

## CALENDAR OF EVENTS, 1995

<b>3 JAN</b>	Interest rate ceiling on retail deposits fixed for more than seven days was lifted in the second phase of the interest rate deregulation programme.
<b>3 JAN</b>	A letter was issued to all AIs informing them that the enactment of the Organised and Serious Crimes Ordinance on 12 October 1994 has extended the money laundering offence to cover the proceeds of all indictable offences in addition to drug trafficking.
<b>13 JAN</b>	In the aftermath of the Mexican peso crisis, the HK dollar came under selling pressure along with a number of other Asian currencies. In response, the HKMA supplemented foreign exchange market intervention with money market operations and tightened interbank liquidity. Overnight interbank offer rate at one point surged up to 12%. The high interest rates increased the cost of speculation and successfully fended off speculators. As a result, the HK dollar exchange rate quickly rebounded. In the event, the HK dollar fluctuated by less than 0.4%, considerably less than the fluctuation in other Asian currencies.
<b>19 JAN</b>	The HKMA and the Mass Transit Railway Corporation (MTRC) signed an agreement under which the HKMA would arrange \$10 bn in notes issued by the MTRC with maturities of up to 10 years, marking a milestone in the development of the HK dollar debt market. The inaugural issue of \$500 mn MTRC Notes was subsequently launched in May and was 2.86 times over-subscribed.
<b>21 JAN</b>	HKMA convened an informal meeting in Hong Kong with senior representatives of the central banks and monetary authorities from Indonesia, Malaysia, the Philippines, Singapore and Thailand to exchange views on currency speculation in the region.
<b>24 JAN</b>	Results of a comprehensive survey on the structure and performance of residential mortgage loans conducted in October 1994 by the HKMA were released. The findings confirmed that residential mortgage loans in Hong Kong were performing well with default/delinquent rates of less than 0.5% as at end September 1994.
<b>2 FEB</b>	The Liquidity Adjustment Facility's (LAF) bid and offer rates were raised to 4.25% and 6.25% from 3.75% and 5.75% respectively, the fourth time the rates had been raised since the beginning of 1994. The following day, the Hong Kong Association of Banks (HKAB) announced an increase in interest rates of 50bp on retail deposits with maturities of seven days or less.
<b>6 FEB</b>	A policy paper setting out the conditions under which the HKMA would be prepared to recognise netting arrangements, and the method of calculating the credit exposure on bilaterally netted transactions for capital adequacy purposes, was issued to the AIs.
<b>16 FEB</b>	The Exchange Fund (Amendment) Ordinance 1995 was enacted. It gave statutory backing to the "Accounting Arrangements" between the Financial Secretary and the Hongkong Bank and facilitated the adoption of the new interbank payment system in Hong Kong. The scope of investment of the Exchange Fund was also widened to facilitate prudent management of the Fund.



<b>27 FEB</b>	The Bank of England announced that Baring Brothers & Co Ltd had been the victim of losses caused by large-scale unauthorised dealings by a trader in one of its subsidiaries in Southeast Asia and put it under administration. In view of this announcement, the HKMA instructed the Hong Kong branch of Barings to close for normal business until further notice and to take additional measures to safeguard the assets of the institution in Hong Kong. Following the acquisition of the Barings Group by the ING group of the Netherlands, the name of the bank was changed to Bishops court (BB & Co) Ltd on 10 March. The HKMA lifted the restrictive requirements on the Hong Kong branch of Barings on 4 April.
<b>6 MAR</b>	Following the Barings episode, the HKMA asked all AIs to review their internal control systems in respect of derivatives trading and to submit reports to the HKMA within four weeks.
<b>14 MAR</b>	The HKMA announced the decision to postpone the third phase of deregulation of time deposits, due on 1 April 1995 and covering deposits fixed for more than 24 hours, to allow the HKMA and the HKAB more time to assess the impact of the first two phases of deregulation.
<b>16 MAR</b>	A letter was issued to all licensed banks specifying that the minimum size of a debt issue to be eligible for Sale and Repurchase Agreement (Repo) under LAF shall be \$1 bn in order to ensure marketability and liquidity in the secondary market.
<b>29 MAR</b>	The Financial Secretary announced that at end 1994, the total assets of the Exchange Fund stood at \$408 bn, up 17% from end 1993. Of the total, \$384 bn (US\$49 bn) were denominated in foreign currencies, placing Hong Kong the seventh largest in the world in total foreign exchange reserves and second in the world on per capita basis. The accumulated earnings of the Fund increased by just over \$1 bn to about \$129 bn at end 1994. It was also announced that the balance sheet of the Fund would be published semi-annually to increase the transparency of its operation.
<b>16 MAY</b>	A new clearing company, known as the Hong Kong Interbank Clearing Limited, jointly owned by the HKMA and the HKAB, was set up to provide interbank clearing functions in Hong Kong by 1996.
<b>1 JUN</b>	The HKMA issued a letter to the Hong Kong Capital Markets Association setting out the HKMA's views on the "restrictive clauses" in certificates of deposit (CDs). As protection for issuers of CDs in the event of "force majeure" already exists under Hong Kong law, the HKMA was of the view that these restrictive clauses were unnecessary and should thus be deleted. However, should an AI feel it necessary to include such a clause, it should follow the recommended standardised wording set out in the letter.
<b>26-27 JUN</b>	The HKMA and World Bank jointly hosted an "Emerging Asian Bond Market Conference" in Hong Kong, during which the World Bank unveiled its reports on eight East Asian markets, including Hong Kong. The Hong Kong Report said that the bond markets in Hong Kong had grown rapidly since 1993 due in large part to the role played by the HKMA.
<b>29 JUN</b>	The Banking (Amendment) Ordinance 1995 was enacted under which the HKMA became the licensing authority of all three types of AIs.



