

**Letterhead of Government of the Hong Kong Special Administrative Region of the
People's Republic of China**

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Chairman
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Legislative Council
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LegCo Panel on Financial Affairs

**Review on the Powers and Management Structure of
the Hong Kong Monetary Authority**

Thank you for your letter of 15 November enquiring on behalf of Panel members about the progress of the review of the powers and management structure of the Hong Kong Monetary Authority (HKMA).

As I said at my meeting with the Panel on 4 June 2001, the review on our monetary management structure is aimed at further enhancing the HKMA's accountability and transparency arrangements. This is an ongoing review and is likely to continue for some time. There is no timetable for completing the review, and it is important that it should not be carried out in a hasty manner, particularly at a time when the HKMA, the financial sector, and the community generally are preoccupied with addressing the considerable challenges now facing Hong Kong.

I should take this opportunity to stress that the HKMA already has a high level of transparency and accountability in its policy objectives, functions, operations and management structure. The HKMA is accountable to the Financial Secretary, who takes advice from the Exchange Fund Advisory Committee on matters relating to the use of the Exchange Fund, including, among other things, the HKMA's annual budget. Its powers and functions are

clearly defined in the Exchange Fund Ordinance and Banking Ordinance, and the policy objectives and work plans it pursues are set out in its Annual Report and in other public documents. It has implemented a number of initiatives in recent years to increase the transparency of its work to the markets, the community in general, and, not least, to the Legislative Council. These initiatives include: increasing the detail and frequency of its disclosure of information on the Exchange Fund and Currency Board Account; publishing the records of meetings of the EFAC Sub-Committee on Currency Board Operations; improving the quality and accessibility of its publications and website; and more frequent presentations and briefings to the Legislative Council.

As my predecessor said in the Budget Speech in March this year, the HKMA is widely respected, both in Hong Kong and overseas, for its professionalism, fairness and transparency. I am satisfied with the performance of the HKMA, and I see no urgent need for any radical changes. Nevertheless, I will keep under review the monetary management structure and consider possible enhancements in the light of changing conditions.