



# Corporate Governance

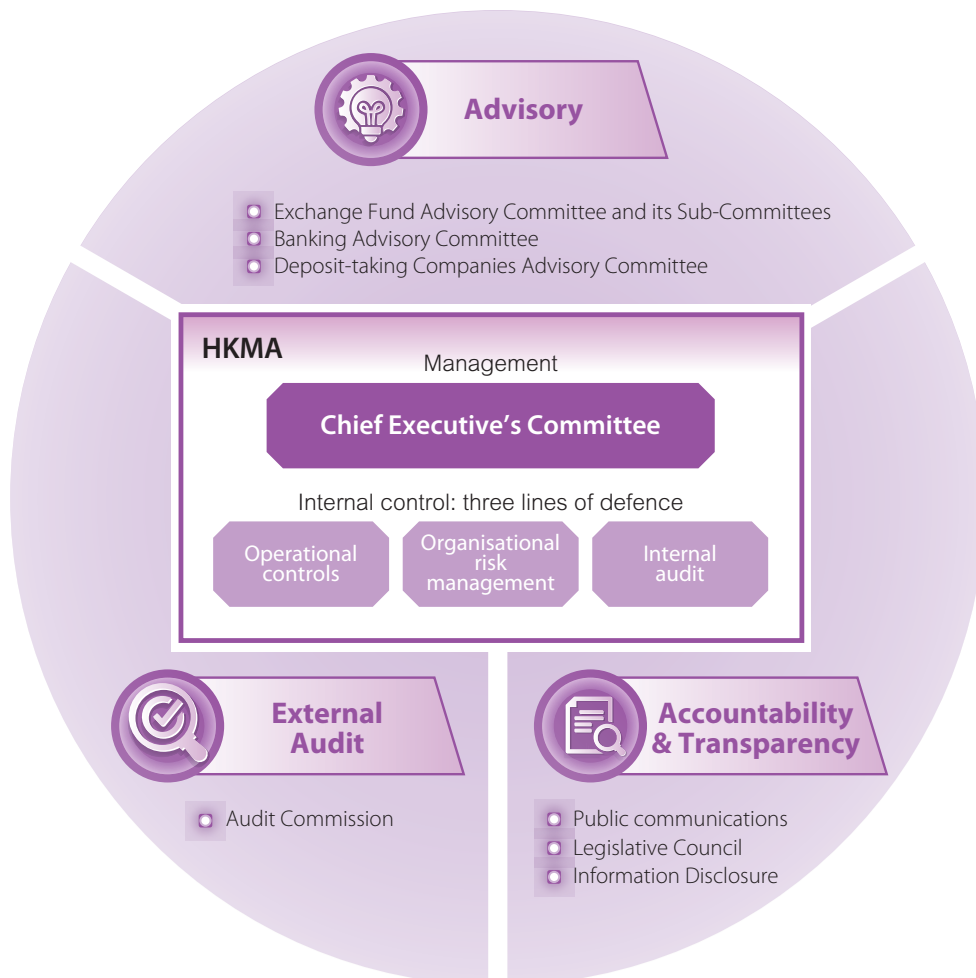
## Overview

As Hong Kong's central banking institution, the HKMA is committed to high standards of corporate governance, recognising that good governance is crucial for maintaining and safeguarding public trust and confidence in its commitment to fulfil its statutory mandate.

To achieve its commitment to good corporate governance, the HKMA:

- ◻ puts in place a well-defined governance structure;
- ◻ pursues a high degree of accountability and transparency, and maintains close contacts with stakeholders; and
- ◻ exercises robust controls to manage risks and ensure that staff behaviours at all levels and its day-to-day operations are consistent with specified standards.

The HKMA's corporate governance framework encompasses several key components, including consultation and guidance from statutory Advisory Committees, accountability and transparency, and internal controls and external audit.



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### The HKMA and the HKSAR Government

The HKMA is an integral part of the HKSAR Government, but is able to employ staff on terms different from those of the civil service in order to attract personnel of the right experience and expertise. The Chief Executive of the HKMA and his staff are public officers. In its day-to-day work, the HKMA operates with a high degree of autonomy within the relevant statutory powers conferred upon, or delegated to, the Monetary Authority.

