CB(1)657/06-07(01)

HONG KONG MONETARY AUTHORITY
香港金融管理局

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金管局資料簡介（1）HKMA Background Brief No. 1

香港的聯繫匯率制度

HONG KONG'S LINKED EXCHANGE RATE SYSTEM

第二版 **2nd edition**

《香港的聯繫匯率制度》是「金管局資料簡介」系列的首份小冊子。金管局推出資料簡介系列，是為了闡明香港貨幣與銀行體系的運作。日後我們會繼續推出有關銀行、金融基礎設施，以及其他貨幣事宜的小冊子。

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Hong Kong's Linked Exchange Rate System is the first of a series of HKMA Background Briefs designed to explain the workings of Hong Kong's monetary and banking systems. Forthcoming background briefs will cover banking, financial infrastructure, and other monetary issues.

This booklet is also available on the HKMA website at www.hkma.gov.hk

金管局 資料簡介(1)
HKMA BACKGROUND BRIEF NO.1

金管局資料簡介(1)
《香港的聯繫匯率制度》

2005年11月第二版

本小冊子在香港以再造紙印製

HKMA Background Brief No. 1
Hong Kong's Linked Exchange Rate System

Second Edition November 2005
Printed in Hong Kong on recycled paper

Contents

Foreword

The Hong Kong economy is highly externally oriented and open, with external trade in goods and services equivalent to around three times gross domestic product (GDP). This makes it important to maintain a stable exchange rate. The Financial Secretary has stated that it is a policy objective of the Hong Kong Government to maintain "a stable exchange value of the currency of Hong Kong"[1] and has defined this quantitatively "in terms of its exchange rate in the foreign exchange market against the US dollar, at around HK$7.80 to US$1". The Financial Secretary has further determined that "the structure of the monetary system shall be characterised by Currency Board arrangements".

While the Financial Secretary is responsible for determining monetary policy objectives and the structure of the monetary system in Hong Kong, the Monetary Authority, who is the Chief Executive of the Hong Kong Monetary Authority, is responsible for achieving the monetary policy objectives, including determining the strategy, instruments and operational means for doing so, and for maintaining the stability and integrity of the monetary system of Hong Kong. In short, the Monetary Authority is responsible for the operation of the Linked Exchange Rate system in Hong Kong.

Hong Kong is one of the few economies which adopt a currency board or a linked exchange rate system. Since its launch on 17 October 1983, the Link has been functioning smoothly despite volatilities in the market which included the stock market crash in Hong Kong in 1987, the Gulf War in 1990 and the Asian financial crisis of 1997/98.

[1] See the Financial Secretary's letter on Functions and Responsibilities in Monetary and Financial Affairs to the Monetary Authority on 25 June 2003. A soft copy of the letter is available on the HKMA website (www.hkma.gov.hk).

Transparency of the operation of the Linked Exchange Rate system and the public's confidence in the Hong Kong Government's ability and determination to maintain the Link are essential. As the financial markets become more sophisticated with the introduction of different derivatives and technological developments allowing large trades to be made in a matter of seconds, the potential for volatility increases. Against this background, we have made a number of modifications to the system over the years, with the objectives of strengthening it and increasing its robustness. The fact that the exchange rate has remained stable through a number of potentially destabilising events suggests that the Link has functioned well.

I am convinced that, for the time being, the Linked Exchange Rate remains the best monetary option for Hong Kong. Whatever short-term gains might be conceived under another system, no other monetary policy would provide the stability and confidence necessary for an extremely open and externally oriented economy like Hong Kong's. In an imperfect world, however, no monetary policy is without its costs, and it is right that there should be healthy and informed debate about the Link.

