for HKMA staff on the advice of the Governance Sub-Committee (GSC) through the Exchange Fund Advisory Committee (EFAC) taking into account the prevailing market rates and practices. Remuneration comprises a total cash package and a Provident Fund Scheme, with minimal benefits in kind. The cash package consists of fixed pay, which is payable monthly, and variable pay, which may be awarded to individual staff members as a lump sum once a year depending on performance.

Pay for HKMA staff is reviewed annually by the FS in light of recommendations made to him by the GSC through EFAC, taking into account the GSC's assessment of the performance of the HKMA in the preceding year, the pay survey findings of the financial sector conducted by independent HR consultants and any other relevant factors.

Any approved annual adjustments to the fixed pay or any variable pay awards for the HKMA are distributed to individual staff based on their performance. Taking into account advice from independent HR consultant, the variable pay system for investment professionals in the HKMA was modified in 2011 to strengthen the linkage between their investment performance and remuneration award. The pay adjustments or awards to individual staff members at the ranks of Executive Director or above are approved by the FS on the advice of the GSC. The staff members concerned are not present at the meetings when their pay is discussed. The pay adjustments or awards for individual staff at the ranks of Division Head and below are determined by the Chief Executive of the HKMA under

delegated authority from the FS and within the approved overall pay awards.

### Remuneration of senior staff

The remuneration packages of the senior staff in 2012 are shown in Table 2.

**Table 2** Remuneration packages of HKMA senior staff in 2012<sup>1</sup>

\$'000	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
Number of staff <sup>2</sup>	1	3	12
Annualised pay			
Fixed pay	6,000	5,491	3,482
Variable pay	2,456	1,709	824
Other benefits <sup>3</sup>	954	608	423

Notes:

- 1 Except for annual leave accrued, the actual remuneration received by staff during 2012 but not serving a full year is annualised for the purpose of calculating the average annual package for the rank.
- 2 The number of staff in this table at the Executive Director rank includes 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 focuses on developing staff capabilities to meet operational demands, career development and new challenges. During the year, staff were provided with 3,010 training days. These included 1,360 days of horizontal training in general skills, and 1,650 days of vertical training in job-specific issues. Each staff received on average 3.9 days of training.

As part of the horizontal training programme, courses on central banking and the core functions of the HKMA were organised for new staff. Other programmes included team-building workshops; courses on English writing skills for banking colleagues and junior managers; and courses on Putonghua, and training on computer skills for staff at various ranks. Workshops on corporate image and business etiquette, communications and presentation skills and on-site interface skills were attended by managerial staff. An advanced leadership course run by an overseas organisation and a national studies

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course at Peking University, organised by the Hong Kong Government, were also attended by managerial staff. Training for senior staff included executive coaching; a locally-run executive leadership programme; an internationally-run seminar on global financial issues; and central banking courses organised by the Federal Reserve Bank of New York.

In addition to formal training, staff briefings were conducted by senior executives and external speakers on a wide range of topics related to the work of the HKMA, including briefings on professional ethics and corruption prevention.

Throughout the year, training on specific topics was organised for staff in the banking departments. The topics in 2012 included updates on Basel III, renminbi business, the regulation of Mandatory Provident Fund intermediaries, anti-money laundering, and trade financing. External training consultants were also engaged to provide courses for banking supervisory staff on advanced bank risks analysis, and commercial and corporate lending.

The HKMA runs a Training Sponsorship Scheme to help staff pursue degree or diploma courses, professional qualifications or short-term courses relevant to the work of the HKMA. Partial reimbursement of membership dues of relevant professional bodies is also provided.

## GENERAL ADMINISTRATION

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

The HKMA adopts multiple measures to protect and preserve the environment, including the use of recycled paper, the installation of energy-saving devices, and recycling various office or daily consumables, such as paper, printer cartridges, batteries and bottles. Green achievements in 2012 included reduction in electricity

consumption by the main general office (1.6%), reduction in photocopying (13.1%) and reduction in envelope consumption (46.1%). Staff continued to give their generous support to regular campaigns in collecting clothes, toys and other reusable items for donation to charities.

