

CHRONOLOGY OF EVENTS (MAY – JULY 2002)

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| 7 May 2002 | The HKMA announces that the official foreign currency reserve assets of Hong Kong amounted to US\$110.9 billion at the end of April 2002. |
| 9 May 2002 | The Hong Kong Mortgage Corporation Limited (HKMC) publishes its Annual Report for 2001. The HKMC recorded a 9.6% growth in profit after tax to HK\$255.5 million in 2001. |
| 10 May 2002 | The Executive Council endorses the HKMA's proposals to relax certain market entry criteria for the banking sector. The main proposals include: reducing the asset size criterion for overseas-incorporated bank applicants, reducing the period of operation as a restricted licence bank or deposit-taking company from ten to three years to upgrade to licensed bank status, and increasing the minimum capital requirement for locally incorporated bank applicants. |
| 14 May 2002 | The HKMA releases key data on the balance sheet of the Exchange Fund in accordance with International Monetary Fund's (IMF) Special Data Dissemination Standard (SDDS). At the end of April 2002, foreign assets amounted to HK\$823.2 billion. The Monetary Base amounted to HK\$235.3 billion and claims on the private sector in Hong Kong amounted to HK\$47.4 billion. |
| 15 May 2002 | The International Monetary Fund (IMF) Staff Report on the Hong Kong Special Administrative Region gives a positive assessment of Hong Kong's economic prospects and commends its policies to deal with the twin challenges of a sharp cyclical downturn and structural adjustments from growing economic integration with the Mainland. |
| 21 May 2002 | The HKMA holds the Fifth Distinguished Lecture, attracting over 400 participants. Keynote Speaker Dr Stanley Fischer, Vice Chairman of Citigroup and former First Deputy Managing Director of International Monetary Fund, speaks on "The Asian Crisis: Lessons for the Future". Dr Stephen Grenville, Adjunct Professor of National Centre for Development Studies, Australian National University, Canberra and former Deputy Governor of Reserve Bank of Australia, is the Discussant. |
| 24 May 2002 | The HKMC announces that 22 banks have confirmed their intention to adopt the Model Mortgage Origination Documents for their mortgage transactions. |
| 24 May 2002 | The Monetary Authority (MA) issues a guideline on the regulation of advertising material for deposits issued over the Internet under section 92(6) of the Banking Ordinance, aiming to specify the factors the MA will take into account in determining whether Internet advertising material for deposits is targeted at members of the public in Hong Kong. |

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| 27 May 2002 | The HKMC announces the launch of a new issue of retail bonds that will be placed to investors through an enlarged group of Placing Banks. |
| 28 May 2002 | Clearstream Banking Luxembourg and the HKMA announces their agreement to develop a direct link between the HKMA's Central Moneymarkets Unit and the settlement system of Clearstream Banking Luxembourg. Scheduled to go live in January 2003, the new link will significantly improve settlement efficiency, enabling Asian investors to trade international securities in a secure and robustly designed environment. |
| 31 May 2002 | The HKMA publishes the Abridged Exchange Fund Balance Sheet and Currency Board Account as at 30 April 2002. At the end of April 2002, the total assets of the Exchange Fund amounted to HK\$977.4 billion. The Monetary Base amounted to HK\$235.3 billion. |
| 3 June 2002 | The HKMA announces the results of the latest survey on residential mortgage loans (RMLs) in negative equity conducted with a number of banks active in mortgage financing. It is estimated that the total number of RMLs in negative equity in the banking sector was about 67,500 or 14% of total mortgage borrowers at end-March, with an aggregate value of about HK\$115 billion, or 21% of total outstanding RMLs. These compared with 73,000 cases valued at HK\$125 billion at end-December 2001. |
| 6 June 2002 | The HKMA announces the new two-way Joint Clearing Facility established with the Guangzhou Branch of the People's Bank of China will commence operation on 22 June 2002. Under the new clearing arrangement, the time required for clearing Hong Kong dollar cheques drawn on banks in Guangdong, including Shenzhen, and presented in Hong Kong will be reduced to two working days. |
| 7 June 2002 | The HKMA announces that the official foreign currency reserve assets of Hong Kong amounted to US\$111.3 billion at the end of May 2002. |
| 14 June 2002 | The HKMA releases key data on the balance sheet of the Exchange Fund in accordance with the IMF's SDDS. At the end of May 2002, foreign assets amounted to HK\$818.6 billion. The Monetary Base amounted to HK\$236.1 billion and claims on the private sector in Hong Kong amounted to HK\$53.8 billion. |
| 14 June 2002 | The HKMA advises State Street Global Advisors Asia Limited, the Manager of TraHK, that the maximum number of units for which Hang Seng Index Shares will be made available under the Tap Facility for the period from 1 July 2002 to 30 September 2002 will be 720 million units. |