Foreword

In November 2000, *HKMA Background Brief No.1: Hong Kong Linked Exchange Rate System*, was published to give information about the history and operation of Hong Kong dollar exchange rate arrangement, the importance of the system to the Hong Kong economy and some limitations imposed by the Linked Exchange Rate system. Between 2000 and 2005, a number of initiatives have been undertaken to strengthen the Linked Exchange Rate system and this second edition has been prepared to bring things up to date. It is our aim that this and other booklets in the series should set out clearly and concisely the responsibilities and functions of the HKMA, which can be dauntingly technical for the general reader. I trust that the briefs will be of use to both specialists and the wider community. Readers can visit the HKMA website (**www.hkma.gov.hk**) to read the other HKMA background briefs and other HKMA publications.

Joseph Yam
Chief Executive
Hong Kong Monetary Authority
November 2005

Introduction

The Hong Kong dollar is officially linked to the US dollar at the rate of 7.8 Hong Kong dollars to one US dollar. This Linked Exchange Rate system, which has been in existence since 17 October 1983, is the cornerstone of Hong Kong's financial system. The Link ensures that the Hong Kong dollar has a stable external value against major world currencies. This stability plays an important part in supporting Hong Kong's role as a trading and financial centre. The Link is maintained through a strict and robust Currency Board system, which ensures that Hong Kong's entire Monetary Base is backed with US dollars at the Linked Exchange Rate. The resources for this backing are kept in Hong Kong's Exchange Fund, which is among the largest official reserves in the world.

This background brief explains the origins, evolution and workings of Hong Kong's Linked Exchange Rate system. It also examines how important the Link is to Hong Kong's economy, as well as the limitations that a monetary system of this kind imposes on policy making.

A brief history of Hong Kong dollar exchange rate arrangements

Hong Kong has had a linked exchange rate regime of one kind or another for most of its history as a trading and financial centre.

In 1863 the Hong Kong Government declared the silver dollar – then a kind of international currency – to be the legal tender for Hong Kong, and in 1866 began issuing a Hong Kong version of the silver dollar. The silver standard became the basis of Hong Kong's monetary system until 1935, when, during a world silver crisis, the Government announced that the Hong Kong dollar would be taken off the silver standard and linked to the pound sterling at the rate of HK$16 to the pound.[2]

Under the Currency Ordinance of 1935, banks were required to surrender to the Exchange Fund (which was invested in sterling assets) all silver bullion held by them against their banknote issues in exchange for Certificates of Indebtedness. These Certificates were the legal backing for the notes issued by the note-issuing banks under what became, in effect, a Currency Board system. The note-issuing banks were obliged to purchase the Certificates to back subsequent increases in their note issue with sterling.

In June 1972 the British Government decided to float the pound sterling. The Hong Kong dollar was then linked briefly to the US dollar, first at the rate of HK$5.65 to the US dollar, and then, from February 1973, at HK$5.085. But, from June 1972, the note-issuing banks were allowed to purchase Certificates of Indebtedness with Hong Kong dollars.

In November 1974, against a weakening US dollar, the Hong Kong dollar was allowed to float freely.

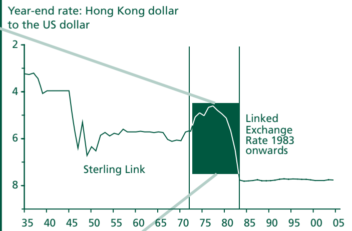
[2] For more details about the early monetary history of Hong Kong, see the HKMA publication *Money in Hong Kong: A Brief Introduction*, November 2000. A soft copy of the publication is available on the HKMA website (www.hkma.gov.hk).