<b>30 JUN</b>	The amendments to the Third Schedule to the Banking Ordinance (i.e. the part on Capital Adequacy Ratio) were gazetted. It provided the legal framework for AIs to implement the bilateral netting arrangements.
<b>7 JUL</b>	The report on the Informal Group on Secondary Mortgage Market was released. It provided in detail the history and background of mortgage securitisation in Hong Kong and discussed various issues affecting its future development.
<b>7 JUL</b>	The Finance Committee of the Legislative Council approved a commitment of \$485 mn for planning and organising the 1997 Annual Meetings of the World Bank Group and the International Monetary Fund in Hong Kong.
<b>19 JUL</b>	The HKAB (Amendment) Ordinance 1995 was enacted. It enabled the Bank of China to rotate as Chairman and Vice-Chairman of the HKAB along with HongkongBank and Standard Chartered Bank.
<b>19 JUL</b>	The Companies (Amendment) Ordinance 1995 was enacted under which in the event of liquidation of a bank, the first \$100,000 of net deposits of eligible depositors would receive priority payment. This is a means of protecting small depositors in the event of a bank collapse.
<b>21 JUL</b>	A guideline was issued by the HKMA setting out the parameters for AIs to make “unsolicited calls” to sell leveraged foreign exchange trading contracts to certain categories of customers. Those AIs complying with the HKMA’s guideline would be exempted from section 39 of the Leveraged Foreign Exchange Trading Ordinance which prohibits the making of unsolicited calls. A revised guideline was subsequently issued on 16 November to allow AIs to make cold calls by phone to persons with deposits and assets in excess of \$750,000 instead of \$500,000.
<b>9 AUG</b>	The Financial Secretary announced that the total assets of the Exchange Fund stood at \$450 bn at the end of June 1995, up more than 10% from the end of 1994. Hong Kong’s foreign exchange reserves amounted to US\$53.6 bn at end June, compared to US\$49.3 bn at end 1994. This was the first time that half-year results of the Exchange Fund were announced.
<b>25 AUG</b>	HKMA announced that the one cent currency note would be demonetised and would cease to be legal tender after 30 September 1995, following the report of the Consultative Panel on One Cent Notes.
<b>13 SEP</b>	The HKMA wrote to the HKAB and the Deposit-taking Companies Association clarifying that the 40% guideline for property exposure as a percentage of loans for use in Hong Kong should be regarded as a benchmark rather than an upper limit. It is accepted that some institutions (particularly those with large residential mortgage portfolios) may have percentages in excess of 40%. However, such institutions should exercise additional restraint and caution in expanding their property lending.
<b>20 SEP</b>	According to a BIS survey, the net daily turnover in the Hong Kong foreign exchange market was US\$91 bn in April 1995, making Hong Kong the fifth largest centre for foreign exchange trading, up one position from 1992.



