

CHRONOLOGY OF EVENTS (JULY – OCTOBER 1994)

13 JUL	<p>Mr. Joseph Yam, Chief Executive of HKMA, said in a speech that Hong Kong should adopt Real-Time Gross Settlement (RTGS) for large value payments and that such payments should be settled across the books of HKMA. The Committee on Payment System was formed in June to set policy parameters for a feasibility study, which is being undertaken by Hong Kong Association of Banks (HKAB), on the implementation of RTGS by 1997.</p>
25 JUL	<p>Fourth issue of HK\$ 500 million three-year Exchange Fund Notes, the first batch to mature after 1 July 1997, was launched. The issue was 4.5 times oversubscribed. When issued, the notes yielded 6.9%, 14 basis points above the third issue of three-year notes issued three months earlier. The differential in yields between the third issue and the second issue was also 14 basis points, indicating that no premium was required because of the 1997 factor.</p>
26 JUL	<p>The Government adopted HKMA's study in response to Consumer Council's report on the Interest Rate Rules. The interest rate cap on time deposits would be lifted in 1995. Further steps in liberalising the interest rate regime would be considered only when the impact of the change in 1995 had been fully assessed.</p>
1 AUG	<p>The new liquidity ratio requirements for all authorised institutions (AIs) came into effect. The objective is to strengthen the supervision of liquidity of AIs and to ensure that sufficient liquifiable assets are maintained to meet urgent liquidity needs.</p>
1 AUG	<p>A guidance paper produced by the Basle Committee of Banking Supervision on the management of risks involved in financial derivative activities was issued by HKMA to HKAB and the Deposit-Taking Companies Association (DTCA). A guideline on financial derivatives will be issued later this year.</p>
17 AUG	<p>The Liquidity Adjustment Facility's bid and offer rates were raised to 3% and 5% from 2.5% and 4.5% respectively. In response, HKAB announced an increase in retail deposit rates by 0.5 percentage point on August 19.</p>
23 AUG	<p>World Bank and International Monetary Fund announced that they would hold their 1997 annual meetings in Hong Kong from 23 to 25 September 1997. HKMA is responsible for co-ordinating the planning for the meetings.</p>

23 AUG	A survey on the characteristics and the performance of residential mortgage loans in Hong Kong, the first ever, was launched by HKMA. Data collected from this survey will promote investor understanding of the behaviour of the mortgage market in Hong Kong and help develop possible mortgage securitisation.
26 AUG	Following discussions with the HKMA, HKAB announced a programme for the removal of time deposits from the Interest Rate Rules starting from October 1. According to the timetable, interest rates on all deposits fixed for more than 24 hours will be freed by 1 April 1995. As for 24-hour call deposits, deregulation will be phased in by stages by gradually lowering the deposit cap during the rest of 1995, subject to the condition that both HKMA and HKAB are satisfied that the stability of the monetary and banking systems would not be undermined.
26 AUG	A Consultation Paper setting out the legal position on netting under Hong Kong law to HKAB and DTCA was issued by HKMA. The legal position outlines the conditions under which the HKMA will be prepared to recognise netting arrangements and the method of calculating the credit exposure on bilaterally netted transactions for capital adequacy purposes.
31 AUG	Recommendations on additional disclosures to be included in the accounts of authorised institutions for accounting periods ending on or after 31 December 1994 were announced jointly by HKMA, Stock Exchange of Hong Kong and the Securities and Futures Commission. The joint package included full disclosure of authorised institutions' profits and more detailed balance sheet information. HKMA will review in mid-1995 whether AIs should disclose their inner reserves.
2 SEPT	A Policy Paper setting out the new loan classification framework was issued by HKMA to AIs. Institutions will be required to report their loans and advances according to five categories (i.e. Performing, Special Mention, Substandard, Doubtful and Loss.)
12 SEPT	HKMA launched the Monthly Statistical Bulletin, publishing for the first time on a regular basis comprehensive data on Hong Kong's monetary and banking activities.
20 SEPT	HKMA announced that a new 1994-dated \$1 coin will become legal tender, with effect from 3 October 1994. The new \$1 coin was issued on 1 November.

26 SEPT	The first issue of HK\$500 million five-year Exchange Fund Notes, which mature in 1999, was launched. The issue, which was 2.12 times oversubscribed, helped extend the benchmark yield curve for Hong Kong dollar debt to the five year area, facilitating pricing of private sector issues. The yield on issue was 37 basis points above US Treasuries.
28 SEPT	Best Practice Guide on additional disclosures to be included in the accounts of authorised institutions was issued to the banking industry.
30 SEPT	The Government announced a relaxation of the "one building" condition, allowing foreign banks authorised in or after 1978 to establish one regional office and one back office in a building or buildings separate from its branch office in Hong Kong. The relaxation is designed to reduce the operating costs of foreign banks in Hong Kong and to enhance Hong Kong's attraction as a regional banking centre.
1 OCT	Interest-rate cap on retail deposits fixed for more than one month was lifted.
10 OCT	HKMA and Euroclear Clearance System Co-operative announced that a link be established between HKMA's Central Moneymarkets Unit (CMU) Service and Euroclear. The link, the first of its kind between an international and a domestic debt clearing system in East Asia, will facilitate trading by overseas investors in HK dollar debt instruments. The link will be operational by December.
14 OCT	The relaxation of the "one building" condition applicable to foreign banks licensed in or after 1978 was extended to restricted licence banks.
24 OCT	HKMA, HKAB and the Narcotics Division of the Security Branch, held a joint press conference to promote a training package produced by HKAB to raise the level of awareness of banks' front line staff of the money laundering problem. HKMA has also written to all AIs reminding them that compliance with HKMA guideline for reporting suspicious transactions will be one of the focal points in HKMA's future on-site examination.
31 OCT	HKMA announced that it will issue the \$10 coin, Hong Kong's first bi-metal coin, on 1 November. The \$10 notes will be gradually replaced but will remain legal tender.