



About the HKMA

The Hong Kong Monetary Authority is Hong Kong's central banking institution. The HKMA has four main functions:

- ◆ maintaining currency stability within the framework of the Linked Exchange Rate System;
- ◆ promoting the stability and integrity of the financial system, including the banking system;
- ◆ helping to maintain Hong Kong's status as an international financial centre, including the maintenance and development of Hong Kong's financial infrastructure; and
- ◆ managing the Exchange Fund.

About the HKMA

THE HKMA'S LEGAL MANDATE

The HKMA was established on 1 April 1993 after the Legislative Council passed amendments to the Exchange Fund Ordinance in 1992 empowering the Financial Secretary to appoint a Monetary Authority.

The powers, functions and responsibilities of the Monetary Authority are set out in the Exchange Fund Ordinance, the Banking Ordinance, the Financial Institutions (Resolution) Ordinance, the Deposit Protection Scheme Ordinance, the Payment Systems and Stored Value Facilities Ordinance, and other relevant Ordinances. The division of functions and responsibilities in monetary and financial affairs between the Financial Secretary and the Monetary Authority is set out in an exchange of letters dated 25 June 2003. The exchange of letters discloses delegations made by the Financial Secretary to the Monetary Authority. The letters are public documents and can be found on the HKMA website.

The Exchange Fund Ordinance establishes the Exchange Fund under the control of the Financial Secretary. According to the Ordinance, the Fund shall be used primarily for affecting the exchange value of the Hong Kong dollar. It may also be used for maintaining the stability and integrity of the monetary and financial systems of Hong Kong, with a view to maintaining Hong Kong as an international financial centre.

The Monetary Authority is appointed under the Exchange Fund Ordinance to assist the Financial Secretary in performing his functions under the Exchange Fund Ordinance and to perform such other functions as are assigned by other Ordinances or by the Financial Secretary. The office of the Monetary Authority is known as the HKMA, and the Monetary Authority is the Chief Executive of the HKMA.

The Banking Ordinance provides the Monetary Authority with the responsibility and powers for regulating and supervising banking business and the business of taking deposits. Under the Ordinance, the Monetary Authority is responsible for the authorization of licensed banks, restricted licence banks and deposit-taking companies in Hong Kong.

The Financial Institutions (Resolution) Ordinance provides that the Monetary Authority is the resolution authority for banking sector entities. Under the Ordinance, the Monetary Authority is vested with a range of powers to effect the orderly resolution of a non-viable, systemically important, banking sector entity for the purpose of maintaining financial stability, while seeking to protect public funds.

The Securities and Futures Ordinance and the Mandatory Provident Fund Schemes Ordinance provide certain powers to the Monetary Authority regarding the securities and mandatory provident fund businesses of banks.

The Monetary Authority has been delegated with powers of inspection and investigation by the Insurance Authority under the Insurance Ordinance in relation to the insurance related businesses of banks.

The Anti-Money Laundering and Counter-Terrorist Financing Ordinance empowers the Monetary Authority to supervise banks' compliance with the requirements under the Ordinance.

The Deposit Protection Scheme Ordinance confers responsibility on the Monetary Authority to assist in the operation of the Deposit Protection Scheme and to trigger payment of compensation from the Deposit Protection Scheme Fund to depositors of a failed bank.

The Payment Systems and Stored Value Facilities Ordinance provides a statutory regime for the Monetary Authority to designate and oversee clearing and settlement systems that are material to the monetary or financial stability of Hong Kong or to the functioning of Hong Kong as an international financial centre. It also empowers the Monetary Authority to administer a licensing regime for stored value facilities, and to designate retail payment systems and oversee that their operations are safe and efficient.