

Exchange Fund Abridged Balance Sheet
as at 31 January 2021
(Expressed in millions of Hong Kong dollars)

	Notes	31 January 2021	31 December 2020 (unaudited)
ASSETS			
Foreign currency assets	1	4,302,006	4,279,787
Hong Kong dollar assets	2	<u>232,908</u>	<u>220,999</u>
Total Assets		<u><u>4,534,914</u></u>	<u><u>4,500,786</u></u>
LIABILITIES AND EQUITY			
Certificates of Indebtedness	3, 6	573,651	556,204
Government-issued currency notes and coins in circulation	3, 6	13,163	12,844
Balance of the banking system	3	457,463	457,466
Exchange Fund Bills and Notes issued	3, 5	1,068,811	1,068,880
Placements by banks and other financial institutions		30,883	87,650
Placements by Fiscal Reserves		938,007	881,832
Placements by HKSAR government funds and statutory bodies		341,677	342,471
Placements by subsidiaries		15,469	15,469
Other liabilities	4	<u>237,925</u>	<u>224,853</u>
Total Liabilities		<u><u>3,677,049</u></u>	<u><u>3,647,669</u></u>
Accumulated Surplus		856,988	852,400
Revaluation Reserve		<u>877</u>	<u>717</u>
Total Equity		<u><u>857,865</u></u>	<u><u>853,117</u></u>
Total Liabilities and Equity		<u><u>4,534,914</u></u>	<u><u>4,500,786</u></u>

Notes:

- These include US dollar assets for backing the Monetary Base as presented in the Currency Board Account separately released.
- These include lending collateralised by Exchange Fund paper under the Discount Window. There were no such advances at 31 January 2021 and 31 December 2020.
- A component of the Monetary Base.
- These include interest payable on Exchange Fund paper and accounts payable under Currency Board operations.
- In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation, Exchange Fund Bills and Notes held as assets of the Exchange Fund are applied to offset the corresponding liabilities. As a result, the amount of Exchange Fund Bills and Notes in this Abridged Balance Sheet is smaller than that shown in the Currency Board Account by the amount offset.
- In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation, Certificates of Indebtedness and Government-issued currency notes and coins in circulation are stated at cost, which are the Hong Kong dollars equivalent of the US dollars required for their redemption at the exchange rate ruling at the balance sheet date. As a result, the figures for the Certificates of Indebtedness and Government-issued currency notes and coins in circulation in the Abridged Balance Sheet are different from those shown in the Currency Board Account, which represent the Hong Kong dollar face value.

**Exchange Fund
Currency Board Account
as at 31 January 2021
(Expressed in millions of Hong Kong dollars)**

	Notes	31 January 2021 (Market Value)	31 December 2020 (Market Value)
MONETARY BASE			
Certificates of Indebtedness		577,065	559,515
Government-issued currency notes and coins in circulation		13,241	12,920
Balance of the banking system		457,463	457,466
Exchange Fund Bills and Notes issued	3, 4	1,069,111	1,069,180
Interest payable on Exchange Fund Notes		144	109
Net accounts (receivable)/payable	3, 5, 7	(1,173)	(1,194)
Total	1, 3	2,115,851	2,097,996 (a)
BACKING ASSETS			
Investment in designated US dollar assets		2,317,724	2,302,792
Interest receivable on designated US dollar assets		4,222	3,509
Net accounts receivable/(payable)	6	2,662	-
Total	2	2,324,608	2,306,301 (b)
BACKING RATIO [(b) / (a)] * 100%	8	109.87%	109.93%

Notes :

1. Movements in the Monetary Base during the period were as follows:

	<u>HK\$ million</u>
Balance brought forward	2,097,996
Increase/(decrease) in Certificates of Indebtedness	17,550
Increase/(decrease) in Government-issued currency notes and coins in circulation	321
Net issuance/(redemption) of Exchange Fund Bills and Notes	3
Accrued interest on Exchange Fund Notes	35
Amortised discount/(premium) on Exchange Fund Bills and Notes	7
Revaluation losses/(gains) relating to Exchange Fund Bills and Notes	(79)
Net interest expense/(income) on interest rate swaps	(26)
Revaluation losses/(gains) relating to interest rate swaps	47
Increase/(decrease) in balance of the banking system other than due to Discount Window Operations	(3)
Balance carried forward	<u><u>2,115,851</u></u>

2. Movements in the Backing Assets during the period were as follows:

	<u>HK\$ million</u>
Balance brought forward	2,306,301
Increase/(decrease) in Certificates of Indebtedness	17,550
Increase/(decrease) in Government-issued currency notes and coins in circulation	321
Interest from investments	434
Revaluation gains/(losses) relating to investments	2
Balance carried forward	<u><u>2,324,608</u></u>

3. Discount Window Operations:

- (i) Discount Window Operations involve Hong Kong dollar overnight advances made to banks by way of crediting their accounts maintained with the HKMA (which is part of the balance of the banking system) on discounting Exchange Fund Bills and Notes. In accordance with generally accepted accounting practice, the Exchange Fund Bills and Notes discounted with the HKMA are not accounted for as reductions in the liabilities of the HKMA but are regarded as securities held against the advances so made.
- (ii) For the purpose of this Account, the advances to banks secured on Exchange Fund Bills and Notes are shown as deductions in arriving at the Monetary Base. There were no such advances at 31 January 2021 and 31 December 2020.

4. Exchange Fund Bills and Notes issued:

- (i) Starting from 1 April 1999, interest payments on Exchange Fund Bills and Notes have been allowed to increase the amount of outstanding Exchange Fund paper.
- (ii) Exchange Fund Bills and Notes issued include Exchange Fund Bills and Notes held as assets of the Exchange Fund.

5. In accordance with the accounting policies adopted by the Exchange Fund, Exchange Fund Bills and Notes issued on tender date but not yet settled are included in "Exchange Fund Bills and Notes issued". For the purpose of this Account, the corresponding accounts receivable are shown as deductions in arriving at the Monetary Base. There were no such receivables at 31 January 2021 and 31 December 2020.

6. This represents the net amount of receivable and payable for unsettled transactions of investments and issuance/redemption of Certificates of Indebtedness.

7. Starting from June 2001, Hong Kong dollar interest rate swaps have been used as a means to manage the cost of issuing Exchange Fund Notes. For the purpose of this Account, interest payable/(receivable) and revaluation losses/(gains) on these interest rate swaps are shown as a component of the Monetary Base and are included in "Net accounts (receivable)/payable".

8. It should be noted that the whole of the Exchange Fund assets, not just the Backing Assets, are available for the purpose of defending the linked exchange rate.