EXCHANGE RATE REGIMES FOR THE HONG KONG DOLLAR		
Date	*Exchange rate regime*	*Reference rate*
1863 – 4 November 1935	Silver Standard	Silver dollars as legal tender
December 1935	Link to Sterling	£1 = HK$16 (December 1935 – November 1967)
	Link to Sterling	£1 = HK$14.55 (November 1967 – June 1972)
6 July 1972	Link to the US dollar with ± 2.25% intervention bands around a central rate	US$1 = HK$5.65 (July 1972 – February 1973)
	Link to the US dollar	US$1 = HK$5.085 (14 February 1973 – November 1974)
25 November 1974	Free float	Exchange rates on selected dates US$1 = HK$4.965 (25 November 1974) US$1 = HK$9.600 (24 September 1983)
17 October 1983	Link to the US dollar	US$1 = HK$7.80

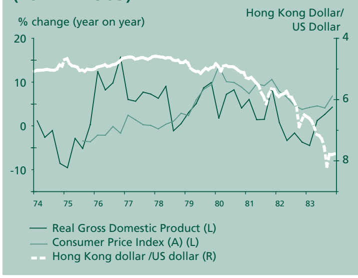
Although the first two years went fairly well, the experience of a floating rate regime was not a comfortable one. The then prevailing monetary policy framework was too rudimentary to replace the external monetary anchor. There was no clear monetary policy objective, let alone the tools to pursue such objectives. As a result, this was a period of high volatility on almost all fronts. Real GDP growth dropped to 0.3% in 1975 and climbed to 16.2% in 1976. Inflation swung sharply from 2.7% in 1975 to 15.5% in 1980. The value of the Hong Kong dollar moved from HK$5.13 in 1981 to HK$9.60 to the US dollar in 1983. The depreciation of the Hong Kong dollar was made worse by speculative attacks and by the escalating crisis of confidence over the future of Hong Kong, which came to a head in 1983. The record low point of HK$9.60 in September 1983 was reached after a drop of 13% in just two days.

Facing both a currency panic and nervousness about the soundness of a number of banks, the Government announced on 15 October 1983 a new policy to stabilise the currency, which is now the basis of Hong Kong's monetary system: the Link between the Hong Kong dollar and the US dollar at the fixed rate of HK$7.80 to one US dollar.

Hong Kong dollar/
US dollar exchange rate
(1935 -2004)



Inflation, economic growth and the Hong Kong dollar exchange rate during the floating years (1974 – 1983)



Why the Link is important to Hong Kong

The Linked Exchange Rate system suits the needs of a highly open economy such as Hong Kong's. It is ***simple, consistent and well understood***. It enables Hong Kong to adjust to shocks without the damage and volatility of a sudden currency collapse.

The Link ***suits Hong Kong's economic conditions***. Hong Kong is a very externally oriented economy, with a completely open capital account and a large financial sector. The total value of our external trade in goods and services in a year is equivalent to well over three times our GDP. These factors leave us heavily exposed to financial shocks stemming from volatilities in external markets. The Link provides Hong Kong with a firm monetary anchor which, among other things, reduces the foreign exchange risk faced by importers, exporters and international investors. The choice of the US dollar as an anchor is logical, since it is the predominant foreign currency in which our external trade and financial transactions are denominated.

The effectiveness of the Link is helped by ***a number of economic attributes*** enjoyed by Hong Kong:

First, the structure of Hong Kong economy is flexible and responsive. Markets such as the labour market, property and retail markets respond quickly to changing circumstances: this flexibility facilitates adjustments in internal prices and costs, which in turn bring about adjustments to external competitiveness without the necessity of moving the exchange rate.

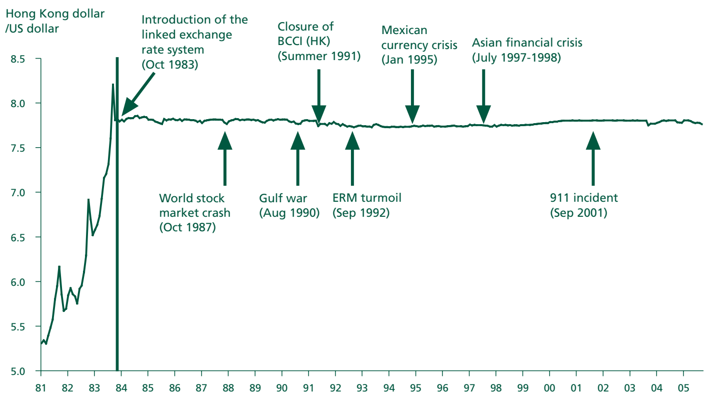
Secondly, Hong Kong's banking system is strong and solvent, and well able to cope with the fluctuations in interest rates which may arise under the Linked Exchange Rate system.

