

**For information on
18 June 2009**

Legislative Council Panel on Financial Affairs

Background of the appointment of Chief Executive of the Hong Kong Monetary Authority

Purpose

This paper explains the background of the appointment of Chief Executive of the Hong Kong Monetary Authority (HKMA).

Background

2. The work of the HKMA covers a number of areas. It is responsible for maintaining monetary and banking stability, maintaining currency stability within the framework of the Linked Exchange Rate system, managing the Exchange Fund, promoting the safety and stability of the banking system, regulating banking businesses, maintaining and developing Hong Kong's financial infrastructure, as well as supporting and implementing policies for maintaining the status of Hong Kong as an international financial centre.

3. Since the establishment of the HKMA, Mr Joseph YAM has made substantial contributions by striving to strengthen and improve Hong Kong's monetary system. His replacement will be announced as soon as possible upon completion of the appointment procedures.

4. Under section 5A(1) of the Exchange Fund Ordinance (EFO), the Financial Secretary (FS) shall appoint a person to be the Monetary Authority on such terms and conditions as he thinks fit. Under section 5A(2) of the EFO, the Monetary Authority shall –

- a) assist the FS in the performance of his functions under the EFO;
- b) perform such functions as the FS may direct; and
- c) perform functions imposed on or assigned to the Monetary Authority by any other Ordinance.

The FS will act in accordance with the law and exercise and perform the powers and duties conferred on him by the EFO to make the appointment.

5. As most of the HKMA's work involves complicated technicalities and professional knowledge, its office holders should possess suitable expertise and experience. In appointing the Monetary Authority, the FS will act in a fair and impartial manner according to law, and will ensure that the appointee is fit and proper and that the appointment is in the best interests of Hong Kong. To our knowledge, open recruitment of governors of central banks is currently not a common international practice.

6. In order to exercise and perform the powers and duties conferred on the FS by section 5A(1) of the EFO effectively and to ensure selection of a suitable candidate as the next Chief Executive of the HKMA, the FS has earlier invited three highly regarded persons, Mr Victor FUNG, Mr Marvin CHEUNG and Sir John BOND, to make recommendations to him. He has also invited Mr Martin TANG, a retired personnel consultant, to assist in the recruitment work. All of them accepted the invitation in their personal capacity and have provided assistance free of charge.

7. As the appointment procedures have already reached the final stage, it is not appropriate for us to make any speculation at this moment. Upon completion of the procedures, the FS will provide the relevant details.

Financial Secretary's Office
June 2009