During the year, staff teams participated in a number of charity walks including the Green Power Hike, the Sowers Action Charity Marathon, the UNICEF Half Marathon and the Oxfam Trailwalker, in which the HKMA Corporate Team was awarded the honour of "Super Trailwalker" by completing the 100-kilometre walk within 18 hours. Staff also took part in the Blood Donation Day and the Community Chest's Dress Casual Day, and gave more than 100 hours of free time to voluntary services, including organising an outing for the students of Chak Yan Centre. In recognition of the HKMA's continuous commitment to corporate citizenship, the Hong Kong Council of Social Service has extended the usage of "5 Years Plus Caring Organisation Logo" to the HKMA up to 28 February 2014.

## FINANCE

### Annual budget

In drawing up the annual budget, the HKMA takes into account both its continuing operations and its strategic development set out in a three-year plan approved by the FS on the advice of EFAC. Departments are required to assess their needs for the coming year and consider where savings in staffing and expenditure can be achieved. This requires departments to critically assess the value of existing services and the cost-effectiveness of delivery methods. The Finance Division scrutinises all budget requests and discusses them with individual departments before submitting a consolidated draft budget for scrutiny by senior management. The GSC of EFAC then deliberates on the budget and recommends any changes it believes are necessary, before putting it through EFAC to the FS for approval.

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

The administrative expenditure in 2012 and the budgeted expenditure for core activities in 2013 are shown in Table 3. The difference between the 2012 actual expenditure and the 2013 budget arises mainly from an increase in staff costs, including the full-year effect of staff increases in 2012 reflecting the strengthening of support for essential activities in different areas of the HKMA's work, and the increase of 24 posts in 2013 for enhancing capabilities in market surveillance, supervision and investment activities. The request for 2013 was approved by the FS on the advice of EFAC.

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 2013. Expenditure continued in 2012 on the programme to upgrade Hong Kong's financial infrastructure, including strengthening Hong Kong's local and regional payment infrastructure, developing and implementing by phases the trade repository system, and keeping the infrastructure at the forefront of technology and in compliance with new standards. 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 and securely. These expenses are shown in Table 4. The HKMA also provides operational support to the Hong Kong Deposit Protection Board on a cost-recovery basis as endorsed by the FS according to section 6 of the Deposit Protection Scheme Ordinance (Cap. 581).

**Table 3** HKMA administrative expenditure

\$ million	2012 Budget*	2012 Actual	2013 Budget*
<b>Staff costs</b>	942		1,057
Salaries and other staff costs		834	
Retirement benefit costs		69	
<b>Premises expenses</b>			
Operating lease charges	17	16	19
Other premises expenses (including utility charges and management fees)	48	45	49
<b>General operating costs</b>			
Maintenance of office and computer equipment	67	60	64
Financial information and communication services (including trading, dealing terminals and data link charges)	54	44	58
External relations (including international meetings)	54	30	57
Professional and other services	45	26	54
Training	9	8	10
Others	23	22	24
<b>Total administrative expenditure</b>	<b>1,259</b>	<b>1,154</b>	<b>1,392</b>

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

**Table 4** Additional expenses

\$ million	2012 Budget*	2012 Actual	2013 Budget*
Subsidy to the Hong Kong Institute for Monetary Research	21	17	21
Premises expenses of international financial organisations in Hong Kong	32	32	34
Service fees for financial infrastructure	97	80	146

\* 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 through licence fees paid by Als, and custodian and transaction fees from users of the Central Moneymarkets Unit (CMU). For 2013, revenue from licence fees is estimated to be \$132 million (2012: \$132 million), and costs recovered from the Hong Kong Deposit Protection Board and the other income components (excluding investment income) are estimated to total \$83 million (2012: \$80 million).

## Financial disclosure

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

## INFORMATION TECHNOLOGY

The Information Technology Division maintained 100% operational uptime in 2012 for all time-critical systems. To ensure continued reliability of the HKMA's information technology (IT) systems, ageing components of the IT infrastructure were updated in batches. The Division implemented a new IT security information and event management software package to automate the system message logs review process and enable early security warning. As mobile technology changes consumer and business behaviour, the Division continued to explore and deploy new arrangements for supporting staff on the move to enhance productivity.