Thirdly, the Hong Kong Government pursues a prudent fiscal policy, with large accumulated fiscal surpluses and a target of budgetary balance over the medium term. Thus there is no fear that the exchange rate system might be undermined by monetary financing of government expenditure.

Fourthly, Hong Kong possesses ample foreign currency reserves for supporting the Link. These reserves, held in the Exchange Fund, amounted to US$122.8 billion at the end of September 2005. They are equivalent to over six times the currency in circulation – one of the highest levels in the world.

Since the establishment of the Link in 1983, the Hong Kong dollar exchange rate has remained stable in the face of various shocks. It remained unaffected by the 1987 stock market crash, the Gulf War in 1990, the Exchange Rate Mechanism turmoil in Europe in 1992, the Mexican currency crisis of 1994/95, and the Asian financial crisis of 1997/98.

Resilience against external shocks



How the Link works

Hong Kong's Linked Exchange Rate system is a currency board system, which requires both the stock and flow of the monetary base to be fully backed by foreign reserves. This means that any change in the monetary base is fully matched by a corresponding change in foreign reserves at a fixed exchange rate. In Hong Kong, the Monetary Base comprises:

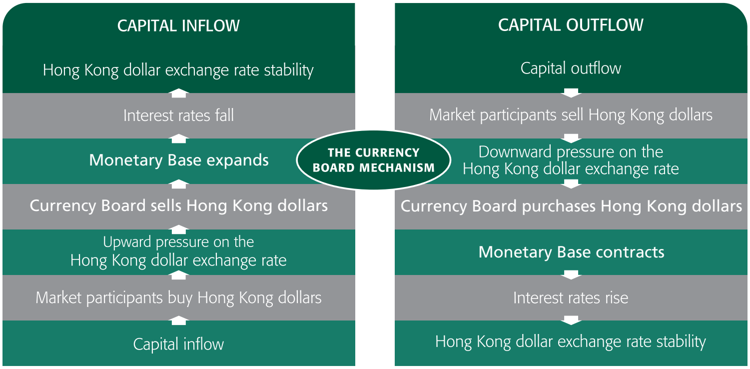
- **Certificates of Indebtedness**, which exactly back the banknotes issued by the note-issuing banks
- **Government-issued notes and coins in circulation**
- **Aggregate Balance**, which is the sum of the balances of the clearing accounts of banks kept with the HKMA
- **Exchange Fund Bills and Notes**, which are issued by the HKMA on behalf of the Government.

Most banknotes in Hong Kong are issued by three note-issuing banks. When the note-issuing banks issue banknotes, they are required by law to purchase Certificates of Indebtedness, which serve as backing for the banknotes issued, by submitting an equivalent amount of US dollars at the rate of HK$7.80 to one US dollar to the HKMA for the account of the Exchange Fund. The Hong Kong dollar banknotes are therefore fully backed by US dollars held by the Exchange Fund. Conversely, when Hong Kong dollar banknotes are withdrawn from circulation, Certificates of Indebtedness are redeemed and the note-issuing banks receive an equivalent amount of US dollars from the Exchange Fund. In the case of notes and coins issued by the Government through the HKMA, transactions between the HKMA and the agent bank responsible for storing and distributing the notes and coins to the public are also settled against US dollars at the rate of HK$7.80 to one US dollar.

Operating under the Currency Board system, the only normal circumstance in which the Aggregate Balance varies is when the HKMA responds to the flow of funds into or out of the Hong Kong dollar.

