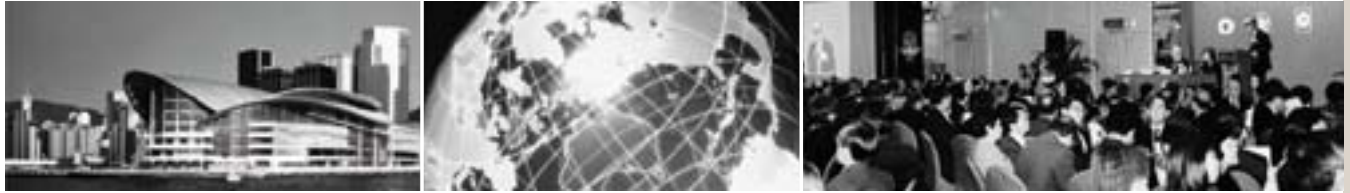




## International Financial Centre



During 2001, the HKMA continued to play an active role in pressing for reforms to the international financial architecture and in promoting Hong Kong as an international financial centre.

### Overview

2001 was a tough year for the global economy. The events of 11 September and the synchronised economic downturn in most industrialised economies posed serious challenges to the international financial system. Yet the rapid restoration of major financial markets after the 11 September events and the limited contagious effect of the financial crises in Turkey and Argentina on other emerging markets demonstrated the resilience of the international financial system and the importance of international co-operation.

With a view to enhancing global financial stability, the HKMA continued to participate actively in multilateral and regional forums contributing to the reform of the international financial architecture.

To strengthen financial intermediation for domestic and regional savings to fund economic development and recovery, the HKMA stepped up its efforts to promote the development of the regional bond markets by initiating a study on securitisation and credit enhancement.

The HKMA maintained a close dialogue with the Mainland authorities, aiming at capitalising on the opportunities arising from increasing integration with the Mainland and the further opening of Mainland financial markets following China's accession into the World Trade Organisation. This is important for further developing Hong Kong's status as the major funding centre for China. Meanwhile, the HKMA continued to participate in various roadshows, and to organise seminars, conferences and other related activities in the Mainland to promote Hong Kong's financial services.



■ The HKMA holds its Fourth Distinguished Lecture on 13 February 2001. From left: Bank for International Settlements General Manager Andrew Crockett, HKMA Chief Executive Joseph Yam and Bank Negara Malaysia Governor Zeti Akhtar Aziz. Mr Crockett speaks on the theme "Monetary Policy and Financial Stability".

## Achievements in 2001

### Reforming the international financial architecture

The bursting of the TMT (technology, media and telecommunications) bubble, financial crises in Argentina and Turkey and the 11 September events have highlighted the continuing need to strengthen the international financial architecture. The international financial community has been looking into ways to deal with abrupt market shocks. The HKMA actively participated in the discussions and supported the international initiatives aimed at strengthening the international financial system.

The Financial Stability Forum (FSF) is an important forum established by the G-7 countries in 1999 to promote international financial stability through enhanced information exchange and co-operation in financial supervision and surveillance. In addition to participating in the regular FSF meetings to discuss financial vulnerabilities, the HKMA also participated in the FSF's regional meeting held in Tokyo in October 2001. Issues covered include the initiatives to combat terrorism financing and the effectiveness of the measures recommended by FSF to reduce the potential destabilising impact of large highly leveraged institutions on small and open economies, such as Hong Kong.

The HKMA joined a small group of central banks to sponsor a private sector task force to develop model guidelines on good trading practices in foreign exchange markets. The guidelines were promulgated in February 2001. The Hong Kong Foreign Exchange and Money Market Practices Committee has also incorporated them into the Hong Kong Code of Conduct.

### Regional monetary co-operation and participation in multilateral institutions

The HKMA continued to play a leading role in many international and central banking forums.