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| 14 June 2002 | The HKMC announces the introduction of the Home Owner Mortgage Enhancement Programme: a new mortgage insurance programme that aims to reduce the financial burden of homeowners in negative equity and to provide an effective tool for banks to reduce the credit risk of mortgage loans with current loan-to-value ratio above 100%. The Programme provides insurance to cover a bank's credit exposure above 90% and up to 140% of the current value of the property at the time of refinancing. |
| 28 June 2002 | The Financial Secretary announces plans for the issue of a new \$10 note. The new \$10 note will be issued by the Government of the Hong Kong Special Administrative Region and will be gradually put into circulation in the late summer and early autumn 2002. The new note will circulate in addition to the \$10 coin and the existing green \$10 notes, all of which remain legal tender. |
| 28 June 2002 | The HKMA publishes the Abridged Exchange Fund Balance Sheet and Currency Board Account as at 31 May 2002. At the end of May 2002, total assets of the Exchange Fund amounted to HK\$968.7 billion. The Monetary Base amounted to HK\$236.1 billion. |
| 3 July 2002 | The HKMA announces that Standard Chartered Bank has been appointed as the Settlement Institution for the euro clearing system in Hong Kong. The purpose of the system is to facilitate the efficient settlement of euro transactions on a real-time basis within the Hong Kong time zone. |
| 8 July 2002 | The HKMA announces that the official foreign currency reserve assets of Hong Kong amounted to US\$112.4 billion at the end of June 2002. |
| 15 July 2002 | The HKMA releases key data on the balance sheet of the Exchange Fund in accordance with IMF's SDDS. At the end of June 2002, foreign assets amounted to HK\$840.8 billion. The Monetary Base amounted to HK\$238.5 billion and claims on the private sector in Hong Kong amounted to HK\$38.9 billion. |
| 16 July 2002 | The HKMA publishes the unaudited balance sheet of the Exchange Fund for the end of June 2002. The Exchange Fund's accumulated surplus increased by HK\$11.5 billion to HK\$314.0 billion, foreign exchange assets increased by US\$1.2 billion to US\$112.4 billion, and total assets decreased by HK\$3.2 billion to HK\$976.0 billion. The Exchange Fund recorded investment income of HK\$22.8 billion in the first half of 2002. |
| 22 July 2002 | The HKMA issues a circular reminding banks of the requirement to put in place effective customer complaint procedures. It has also published a leaflet to advise consumers of the procedures they should follow if they have complaints about banking services. |

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| 24 July 2002 | The HKMC announces the appointment of three new Directors by the Financial Secretary. The new Directors are Mr Frederick Ma Si-hang, Mr Michael Suen Ming-yeung and Mr David Sun Tak-kei. The new Directors replace three outgoing Directors namely, Mr Stephen Ip, Mr Dominic Wong and Mr Eddy Fong. |
| 26 July 2002 | The HKMA publishes the Abridged Exchange Fund Balance Sheet and Currency Board Account as at 30 June 2002. At the end of June 2002, total assets of the Exchange Fund amounted to HK\$976.0 billion. The Monetary Base amounted to HK\$238.5 billion. |
| 29 July 2002 | The HKMA announces that the Central Moneymarkets Unit (CMU) will introduce a new clearing, settlement and custodian service for US Treasuries. The new service will commence in the fourth quarter of 2002 and will enable investors in Hong Kong and other parts of Asia to settle US Treasuries during Hong Kong hours through the CMU. The HKMA has appointed Citibank as its custodian for custody of US Treasuries on behalf of the CMU. |
| 31 July 2002 | The HKMC announces its 2002 interim results. The unaudited interim results show that the operating profit after tax for the six months ended 30 June 2002 was HK\$115 million, an increase of HK\$4.7 million or 4.3% compared with the figure for the corresponding period of last year. Total assets increased by 24.6% to HK\$28.9 billion. |