The Financial Secretary is responsible for determining the monetary policy objective and the structure of the monetary system of Hong Kong: a letter from the Financial Secretary to the Monetary Authority dated 25 June 2003 specifies that these should be currency stability defined as a stable exchange value at around HK\$7.80 to one US dollar maintained by Currency Board arrangements. The Monetary Authority is on his own responsible for achieving the monetary policy objective, including determining the strategy, instruments and operational means for doing so. The Monetary Authority also has responsibilities in relation to the maintenance of the stability and integrity of the monetary system of Hong Kong.

The Financial Secretary, assisted by the Secretary for Financial Services and the Treasury, has responsibility for policies for maintaining the stability and integrity of Hong Kong's financial system and the status of Hong Kong as an international financial centre. In support of these policies, the Monetary Authority's responsibilities include:

- promoting the general stability and effective working of the banking system;
- promoting the development of the debt market, in co-operation with other relevant bodies;
- matters relating to the issuance and circulation of legal tender notes and coins;
- promoting the safety and efficiency of the financial infrastructure through the development of payment, clearing and settlement systems and, where appropriate, the operation of these systems; and
- seeking to promote, in co-operation with other relevant bodies, confidence in Hong Kong's monetary and financial systems, as well as market development initiatives to help strengthen the international competitiveness of Hong Kong's financial services.

The Exchange Fund is under the control of the Financial Secretary. The Monetary Authority, under delegation from the Financial Secretary, is responsible to the Financial Secretary for the use of the Exchange Fund, and for the investment management of the Fund.

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## Advisory Committees and management

### Advisory Committees

The Advisory Committees provide advice and guidance on the main areas of work of the HKMA.

The Exchange Fund Advisory Committee (EFAC) is established under the Exchange Fund Ordinance for the purpose of advising the Financial Secretary on matters related to his control of the Exchange Fund. The Financial Secretary is the ex officio Chairman of EFAC. Other members, including the Monetary Authority, are appointed in a personal capacity by the Financial Secretary under the delegated authority of the Chief Executive of the HKSAR. Members of EFAC are appointed for the expertise and experience that they can bring to the Committee. EFAC is assisted in its work by five Sub-Committees, which monitor and give guidance to specific areas of the HKMA's work. They report and make recommendations to the Financial Secretary through EFAC. See pages 43 to 52 for more details on EFAC and its five Sub-Committees.

The Banking Advisory Committee (BAC) and the Deposit-taking Companies Advisory Committee (DTCAC) are established for the purpose of advising the Chief Executive of the HKSAR on matters relating to the Banking Ordinance, in particular matters relating to the carrying on of banking business or deposit-taking business as the case may be, by banks, restricted licence banks and deposit-taking companies. Both committees consist of the Financial Secretary, who is the Chairman, the Monetary Authority, and other persons appointed by the Financial Secretary under the delegated authority of the Chief Executive of the HKSAR. See pages 53 to 54 for more details on BAC and DTCAC.

### Management

The Chief Executive's Committee (CEC) comprises the Chief Executive of the HKMA, who chairs the Committee, the Deputy Chief Executives, and other senior staff. The Committee meets regularly to report to the Chief Executive on the progress of major tasks being undertaken by the various departments of the HKMA and to advise him on policy matters relating to the operations of the HKMA. See pages 55 to 56 for the membership list of CEC.

## Accountability and transparency

The autonomy given to the HKMA in its day-to-day operations, and in the methods it uses to pursue policy objectives determined by the HKSAR Government, is complemented by a high degree of accountability and transparency.

The HKMA is accountable to the people of Hong Kong through the Financial Secretary, who appoints the Monetary Authority, and through the laws passed by the Legislative Council (LegCo) that set out the Monetary Authority's powers and responsibilities. The HKMA also recognises a broader responsibility to promote a better understanding of its roles and objectives and to keep itself informed of community concerns. In its day-to-day operations and in its wider engagement with the community, the HKMA pursues a policy of transparency and accessibility. This policy has two main objectives:

- to keep the financial industry and the public as fully informed about the work of the HKMA as possible, subject to considerations of market sensitivity, commercial confidentiality and statutory restrictions on disclosure of confidential information; and
- to ensure that the HKMA is in touch with, and responsive to, the community it serves.

