

DRAFT RESEARCH OUTLINE

Governance of the Hong Kong Monetary Authority

Background

The Panel on Financial Affairs (the Panel) at its meeting on 9 April 2002 requested the Research and Library Services Division (RLSD) to conduct a research on "Governance of the Hong Kong Monetary Authority". In particular, the Panel would like the research to cover the following:

- (a) a comparison between the governance of the Hong Kong Monetary Authority (HKMA) and that of other government departments; and
- (b) an analysis of the reasons/justifications for the differences.

Unique Characteristics of the Hong Kong Monetary Authority

2. HKMA differs from other government departments in terms of the following:

- (a) HKMA is part of the Government and it reports directly to the Financial Secretary (FS). It is responsible for the management of the Exchange Fund, which is subject to the advice of the Exchange Fund Advisory Committee. Members of the Exchange Fund Advisory Committee, except FS, are non-government officials appointed by the Chief Executive.
- (b) HKMA is financial autonomous with its income and expenditure charged directly to the Exchange Fund instead of the general revenue; its annual budget is therefore not included in the Appropriation Bill to be approved by the Legislative Council (LegCo).
- (c) The Chief Executive of HKMA reports to the Panel three times a year on the work of HKMA and is invited to speak on specific policy issues as and when required.

Selection of Government Departments/Statutory Bodies for the Research

3. For the purpose of studying the governance of HKMA, RLSD proposes to include the following government departments/statutory bodies in this research --

- (a) Trade and Industry Department (TID),
- (b) Office of the Telecommunications Authority (OFTA),
- (c) Housing Department (HD),
- (d) Securities and Futures Commission (SFC), and
- (e) Mandatory Provident Fund Schemes Authority (MPFA).

4. TID is a typical government department which levies charges for its services. In addition, the expenditure of TID requires the approval from LegCo.

5. OFTA is a government department which has been operating under a trading fund since June 1995. Its funding is supported by income derived mainly from licence fees. OFTA is the executive arm of the Telecommunications Authority which is responsible for regulating the telecommunications industry in Hong Kong.

6. HD is a government department which is financially independent from the Administration and serves as the executive arm of the Hong Kong Housing Authority (HA). HA is responsible for implementing Hong Kong's public housing programmes in accordance with the objectives of the Government's Long Term Housing Strategy.

7. SFC and MPFA are statutory bodies and they function as industry regulators in the financial sector. SFC is responsible for regulating the securities and futures market of Hong Kong, while MPFA is entrusted with the regulation and supervision of the Mandatory Provident Fund schemes.

Research Outline

8. RLSD proposes the following outline for the research:

Part 1 — Introduction

This part provides the background information of the research.

Part 2 — Hong Kong Monetary Authority

Part 3 — Trade and Industry Department

Part 4 — Office of the Telecommunications Authority

Part 5 — Housing Department

Part 6 — Securities and Futures Commission

Part 7 — Mandatory Provident Fund Schemes Authority

Parts 2 to 7 discuss the functions, mandate, management structure, funding, staff remuneration arrangements, mechanism for approving expenditure and accountability arrangement regarding the government departments/statutory bodies selected.

Part 8 — Analysis

This part analyzes the reasons/justifications for the differences of the aforementioned government departments/statutory bodies in terms of functions, mandate, management structure, funding, staff remuneration arrangements, mechanism for approving expenditure and accountability arrangement.

Completion Date

9. RLSD proposes to complete the research project in June 2002.