

Press Release

Functions and Responsibilities in Monetary and Financial Affairs:
Exchange of Letters between the Financial Secretary and
the Monetary Authority

The Hong Kong Monetary Authority (HKMA) has today (Friday) published an exchange of letters between the Financial Secretary and the Monetary Authority, dated 25 June 2003, setting out the division of functions and responsibilities between the Financial Secretary and the Monetary Authority. The publication of the letters, reflecting the existing arrangements under the relevant legislation, follows recommendations in the International Monetary Fund (IMF) Financial Sector Assessment Programme (FSAP) set out in its Financial System Stability Assessment (FSSA) report for Hong Kong.

A further, accompanying letter from the Financial Secretary to the Monetary Authority, also dated 25 June 2003, specifies the monetary policy objective and the structure of the monetary system of Hong Kong: this is defined as a stable external exchange value of the currency of Hong Kong, in terms of its exchange rate in the foreign exchange market against the US dollar, at around HK\$7.80 to US\$1, maintained through a currency board system. These arrangements reflect the Linked Exchange Rate system that has been in existence since October 1983. The publication of the letter specifying the monetary policy objective and the structure of the monetary system also follows recommendations in the FSSA report.

An HKMA spokesperson said that the letters summarised existing arrangements. "They have been published in the light of recommendations made in the FSSA report, with which the Hong Kong SAR Government and HKMA are in agreement, and they are published in the interests of transparency."

Copies of the letters are available on the HKMA's website: www.hkma.gov.hk

For further enquiries, please contact:

Jasmin Fung, Manager (Press), at 2878 8246 or

Sylvia Yip, Manager (Press), at 2878 1687

Hong Kong Monetary Authority

27 June 2003