In line with the Government's policy commitment, the HKMA improved the accessibility of its corporate website and five related websites – Online Learning, the Register of Securities Staff of Authorized Institutions, the Register of Authorized Institutions and Local Representative Offices, the CMU Bond Price Bulletin and the Government Bond Programme Website. They now conform to the World Wide Web Consortium's Web Content Accessibility Guidelines 2.0 Level AA standard.

The revamp of the banking departments' existing banking supervisory information system continued in 2012 to meet the evolving needs of the departments for IT support in discharging their responsibilities. The revamp project covers three main areas – the new system infrastructure, development of business intelligence tools and enhancement of the banking return electronic submission system. The project has been progressing on schedule since its commencement in February 2012.

The Division continued to support the Hong Kong Deposit Protection Board in improving its payout efficiency and upgrading the capacity of the system to cater for multiple concurrent payouts.

## SETTLEMENT SERVICES

The Settlement Section provides settlement and operational support to ensure sufficient and reliable transfers of funds or assets of the Exchange Fund arising from reserves management, monetary operations and other activities, as well as administration of the HKMA. In view of the potential settlement risks from the wide range of trading products and markets undertaken by the HKMA, the Settlement Section remains vigilant towards operational issues that may arise during the provision of settlement services. It also supports the ongoing effectiveness of the in-house investment and settlement processing systems. The Settlement Section is committed to effective risk control mechanisms for settlement and operational support, and ensuring the segregation of duties and avoiding conflicts of interest between monetary operations and reserves management functions of the HKMA. As such, the Section is grouped under the Banking Conduct Department, which is separated from other functions of the HKMA.

## 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 12 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:

- implementation of the Basel III framework, including preparing the legislative amendments to the Banking (Capital) Rules
- formulation of the proposed regulatory regime for the OTC derivatives market, including establishing a trade repository in Hong Kong for OTC derivatives transactions
- formulation of the proposed regulatory regime for stored value facilities and retail payment systems
- formulation of proposals for regulating insurance intermediation services by AIs as part of the new regulatory regime for the insurance industry
- implementation of the HKMA's regulatory regime under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance
- deliberation on effective resolution regimes to strengthen cross-border resolution for global systemically important financial institutions, including participation in the FSB Steering Group for resolution regimes and the legal advisory panel to that Steering Group co-chaired by the FSB Secretariat and the IMF, and preparation of bank-specific cross-border co-operation agreements

- deliberation on arrangements to improve information gaps and systemic linkages for global systemically important banks, including participation in the FSB Data Gaps Implementation Group
- conduct and management of litigation matters involving the HKMA.

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

## INTERNAL AUDIT

The Internal Audit Division performs independent assessment of the adequacy and effectiveness of 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 the Division co-ordinated the annual organisation-wide risk assessment exercise and reported the results to the Risk Committee and the Audit Sub-Committee. Using a risk-based approach, operational audits and system security reviews were conducted to cover all significant risks of the HKMA. In addition to auditing the prudential banking supervision function, the Division also reviewed processes of other banking departments including Banking Conduct and Enforcement. The Division advised on major system development projects and responded to management requests on internal-control matters, as well as advising senior executives on internal control issues.

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To keep abreast of developments in practices in the internal audit profession and other central banks, the Head of the Division attended two central banking courses organised by Central Banking Publication Limited for internal audit heads and risk managers. He participated as a guest speaker and exchanged views and shared experiences in risk management and audit matters with other delegates. In addition, the Division's professional staff attended 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. There are two high-level committees under the HKMA's risk management framework, the Macro Surveillance Committee and the Risk Committee.

The terms of reference of the Macro Surveillance Committee are:

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

The terms of reference of the Risk Committee are:

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

Both Committees are chaired by the Chief Executive and meet regularly to review the risk assessments made by 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.