

Highlights of 2006

Economic and Banking Environment

Hong Kong's economy registers above-trend growth for the third consecutive year. Real GDP grows by 6.8% in 2006.

The banking sector continues to achieve solid results in an intensely competitive operating environment with abundant liquidity.

Monetary Stability

The Hong Kong dollar remains stable and the money market remains calm, despite the appreciation of the renminbi.

The RTGS systems efficiently handle all fund flows, including many large equity initial public offerings, and register record transaction volumes.

Banking Stability

The drafting of and statutory consultation for the Banking (Capital) Rules and Banking (Disclosure) Rules are completed for the implementation of Basel II in January 2007.

The HKMA continues to strengthen the banking sector's ability to manage risks and prevent money laundering and terrorist financing.

The Deposit Protection Scheme is launched.

Market Infrastructure

The Renminbi Settlement System is launched to pave the way for a fully fledged renminbi RTGS system.

A payment-versus-payment link is established between Hong Kong's US dollar and Malaysia's ringgit RTGS systems.

International Financial Centre

The "1-3-5 financial development blueprint" is developed to foster financial co-operation between the Mainland and Hong Kong and build a bigger financial market.

The HKMA works with Mainland authorities to obtain approval for financial institutions on the Mainland to issue renminbi bonds in Hong Kong. Approval is given in January 2007.

Reserves Management

The Exchange Fund achieves an investment income of \$103.8 billion in 2006, or a return of 9.5%, which exceeds the benchmark investment return by more than 0.6%.

Total assets of the Exchange Fund reach \$1,176.7 billion at the end of 2006.