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By post and by fax

15 November 2001

The Hon Antony LEUNG Kam-chung, GBS, JP
The Financial Secretary
Financial Secretary's Private Office
12/F West Wing
Central Government Offices
Hong Kong

LegCo Panel on Financial Affairs

Review on the powers and management structure of the Hong Kong Monetary Authority

On behalf of the Panel on Financial Affairs, I write to convey the concern of Panel members about the lack of progress of the review on the powers and management structure of the Hong Kong Monetary Authority (HKMA).

Members reiterated their concern over the transparency and accountability of HKMA's operations during the discussion of the acquisition of the permanent accommodation for HKMA at the Panel meeting on 5 November 2001. Members noted at this meeting that the plan to conduct the aforesaid review with a view to reinforcing the transparency and accountability of HKMA was announced in the 2001-02 Budget Speech delivered by your predecessor in March 2001. Our members' concern was again conveyed to you at our meeting with you on 4 June 2001. So far we have not been given any time-table for this review.

As we are aware, HKMA is the government authority responsible for maintaining monetary and banking stability. Its policy objectives are not confined to the management of the Exchange Fund, but also the maintenance of the safety

and stability of the banking system and the promotion of the development of the financial system. To make Hong Kong an international financial centre competitive with other economies, it is necessary that HKMA's functions are well-defined and its management structure and operations transparent to the public and overseas investors. Our members are disappointed that although the plan to conduct the review was announced some eight months ago, the Administration is not yet able to report any progress of the review to the Panel. Members have therefore asked me to write to you and draw your attention to the need to take up the matter as soon as possible.

With warm regards,

(Ambrose LAU Hon-chuen)
Chairman of LegCo Panel on Financial Affairs