On 18 May 2005 the HKMA introduced a strong-side Convertibility Undertaking to buy US dollars from licensed banks at HK$7.75 to one US dollar, and announced the shifting of the existing weak-side Convertibility Undertaking from HK$7.80 to HK$7.85, so as to achieve symmetry around the Linked Rate of HK$7.80. Within the Convertibility Zone defined by the levels of the Convertibility Undertakings, the HKMA may choose to conduct market operations consistent with Currency Board principles with the aim of promoting the smooth functioning of the money and foreign exchange markets. The strong-side Convertibility Undertaking to buy US dollars removes the uncertainty about the extent to which the exchange rate may strengthen. This increases the sensitivity of the flow of funds into and out of the Hong Kong dollar to the interest rate differential between the Hong Kong dollar and the US dollar.

Under the Currency Board system, it is interest rates rather than the exchange rate which adjust to inflows or outflows of funds. The Monetary Base increases when the foreign currency (in Hong Kong's case, the US dollar) to which the domestic currency is linked, is sold to the Currency Board for the domestic currency (capital inflow). It contracts when the foreign currency is bought from the Currency Board (capital outflow). The expansion or contraction in the Monetary Base causes interest rates for the domestic currency to fall or rise respectively, creating the monetary conditions that automatically counteract the original capital movement, while the exchange rate remains stable. This process is very much an automatic mechanism.



To reduce excessive interest rate volatility, a cushion of liquidity is provided by the Discount Window facility, through which banks can obtain overnight liquidity from the HKMA by arranging repurchase agreements using Exchange Fund paper and other eligible securities as collateral. The Base Rate of the Discount Window, which is the interest rate forming the foundation upon which the Discount Rates for repo transactions are computed, is set according to a pre-announced formula that takes into account the US Fed funds target rate and Hong Kong Interbank Offered Rates.[3] The practice of backing Exchange Fund paper by foreign exchange reserves ensures that Hong Kong dollar liquidity created by this process is also automatically backed by foreign exchange reserves in accordance with Currency Board principles.

[3] Technical details on the operation of the Discount Window are contained in the article "Strengthening of Currency Board Arrangements in Hong Kong", *Hong Kong Monetary Authority Quarterly Bulletin*, November 1998. A soft copy of the publication is available on the HKMA website (www.hkma.gov.hk).

Hong Kong's Currency Board system is overseen by the Currency Board Sub-Committee of the Exchange Fund Advisory Committee, which meets regularly to monitor the operation of the system and to consider ways of improving it. The Sub-Committee is composed of expert academics, market professionals and senior officials from the HKMA. In keeping with the HKMA's policy of transparency, the records of the Sub-Committee's meetings are published, and a large proportion of the papers considered by it are reproduced in the HKMA's *Quarterly Bulletin*. The Currency Board Accounts have, since March 1999, been published every month.

Limitations imposed by the Linked Exchange Rate system

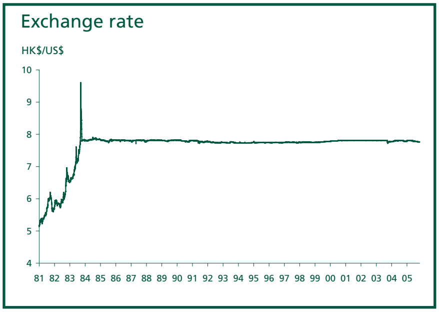
The Link is the preferred option for Hong Kong, but, like any monetary policy, it has limitations as well as advantages. The Linked Exchange Rate system rules out the use of nominal exchange rate movements as a mechanism of adjustment. Thus, shocks to the economy triggered by external or domestic events, such as sharp depreciations of the currencies of Hong Kong's competitors or recession in export markets, may necessitate more adjustments of the internal cost/price structure than would be needed if the exchange rate were free to adjust. While such internal adjustment is slower than rapid adjustment by the exchange rate, the process may be accompanied by more durable and necessary structural adjustments within the real economy.