The HKMA participated actively in the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and its working groups. The HKMA is a member of the EMEAP Working Group on Financial Markets and Working Group on Payment and Settlement Systems, and chaired the Working Group on Banking Supervision. The HKMA plays a prominent role in a variety of other regional groups, such as the Manila Framework Group, Four Markets Meeting, Regional Foreign Exchange Markets Monitoring Meeting, G-20 Meetings, Central Banking Group of South East Asia, New Zealand and Australia (SEANZA) and the G-10 Committee on the Global Financial System Meetings. The main focus of these meetings was on the monitoring of the potential financial vulnerabilities and the promotion of financial stability.

The HKMA participated in the Asia-Pacific Economic Co-operation (APEC) Finance Ministers Meeting. The HKMA also participated in the APEC initiative of Credit Rating Agencies and co-led the APEC Working Group on Electronic Financial Transactions Systems. The HKMA hosted the SEANZA Advisors' Meeting in September 2001. Hong Kong continued to attend the OECD Committee on Financial Markets as an observer.

To keep close track of international financial developments, the HKMA actively participated in the activities of the International Monetary Fund (IMF), the Bank for International Settlements (BIS) and the Asian Development Bank (ADB). In September 2001, the HKMA jointly organised with the World Bank and the Pacific Economic Cooperation Council a conference on Financial Co-operation and Regionalism in East Asia. Around 110 participants from international financial institutions and the private sector met in Hong Kong to discuss issues relating to bond market development and currency reforms in East Asia. Hong Kong has agreed to participate



■ The HKMA plays host to the central bank representatives attending the SEANZA Advisors' Meeting in September 2001.

in the IMF's Financial Sector Assessment Programme in 2002. The exercise will help Hong Kong identify and remedy the weaknesses in the financial system and thus contribute to financial stability.

With the aim of furthering regional monetary co-operation, the HKMA continued to foster bilateral contacts with regional central banks. During the year, the HKMA held bilateral meetings with the Bank of Thailand, Bank Negara Malaysia and the Monetary Authority of Singapore.

The HKMA continued to support the financial reform and liberalisation of the Mainland and to promote the interface with the Mainland authorities. In 2001, the HKMA held two High Level Financial Supervision Seminars.

### Development of bond markets in the region

To further our effort in promoting bond market development in the region, the HKMA initiated a study on credit guarantee and securitisation in Asia, the findings of which were presented in the Four Markets Meeting in April 2001 in Tokyo. As part of the second phase study, a workshop on securitisation and credit guarantee in Asia was held in Hong Kong in July 2001 and the findings of the second phase study were presented at the Four Markets Meeting in December 2001 in Sydney. In addition, the HKMA, the Ministry of Finance of the People's Republic of China and the World Bank co-organised a Forum on China's Government Securities Market in the New Century in Hong Kong in November 2001 to enhance international co-operation on government securities market development.

### Plans for 2002

The financial landscape is changing rapidly. As financial markets become more globalised and volatile, risks and vulnerabilities remain, necessitating close attention to the task of reforming the international financial architecture. The HKMA will follow closely developments in international financial issues and their implications for Hong Kong. We will continue our active participation in the key central banking and international financial forums.

The HKMA will continue its efforts to promote in overseas markets a better understanding of Hong Kong's position as a premier international financial centre. As more Mainland enterprises are allowed to tap funds from international capital markets, following China's accession to the World Trade Organisation, it is important for Hong Kong to capitalise on the opportunities. The HKMA will continue to hold discussions with the Mainland authorities to explore ways to facilitate Mainland companies to make better use of Hong Kong's financial markets.

The HKMA will continue its study on securitisation and credit enhancement and other initiatives that will stimulate the development of deeper and more liquid bond markets in Asia.



Deputy Chief Executive David Carse (second from left) chairing a session on "Are East Asia's Commercial Banks Competitive?" at the Conference on Financial Co-operation and Regionalism in East Asia jointly organised by the HKMA, the World Bank and the Pacific Economic Cooperation Council in September 2001.



The 4th PBoC High Level Financial Supervision Seminar organised by the HKMA.



Chief Executive Joseph Yam speaking at the Forum on China's Government Securities Market in the New Century jointly organised by the HKMA, the Ministry of Finance of the People's Republic of China and the World Bank.