

List of Duties and Responsibilities of the Monetary Authority

The Monetary Authority is a person appointed under the Exchange Fund Ordinance. The office of the Monetary Authority is known as the Hong Kong Monetary Authority and the Monetary Authority as the Chief Executive of the Hong Kong Monetary Authority. The duties and responsibilities of the Monetary Authority are listed below.¹

Monetary Policy

The Financial Secretary is responsible for determining the monetary policy objective and the structure of the monetary system of Hong Kong. The Monetary Authority is on his own responsible for achieving the monetary policy objective, including determining the strategy, instrument and operational means for doing so, and for maintaining the stability and integrity of the monetary system of Hong Kong.

Stability and Integrity of the Financial System

The Financial Secretary, assisted by the Secretary for Financial Services and the Treasury, is responsible for policies for the maintenance of the stability and integrity of the financial system of Hong Kong.

In support of these policies, the Monetary Authority is responsible for:

- (a) providing a measure of protection to depositors and promoting the general stability and effective working of the banking system through the regulation of banking business and the business of taking deposits, and the supervision of Authorized Institutions as provided for in the Banking Ordinance;
- (b) determining on his own prudential policies, and standards

¹ Extracted from the Exchange of Letters between the Financial Secretary and the Monetary Authority, entitled "Functions and Responsibilities in Monetary and Financial Affairs", dated 25 June 2003. A full version of the Exchange of Letters is attached to the witness statement submitted to the Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products on 26 March 2009.

- and guidelines relating to the regulation of banking business and the business of taking deposits;
- (c) considering and proposing reforms of the law relating to the regulation of banking business and the business of taking deposits;
 - (d) co-operating with other relevant authorities in the supervision of business conducted by Authorized Institutions (other than banking business or the business of taking deposits);
 - (e) the development of the debt market in co-operation with other relevant authorities and organisations;
 - (f) matters relating to the issuance and circulation of legal tender notes and coins;
 - (g) promoting the safety and efficiency of the financial infrastructure through the development of domestic wholesale and retail payment, clearing and settlement systems involving Authorized Institutions and, where appropriate, the operation of these systems; and
 - (h) other operations and schemes as appropriate.

Maintenance of the Status of Hong Kong as an International Financial Centre

The Financial Secretary, assisted by the Secretary for Financial Services and the Treasury, is responsible for policies for the maintenance of the status of Hong Kong as an international financial centre.

In support of these policies, the Monetary Authority, when discharging his responsibilities for maintaining the stability and integrity of the monetary and financial systems of Hong Kong, in co-operation with other relevant authorities and organisations, seeks to promote:

- (a) the development of payment, clearing and settlement systems to facilitate the safe and efficient conduct of international and cross-border financial activities in Hong Kong;
- (b) confidence in Hong Kong's monetary and financial systems through active participation in international financial and central banking forums; and
- (c) appropriate market development initiatives that help strengthen the international competitiveness of Hong Kong's financial services.

Exchange Fund

The Exchange Fund is under the control of the Financial Secretary, as provided for in the Exchange Fund Ordinance.

The Monetary Authority, under the delegated authority of the Financial Secretary and within the terms of the delegation, is responsible to the Financial Secretary for the use of the Exchange Fund, and for the investment management of the Exchange Fund.