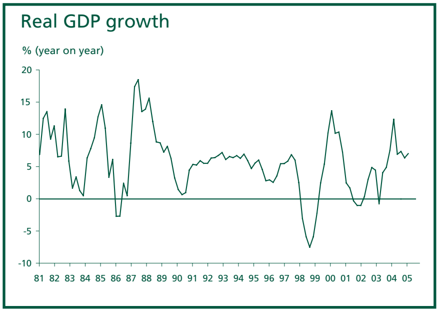
The Link ties Hong Kong to US monetary policy at times when the economic cycles of Hong Kong and the US may not necessarily be moving in tandem. A Linked Exchange Rate system leaves little scope for an autonomous interest rate policy to achieve the objectives of price stability or promotion of economic growth. If there is a misalignment between Hong Kong and US economic cycles, local interest rates, which closely track their US dollar counterparts, may not be best suited to the macroeconomic conditions of the domestic economy. For example, an increase in US interest rates to cool down an overheating economy might impede recovery from recession in Hong Kong.

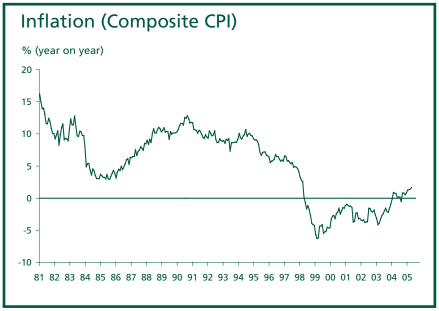
Nevertheless, the flexible economic structure in Hong Kong enables its economy to adapt quickly to changing circumstances. Hong Kong's economic growth performance has been impressive under the Linked Exchange Rate system since 1983.

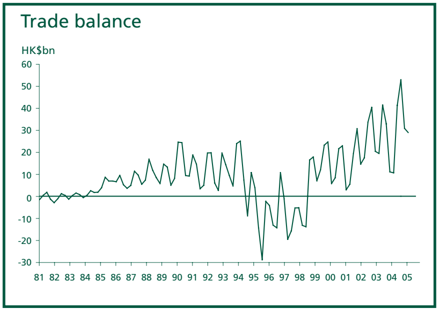
Limitations imposed by the Linked Exchange Rate system

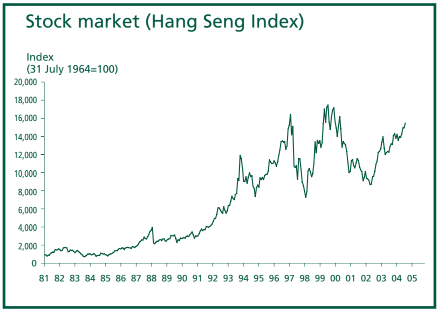
HONG KONG ECONOMIC INDICATORS











Alternatives to the Link?

From time to time, and particularly during periods of financial and economic stress, the benefit of the Linked Exchange Rate to Hong Kong is brought into question and alternative exchange rate regimes are proposed. It is right that there should be open and healthy debate on the subject. But how realistic are the alternatives proposed?

Link to the US dollar but at another rate?

A one-off change in the exchange rate may arguably shift part of the economic adjustment pressures to the nominal exchange rate, thus alleviating the pain of nominal price and wage adjustments that would otherwise be required. But changing the nominal exchange rate anchor, even only once, would undermine the credibility of the Currency Board system and invite speculation about the likelihood of further changes in the future. The adverse impact on investor confidence might well trigger a significant outflow of funds, which would pose a threat to economic and monetary stability in Hong Kong. Currency devaluation would also to some extent deflect the economy from the search for productivity gains that would yield longer-term benefits.

Link to another currency?