<b>26 SEP</b>	The Government announced the decision to remove the interest rate ceiling on time deposits fixed for seven days. The Government also decided that there should be no further move below seven days and that the current programme of deregulation should come to an end. The interest rate ceiling on time deposits fixed for seven days or with a call or notice period of seven days was removed on 1 November. The HKMA also announced that it was recommending disclosure of balance sheet inner reserves in the banks' 1995 accounts.
<b>6 OCT</b>	The HKMA wrote to all AIs to draw their attention to the provisions regarding money laundering in two recently enacted Ordinances. The Drug Trafficking (Recovery of Proceeds) (Amendment) Ordinance 1995 and the Organised and Serious Crimes (Amendment) Ordinance 1995, among other things, make it an offence if anyone fails to report knowledge of suspicion of money laundering transactions to the appropriate authorities.
<b>23 OCT</b>	The HKMA issued a best practice guide on financial disclosure to AIs setting out the recommendations in Phases I and II of the 1995 disclosure package and the recommendation to disclose balance sheet inner reserves.
<b>23 OCT</b>	The HKMA and the Securities and Futures Commission (SFC) signed a Memorandum of Understanding which aims at strengthening co-operation between the two regulators.
<b>27 OCT</b>	The HKMA became a member of SEANZA (South East Asia, New Zealand, Australia), a regional central bank forum.
<b>30 OCT</b>	The HKMA sent a letter to the HKAB providing further guidance on its policy on co-financing schemes in relation to residential mortgage lending where the "top-up" element was provided by another bank. The HKMA stated that it would discourage this kind of pre-arranged co-financing scheme, whether or not the top-up element takes the form of a personal loan.
<b>2 NOV</b>	The Financial Secretary announced the Government's decision to publish the size of Hong Kong's foreign exchange reserves (i.e. foreign currency assets of the Exchange Fund) every quarter instead of every six months.
<b>3 NOV</b>	The HKMA announced that the Central Moneymarkets Unit (CMU) Service, the central custodian and clearing system of debt securities, would introduce a new function of delivery vs payment (DvP) for private sector debt instruments on 18 December 1995 and start clearing of debt securities denominated in foreign currencies from 15 January 1996.
<b>9 NOV</b>	The Bank Notes Issue (Amendment) Ordinance 1995 was enacted. The main purpose of the Amendment Ordinance was to modify the legal framework for the issue of legal tender currency notes so that it would be fully consistent with the provisions in the Sino-British Joint Declaration and the Basic Law.
<b>15 NOV</b>	The Banking (Amendment) Ordinance 1995 came into effect. Concurrent with that, the HKMA published a Guide to Applicants which sets out the HKMA's interpretation of the authorisation criteria and the grounds for revocation contained in the Ordinance and the procedures for processing applications for authorisation.



<b>20 NOV</b>	The HKMA convened an informal meeting of governors and senior officials from the central banks and monetary authorities of Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines and Thailand. The group reviewed developments in the financial markets and examined the opportunities for further co-operation. On this occasion, the HKMA signed agreements with the Reserve Bank of Australia, Bank Indonesia, Bank Negara Malaysia and Bank of Thailand on the repurchase of US government securities to provide liquidity on a bilateral basis. On 1 December, the HKMA announced that it had also signed a bilateral repurchase agreement with Bangko Sentral ng Pilipinas, the central bank of the Philippines.
<b>24 NOV</b>	The HKMA announced that foreign currency assets held by the Exchange Fund, excluding forward transactions which had not yet been settled, amounted to US\$51.8 bn at the end of September 1995 or US\$54.6 bn including forward transactions to be settled.
<b>27 NOV</b>	Tender for the first issue of 7-year Exchange Fund Notes was held. The Notes, which carried a coupon rate of 6.82% and mature on 28 November 2002, were 6.64 times over-subscribed.
<b>18 DEC</b>	According to the BIS survey conducted by the HKMA, Hong Kong was the world's fifth largest trading centre for foreign exchange derivatives in the world. The average turnover amounted to US\$56 bn per business day during April 1995, representing about 6% of the global total. The interest rate derivatives market of Hong Kong ranked eighth in the world, with an average turnover of US\$18 bn per day in April 1995.
<b>22 DEC</b>	The HKAB announced a 25bp cut in interest rates on retail deposits with maturities of less than seven days.
<b>28 DEC</b>	The HKMA sent a letter to all AIs which are exempt dealers to inform them of the principles governing the approach of the HKMA in supervising their securities business. Exempt dealer status was granted under the Securities Ordinance by the SFC.