

Exchange Fund Abridged Balance Sheet
as at 29 February 2024
(Expressed in millions of Hong Kong dollars)

	Notes	29 February 2024	31 January 2024
ASSETS			
Foreign currency assets	1	3,900,390	3,903,947
Hong Kong dollar assets	2	<u>140,466</u>	<u>142,573</u>
Total Assets		<u><u>4,040,856</u></u>	<u><u>4,046,520</u></u>
LIABILITIES AND EQUITY			
Certificates of Indebtedness	3, 6	598,778	602,625
Government-issued currency notes and coins in circulation	3, 6	13,128	13,192
Balance of the banking system	3	44,785	44,750
Exchange Fund Bills and Notes issued	3, 5	1,253,959	1,249,989
Placements by banks and other financial institutions		50,647	34,776
Placements by Fiscal Reserves		720,339	739,474
Placements by HKSAR Government funds and statutory bodies		466,544	469,318
Placements by subsidiaries		31,186	31,186
Other liabilities	4	<u>207,863</u>	<u>223,114</u>
Total Liabilities		<u><u>3,387,229</u></u>	<u><u>3,408,424</u></u>
Accumulated surplus		652,756	637,225
Revaluation reserve		<u>871</u>	<u>871</u>
Total Equity		<u><u>653,627</u></u>	<u><u>638,096</u></u>
Total Liabilities and Equity		<u><u>4,040,856</u></u>	<u><u>4,046,520</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 are no such advances at 29 February and 31 January 2024.
- 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 29 February 2024
(Expressed in millions of Hong Kong dollars)

	Notes	29 February 2024 (Market Value)	31 January 2024 (Market Value)
MONETARY BASE			
Certificates of Indebtedness		596,575	601,295
Government-issued currency notes and coins in circulation		13,080	13,163
Balance of the banking system		44,785	44,750
Exchange Fund Bills and Notes issued	3, 4	1,254,955	1,250,982
Interest payable on Exchange Fund Notes		60	168
Net accounts (receivable)/payable	3, 5, 7	299	291
Total	1, 3	1,909,754	1,910,649 (a)
BACKING ASSETS			
Investment in designated US dollar assets		2,146,486	2,140,435
Interest receivable on designated US dollar assets		5,016	4,144
Net accounts receivable/(payable)	6	(33,632)	(24,907)
Total	2	2,117,870	2,119,672 (b)
BACKING RATIO [(b) / (a)] * 100%	8	110.90%	110.94%

Notes :

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

	<u>HK\$ million</u>
Balance brought forward	1,910,649
Increase/(decrease) in Certificates of Indebtedness	(4,720)
Increase/(decrease) in Government-issued currency notes and coins in circulation	(83)
Net issuance/(redemption) of Exchange Fund Bills and Notes	167
Accrued interest on Exchange Fund Notes	40
Settlement of accrued interest on Exchange Fund Notes	(148)
Amortised discount/(premium) on Exchange Fund Bills and Notes	4,364
Revaluation losses/(gains) relating to Exchange Fund Bills and Notes	(558)
Settlement of accrued interest income/(expenses) on interest rate swaps	(54)
Net interest expense/(income) on interest rate swaps	20
Revaluation losses/(gains) relating to interest rate swaps	42
Increase/(decrease) in balance of the banking system other than due to Discount Window Operations	35
Balance carried forward	<u>1,909,754</u>

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

	<u>HK\$ million</u>
Balance brought forward	2,119,672
Increase/(decrease) in Certificates of Indebtedness	(4,720)
Increase/(decrease) in Government-issued currency notes and coins in circulation	(83)
Interest from investments	7,541
Revaluation gains/(losses) relating to investments	(4,540)
Balance carried forward	<u><u>2,117,870</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 29 February and 31 January 2024.

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 29 February and 31 January 2024.

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.