



HONG KONG MONETARY AUTHORITY
香港金融管理局

Ms Connie Szeto
Clerk to Financial Affairs Panel
Legislative Council
3/F Citibank Tower
3 Garden Road
Hong Kong

30 June 2004

Dear Ms Szeto,

**Panel on Financial Affairs
Follow-up to Meeting on 3 May 2004**


**Operating Expenses of the Exchange Fund
and the Hong Kong Monetary Authority in 2003**

I refer to your letter of 21 June, to your earlier letters of 30 April and 4 May, and to my letter of 24 May.

The Exchange Fund Advisory Committee and its Governance Sub-Committee have given advice on the request by the Hon. Emily Lau through the Panel for the disclosure of breakdowns of the operating expenses of the Exchange Fund and the Hong Kong Monetary Authority (HKMA) and related information. Having taken into account this advice, the Financial Secretary considers that the appropriate place for disclosure of information on this subject is the HKMA Annual Report, and that the disclosure on this subject in the Annual Report for 2003, together with the breakdowns provided to the Panel at its meeting on 3 May 2004, is adequate and generally in line with international practices. Nevertheless, in view of the Panel's interest in this subject, the Governance Sub-Committee will carry out a review of disclosure on this subject in the context of the Annual Report for 2004.

In the meantime, we are able to provide the information requested by Ms Lau through the Panel on two issues relating to staffing. This information is in the Annex to this letter.

Yours sincerely,


(Philip Tse)
for Chief Executive
Hong Kong Monetary Authority

Information on Staffing at the HKMA

A Breakdown of the establishment and strength by department by two categories, namely, senior staff and other staff.

Taking "senior staff" to mean staff at the Executive Director level and above, the breakdown is as follows:

Department	Functions	2003			
		Senior staff		Other staff	
		Est.	Str.	Est.	Str.
Chief Executive's and Deputy Chief Executives' Offices	Top management of the HKMA	4	3	5	5
Banking Development	To formulate policies for the development of the banking industry, to handle all licensing matters, to conduct specialised supervision on areas such as securities and electronic banking activities of authorised institutions, and to ensure adequate supply of banknotes and coins and to facilitate settlement for transactions executed by the HKMA for the Exchange Fund	1	1	88	86
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector	1	1	42	41
Banking Supervision	To supervise day-to-day operations of authorized institutions	1	1	131	128
Office of the General Counsel	To provide in-house legal support and advice	1	1	16	16
External	To help develop and promote Hong Kong as an international financial centre and to foster regional monetary co-operation through active participation in the international central banking and financial community	1	1	49	49
Monetary Management & Infrastructure	To maintain currency stability through monitoring of the market operations and development issues and to develop financial market infrastructure	1	1	30	30
Research	To conduct research and analysis on the economic and international financial market development, both in Hong Kong and international economics	1	1	28	27
Reserves Management	To manage reserves to achieve investment returns in line with established guidelines and to enhance the quality of return by diversifying into different investment markets and assets types	1	1	45	45
Corporate Services	To provide support services in the form of administrative, finance, HR, IT, and secretariat services, and to handle media and community relations	2 *	1	149	142
Internal Audit	To provide audit services through assisting the management in controlling risks, monitoring compliance, and improving the efficiency of internal control systems and procedures	0	0	7	7
Total		14	12	590	576

* including 1 frozen ED post returned from EFIL

B The background of the staff arrangement for the 21 EFIL posts returned to the HKMA in 2003.

Staff who remained on EFIL's establishment at the time of the completion of the Hong Kong equity disposal programme were posted back to the HKMA. These staff provided the necessary staff resources for various new or expanded activities planned in 2003, such as the management of the long term Hong Kong equity portfolio and the development of the Reserves and Monetary Management System, which is a fully integrated transaction system linking all major business processes for the operation and management of the Exchange Fund.