The choice of the anchor currency should take into account the currency denomination of external trade and financial transactions, as well as the credibility and stability of the monetary regime governing that currency. Under the Link, Hong Kong has benefited from a largely stable monetary environment in the US and the unparalleled credibility of US monetary policy. The US dollar is also the predominant currency in which our trade and external financial transactions are denominated.

Link to a basket of currencies?

By linking to a basket of currencies, the domestic economy would be less exposed to sharp swings in the exchange rate and interest rates of a single anchor currency. But the system would be more complex and much less transparent. To the extent that the monetary authority retained discretion to adjust the weights of the component currencies, transparency and predictability would be reduced, possibly undermining confidence in the exchange rate system.

Free float of the Hong Kong dollar?

Under a free floating exchange rate regime, the monetary authority would have a freer hand to pursue an autonomous monetary policy for the purpose of achieving price stability or economic growth objectives. However, Hong Kong is a highly externally oriented economy, and subject to the volatility of international capital flows. Exchange rate fluctuations under a floating rate regime would add uncertainty to the investment and trading environment, and might increase the cost of doing business because of the need to use various instruments to hedge exchange risk. The exchange rate might also, in such an open environment, be liable to overshoot its underlying equilibrium to a damaging degree. With a floating rate, the monetary authority would still need to set a policy framework for monetary stability. This might involve, for example, conducting open market operations to influence interest rates, in pursuit of a target for inflation or the money supply. But it would be difficult to define and execute such a policy with the same clarity, effectiveness and conviction that the Linked Exchange Rate system has achieved.

Dollarisation?

Dollarisation means the substitution of the domestic currency by a foreign currency (in most cases the US dollar) as a unit of account, a store of value, and a medium of exchange. If confidence in the domestic currency was severely battered, dollarisation might help stabilise the monetary and financial system.

However, dollarisation would involve significant legal, technical and transitional issues. Resolution of these issues, even if possible, would require considerable time and preparation. There would also be a loss of seignorage (the revenue earned on the reserve assets backing the monetary base). Once implemented, dollarisation would be very difficult to reverse. More important, it would not obviate the need for economic adjustments to the domestic price and cost structure in the event of a negative shock.

Conclusion

There is no single exchange rate regime that is suitable to all economies at all times. Whatever regime is adopted, it must fit consistently into the overall framework of macroeconomic policy. We have examined various alternative regimes, and have concluded that the Link is still the best option for Hong Kong. It has served Hong Kong well since 1983 and continues to do so.

Frequently asked questions

1. *How are local interest rates set in Hong Kong and what is their relationship with their US counterparts?*

Interbank interest rates in Hong Kong normally follow closely the movements of their US counterparts under the Linked Exchange Rate system. The size of the interest rate spread between the Hong Kong dollar and US dollar mainly reflects the premium (be it positive or negative) that investors demand on the Hong Kong dollar. Should the interest rate differential get out of line with market expectation, funds will flow to the currency with relatively higher interest rates to reap the arbitrage profits.

Retail interest rates, including time deposit rates, are determined by market forces. Likewise, the best lending rate, which is the benchmark interest rate offered by banks on their loans to customers, is subject to commercial decisions by individual banks. Given that interbank funding is a major source of funding for the banking system, retail interest rates will be influenced by movements in interbank interest rates.

2. *What distinguishes a currency board system from other forms of pegged exchange rate systems?*

A currency board system is a rule-based monetary regime encompassing two distinct features: full reserve-backing requirement of the monetary base, and an explicit commitment of the currency board or monetary authority to convert the domestic currency into a reserve currency at a prescribed fixed exchange rate.

The backing rule forbids central bank creation of unbacked monetary liabilities through lending to the public or the private sector. The monetary discipline so imposed, together with the explicit commitment to the fixed exchange rate between the domestic currency and the reserve currency, adds credibility to the currency board system, and has led to the perception that it is a particularly robust form of fixed exchange rate system.

3. When and how will the HKMA conduct market operations within the Convertibility Zone? Are there any rules governing the conduct of discretionary market operations?

