

Record of discussion of meeting of Exchange Fund Advisory Committee Currency Board Sub-Committee held on April 29

The following is issued on behalf of the Hong Kong Monetary Authority:

(Approved for Issue by the Exchange Fund Advisory Committee by Circulation)

Report on Currency Board Operations (January 1 – April 16, 2019)

The Sub-Committee noted that the Hong Kong dollar (HKD) exchange rate traded within a range of 7.8331 – 7.8500 against the US dollar (USD) during the review period. The interest rate gaps between the HKD and USD widened after the year-end mainly because of a drop in banks' funding demand. The widening of interest rate gaps attracted carry trade activities to sell HKD for USD, pushing the HKD towards the weak-side Convertibility Undertaking (CU). The weak-side CU was eventually triggered eight times in March. Reflecting the decrease in liquidity demand after the year-end, the HKD interbank interest rates generally declined, with short-dated interbank rates picking up after the triggering of the weak-side CU. The HKD strengthened in April due to the unwinding of carry trades as short-dated rates tightened. Overall, the HKD exchange and interbank markets continued to trade in a smooth and orderly manner.

The Sub-Committee noted that as a result of the triggering of the weak-side CU, the Aggregate Balance and the Monetary Base declined to HK\$54.3 billion and HK\$1,623.6 billion at the end of the review period respectively.

The Sub-Committee further noted that, in accordance with the Currency Board principles, all changes in the Monetary Base had been fully matched by changes in foreign reserves.

The Report on Currency Board Operations for the period under review is at Annex.

Monitoring of Risks and Vulnerabilities

The Sub-Committee noted that in the US, equity markets responded favourably to the Federal Reserve's shift to a more dovish tone. However, the US Treasury yield curve remained very flat and briefly inverted in late March, highlighting heightened uncertainty over the economic outlook.

The Sub-Committee noted that in Europe, political uncertainties (e.g.

Brexit) and various external headwinds could prompt a more protracted deterioration in growth outlook.

The Sub-Committee noted that in Mainland China, while growth momentum remained lacklustre, signs of improvement had emerged.

The Sub-Committee noted that in Hong Kong, incoming data pointed to a slowdown in economic growth in early 2019, while the housing market saw increased transaction volume and accelerated price growth.

Understanding the Relationship between the Aggregate Balance and Interest Rates in Hong Kong

The Sub-Committee noted a study which provided qualitative and quantitative assessments on how the relationship between the Aggregate Balance and interest rates had evolved.

Cluster of Adenovirus cases in Caritas Medical Centre

The following is issued on behalf of the Hospital Authority:

The spokesperson of Caritas Medical Centre made the following announcement today (June 12):

Four patients (aged 6 to 9) with history of chronic illnesses residing in the Developmental Disabilities Unit of Caritas Medical Centre have presented with respiratory symptoms since June 3. Appropriate viral tests were arranged for the patients and the test results of the four patients were positive for Adenovirus. The patients concerned are being treated under isolation, with stable condition.

The hospital has informed the relatives of the patients about the situation. Infection control measures of the ward have been enhanced. All other patients and staff in the ward are under close surveillance.

The hospital has reported the cases to the Hospital Authority Head Office and the Centre for Health Protection for necessary follow-up.

Quality Assurance Council releases Audit Report on sub-degree operations of Hong Kong Polytechnic University

The following is issued on behalf of the University Grants Committee:

The Quality Assurance Council (QAC) today (June 12) released the Audit Report on the sub-degree operations of the Hong Kong Polytechnic University (PolyU).

The Audit Report presents the findings on the quality of learning at the sub-degree providing units (SDPUs) of PolyU. The Chairman of the QAC, Mr Lincoln Leong, said, "The QAC is pleased that the Audit Panel concludes that the University's sub-degree provision reflects its strategic priorities and mission. Whether within the University proper or its College of Professional and Continuing Education, there is sound governance, management and quality assurance of sub-degree programmes. There is also consistency in the application of quality assurance policies and procedures."

The QAC is pleased with the quality of educational provision at the SDPUs of PolyU. The University's efforts in various areas are commended as positive features in the Audit Report. These include PolyU's provision of high-quality physical learning and e-learning environments, as well as the wide range of co-curricular and extra-curricular activities and services oriented to personal and career development.

The full report (with PolyU's Institutional Response attached) has been uploaded to the website of the University Grants Committee (UGC) (www.ugc.edu.hk/eng/qac/about/term/publications/report.html).

PolyU has agreed to submit a progress report within 18 months on its follow-up actions.

Background of the quality audit on sub-degree operations of PolyU

The quality audit on the sub-degree operations of PolyU was undertaken by an Audit Panel appointed by the QAC. The Audit Panel was chaired by Professor Denis Wright, and members included Dr Ella Chan, Professor Mark Davies, Mr Ian Marshman and Professor Ricky Wong. The Panel reviewed the Institutional Submission, which was prepared by PolyU following a period of self-study, and visited PolyU from October 23 to 25, 2018, to meet with its staff and students. It also met with a number of external stakeholders, such as local employers and graduates of PolyU sub-degree programmes.

Background of the QAC and its auditing activities

The QAC was established in April 2007 as a semi-autonomous non-statutory body under the aegis of the UGC. The UGC is committed to safeguarding and promoting the quality of the UGC-funded universities and their activities. In view of the institutional expansion of university activities and a growing public interest in quality issues, the QAC was established to assist the UGC in providing third-party oversight of the quality of the universities' educational provision. The QAC assists the UGC in assuring the quality of all programmes at the levels of sub-degree, first degree and above (however funded) offered in UGC-funded universities. The QAC fulfils this task primarily by undertaking periodic quality audits of the universities.

Auditing is an external quality assurance process that involves independent peer review by senior academics in the higher education sector. Its principal aims are to confirm that existing arrangements for quality assurance are fit for purpose, that the quality of provision is comparable to international best practices, that universities are committed to continuously improving the quality of their academic programmes, and that students are well taught and well supported so that they are able to achieve the expected academic standards.

Prior to 2016, the QAC's audit activities covered only first degree programmes and above. The first and second QAC audit cycles were completed in 2011 and 2016 respectively. In 2016, the UGC assumed the role of the overseeing body of the quality audits on the sub-degree operations of UGC-funded universities, with the involvement of the QAC as the audit operator. The audit visits to universities in this cycle were conducted from late 2017 to early 2019.

Sun Yat Sen Memorial Park Swimming Pool reopened

Attention TV/ radio announcers:

Please broadcast the following as soon as possible:

Here is an item of interest to swimmers.

The Leisure and Cultural Services Department announced today (June 12) that Sun Yat Sen Memorial Park Swimming Pool in the Central and Western District, closed earlier on due to an insufficient number of lifeguards on duty, has been reopened.

Red flag hoisted at Stanley Main Beach

Attention TV/radio announcers:

Please broadcast the following as soon as possible:

Here is an item of interest to swimmers.

The Leisure and Cultural Services Department announced today (June 12) that due to big waves, the red flag has been hoisted at Stanley Main Beach in Southern District, Hong Kong Island. Beach-goers are advised not to swim at the beach.