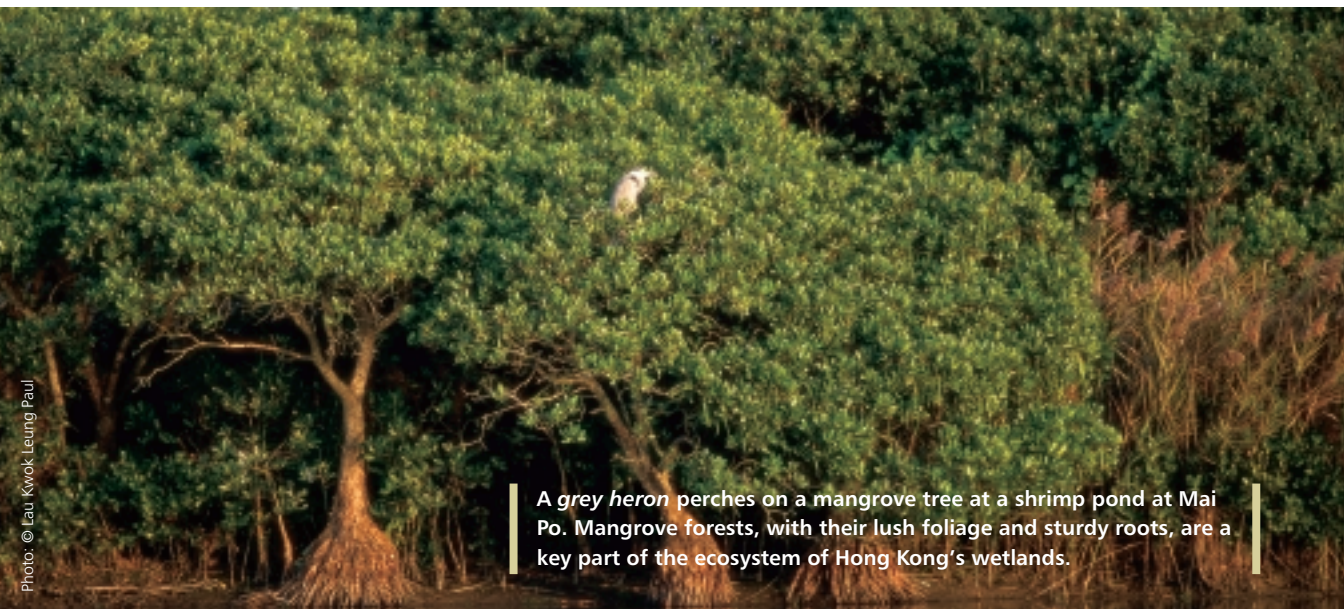


| Banking Stability |



A grey heron perches on a mangrove tree at a shrimp pond at Mai Po. Mangrove forests, with their lush foliage and sturdy roots, are a key part of the ecosystem of Hong Kong's wetlands.

| Policy objectives |

One of the HKMA's main tasks is to promote the safety and stability of Hong Kong's banking system through operational supervision and banking reform. The HKMA also seeks to maintain an environment in which authorized institutions retain the ability to operate on a competitive and commercial basis.

| Supervision of banks |

The HKMA continued to develop its regulatory framework to keep it in line with international standards.

- Progress was made in the development of a risk-based supervisory framework
- Progress was also made in further developing supervisory policies on issues such as financial disclosure, credit control, share and taxi financing, corporate governance, and electronic banking.

The HKMA conducted a total of 282 on-site examinations of authorized institutions in 2000.

| Banking reform |

Implementation of initiatives under the banking reform programme announced in July 1999 continued during 2000. These included:

- the first phase of the deregulation of the remaining Interest Rate Rules, which involved the removal of the interest rate cap on time deposits with a maturity of less than seven days
- the completion of arrangements for allowing restricted licence banks with a clear business need to join the Real Time Gross Settlement interbank payment system.

| Public consultations |

Under the banking reform programme, public consultations were conducted on:

- the establishment of a commercial credit reference agency
- enhancing deposit protection through an explicit deposit protection scheme.

The consultations indicated broad support for both proposals. The details of these proposals will be worked out in 2001. Further measures under the reform programme, including the final phase in the deregulation of the remaining Interest Rate Rules, will be pursued in 2001.



| Transparency in terms and conditions, and the consumer |

The HKMA convened an informal working group to undertake a review of the Code of Banking Practice. The main aim of the review is to strengthen the fairness and transparency of terms and conditions in such areas as credit card services, the use of debt collection agencies, e-banking, and the provision of account and loan services. In the light of growing public attention to the terms and conditions of banking services, the HKMA will examine in 2001 the question of whether it should be given a more explicit mandate to handle consumer issues.