## Public communications

The HKMA serves Hong Kong by promoting monetary and banking stability, managing the official reserves effectively, and developing and overseeing a robust and diverse financial infrastructure. These processes help to strengthen Hong Kong's role as an international financial centre and to foster Hong Kong's economic well-being.

The HKMA must have the confidence of the community if it is to perform its duties well. The HKMA therefore takes seriously the duty of explaining its policies and work to the general public. It maintains extensive engagement with the mass media and utilises social media platforms to communicate with the public more effectively in the digital era. It also proactively identifies and makes every effort to address any concerns within the community relevant to the HKMA's responsibilities. In particular, the HKMA makes timely clarifications on misinformation and rumours about the HKMA's policies via both traditional and social media.

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The HKMA also maintains an Information Centre at its offices, consisting of a library and an exhibition area, which is open to the public six days a week. Further information on the HKMA's work on public communications and engagement is contained in the *Corporate Functions* chapter on pages 155 to 161.

### Legislative Council

The relations between the HKMA and the LegCo play an important role in promoting accountability and transparency. The Chief Executive of the HKMA is committed to appearing before the Panel on Financial Affairs of the LegCo three times a year to brief Members and answer questions on the HKMA's work. Regular reports presented by the Chief Executive of the HKMA at the Panel on Financial Affairs can be found on the HKMA website.

Representatives from the HKMA also attend the LegCo's panel and committee meetings from time to time to explain and discuss particular issues and to assist Members in their scrutiny of draft legislation.



*HKMA's briefings to the LegCo's Panel on Financial Affairs*

### Information disclosure

The HKMA seeks to follow international best practices in its transparency arrangements. It produces a range of regular and special publications in both English and Chinese. The HKMA's bilingual website ([www.hkma.gov.hk](http://www.hkma.gov.hk)) contains a large number of HKMA publications, press releases, speeches and presentations, in addition to dedicated sections on research, statistics, regulatory resources, consumer information and other topics.

The HKMA from time to time reviews the adequacy of its disclosure of information on the Exchange Fund and Currency Board Accounts. Since 1999, the HKMA has participated in the International Monetary Fund's Special Data Dissemination Standard project for central banks. The HKMA publishes records of meetings of the Currency Board Sub-Committee of EFAC, as well as reports on Currency Board operations. The supervisory policies and guidelines on banking have been published on the HKMA website since 1996.

### Internal controls and external audit

The HKMA adopts robust control mechanisms to ensure that it upholds a high standard of staff conduct, prudent risk management, as well as appropriate checks and balances. Internal and external audit functions provide independent assessments on the adequacy and effectiveness of the control mechanisms.

### Code of Conduct

A Code of Conduct, which provides guidance to staff on their ethical and legal responsibilities, is in place to ensure that staff behaviours are consistent with specified standards at all levels.

### Internal controls

#### Operational controls

All departments and divisions are responsible for identifying and assessing risks of their operational processes, as well as implementing appropriate controls to ensure the effective day-to-day operations of the HKMA. This constitutes the first line of defence in risk management.

#### Organisational risk management

Risk management is also undertaken at the entity level, with the Risk Committee, chaired by the Chief Executive of the HKMA, serving as a cornerstone of the organisational risk management framework.

Potential and emerging risks identified by business units, along with the adequacy of control measures and mitigating strategies, are reviewed and reported at the Risk Committee, which determines appropriate follow-up actions.

#### Internal audit

The Internal Audit Division of the HKMA independently assesses the adequacy and effectiveness of governance, risk management and control processes of different functional units, and advises on areas for improvement.

#### External audit

In accordance with section 7 of the Exchange Fund Ordinance, the Audit Commission of the HKSAR Government audits the financial statements of the Exchange Fund. The Commission does not charge for this service. The audited financial statements of the Exchange Fund are included in the *HKMA Annual Report*.