The HKMA operates within the Convertibility Zone taking into account market conditions, including the exchange rate, interest rates, and the Aggregate Balance and other relevant market information. It will also monitor whether there are market anomalies that may arise from time to time, which may affect the smooth functioning of the Linked Exchange Rate system.

In its meeting at July 2005, the Exchange Fund Advisory Committee Currency Board Sub-Committee endorsed four broad principles that should govern operations within the Convertibility Zone: (i) all operations should be carried out in strict accordance with Currency Board rules; (ii) the primary objective of any operations should be to preserve exchange rate stability implied by the Linked Exchange Rate system and to maintain confidence in the system; (iii) operations might be undertaken to support such interest rate adjustments as would maintain exchange rate stability under the Linked Exchange Rate system and would avoid destabilising behaviour in interest rates; and (iv) operations might also be undertaken in order to remove market anomalies. While these four principles should be generally applicable for the time being, they will be kept under review in the light of experience and changing conditions.

4. Will the Hong Kong dollar be replaced by the renminbi when the renminbi becomes fully convertible?

The principle of "one country, two systems, two currencies" is clearly enshrined in the Basic Law. Article 111 stipulates that "The Hong Kong dollar, as the legal tender in the Hong Kong Special Administrative Region, shall continue to circulate." We do not envisage any change to the legal tender status of the Hong Kong dollar when the renminbi becomes fully convertible.

5. What would have happened to Hong Kong during the Asian financial crisis of 1997/98 if the Hong Kong dollar had been allowed to float?

If the Hong Kong dollar had been allowed to float in response to the devaluations of other Asian currencies, this might have triggered a spiral of further currency depreciations in the region. It is hard to predict the repercussions, but the overall consequences could have been adverse for both Hong Kong and the region. In addition, the uncertainty and disturbance caused by a change in the Linked Exchange Rate system would have significantly affected investor confidence in Hong Kong. The fact that the Hong Kong dollar is the only freely convertible currency in the region that withstood the pressures generated by the Asian financial turmoil demonstrates that the Linked Exchange Rate system has been an effective anchor for monetary and financial stability in Hong Kong.

6. *How far does the Linked Exchange Rate system contribute to recession and impede economic recovery?*

There is no reason to believe that the Linked Exchange Rate system is a cause of recession. However, it may intensify economic cycles in the short run, since there is no room for the exercise of independent monetary policy to moderate economic fluctuations. But, while the profile of cyclical adjustment is different between fixed and floating exchange rate regimes, the efficacy of an exchange rate regime should be judged over the longer term. In the case of a floating rate regime, external competitiveness may be quickly restored through currency depreciation. Depreciation, though, may well undermine the credibility of monetary policy and itself exacerbate financial volatility. Furthermore, depreciation may consequently reduce the incentive to search harder than before for efficiency gains within the local economy to ensure stronger economic performance over the longer term. As such, the initial competitive gains may be eroded over time. Under the Linked Exchange Rate system, on the other hand, competitiveness can be restored only through internal deflation of costs and productivity gains. The process inevitably takes time. Thus, the discipline of the Linked Exchange Rate system gives rise to a search for efficiency gains and structural reforms, which benefits the economy in the longer run.

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《香港的聯繫匯率制度》

香港自1983年起實施聯繫匯率制度，港元以7.80港元兑1美元的匯率與美元掛鈎，並透過嚴謹及穩健的貨幣發行局制度來實施。本小冊子闡述聯繫匯率制度的運作、推出聯繫匯率制度的原因，以及對香港經濟帶來的裨益與限制。

Hong Kong's Linked Exchange Rate System

Since 1983 the Hong Kong dollar has been linked to the US dollar at the rate of HK$7.8 to one US dollar. The Link is maintained through the operation of a strict and robust Currency Board system. This booklet explains the workings of the Link, the background to its introduction, and the benefits – and limitation – it brings to Hong Kong economy.

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