

January

6 The Hong Kong Mortgage Corporation Limited (HKMC) announces the signing of a \$20 billion Note Issuance Programme arranged by the HKMA, under which the HKMC can issue notes with a denomination of \$50,000 and maturity of up to 10 years.



7 The HKMA issues a letter to the chief executives of all authorised institutions informing them of a further survey on the Year 2000 problem. Part of the HKMA's continuing initiative on the Year 2000 problem, the survey aims at collecting information from authorised institutions about their progress on the Year 2000 problem.

19 19 January 1998
Hong Kong



The Second HKMA Distinguished Lecture takes place. The topic is the introduction and international role of the euro. Dr Willem Duisenberg, President of the European Monetary Institute, delivers the keynote address. Mr Akira Nagashima, Deputy Governor of the Bank of Japan, is the discussant.

23 The HKMC announces that it has entered into an agreement with the HKMA under which the Exchange Fund will provide a \$10 billion revolving credit facility to the HKMC. The credit facility enables the HKMC to obtain short-term funds to bridge the gap between the purchase of mortgage loans and the issuance of debt securities, which may arise from time to time owing to volatile conditions in the capital market.

February

5

The Report by the Informal Working Group on Financial Technology Infrastructure is released. The Informal Working Group, co-chaired by the HKMA, recommends the establishment of FinNet, a secure Intranet built for financial transactions throughout Hong Kong, among all financial institutions and authorised users to facilitate electronic exchange of data in transactions, clearing, settlement and custody.

16

In a press information notice issued by the International Monetary Fund, the IMF Executive Board gives full endorsement to Hong Kong's existing policy framework, and in particular to its prudent fiscal policy and linked exchange rate system. The notice also contains the IMF's official assessment of Hong Kong's economic performance and prospects. The assessment is based on an annual consultation in 1997 under Article IV of the IMF's Articles of Agreement with China in respect of the Hong Kong Special Administrative Region.

26

The Board of Directors of the HKMC agrees that the Corporation will proceed to develop the necessary infrastructure to promote fixed rate mortgages in Hong Kong as an additional choice for consumers.



March

2 - 13

Senior HKMA executives participate in a series of successful and well received roadshows to Tokyo, New York and London. Mr Joseph Yam, Chief Executive, and Mr Norman Chan, Deputy Chief Executive, deliver speeches on “The Hong Kong Dollar Link” at Hong Kong Trade Development Council conferences in Tokyo and New York respectively. In London, Mr. Yam gives a speech entitled “Eye of the Storm” at a seminar organised by the British Invisibles and the Hong Kong Economic and Trade Office in London.



18

The HKMC signs an agreement with Chase Manhattan Bank and Dao Heng Bank to launch a pilot scheme for promoting fixed rate mortgages. Under the pilot scheme, the HKMC agrees to purchase from each of the two participating banks up to \$250 million of eligible fixed rate mortgages during the six-month pilot scheme period.

31

The HKMA announces the audited results of the Exchange Fund at the end of 1997, with total assets up 19% to \$636.6 billion and a 10% growth in accumulated surplus (1996: 8%). The foreign currency assets in the Exchange Fund and the Land Fund amounted to US\$92.8 billion at the end of 1997, making Hong Kong’s foreign exchange reserves the third largest in the world.



April

7

The HKMA issues a letter to the chief executives of all authorised institutions outlining a number of additional measures to intensify its supervisory efforts to address the banking sector’s obligation to be Year 2000 compliant. The first “Year 2000 Bulletin” is also released to provide a channel for the HKMA to disseminate information on the Year 2000 issue to the banking industry in Hong Kong.



17

The HKMA is appointed to co-chair a working group set up by the G22 economies to promote transparency and disclosure in the financial sector. The decision to establish this working group was made at a meeting of the G22 economies in Washington.

29

The HKMA and the Reserve Bank of New Zealand jointly announce that a reciprocal bilateral linkage between the Central Moneymarkets Unit operated by the HKMA and the securities depository in New Zealand (Austraclear New Zealand System) will commence operation on 30 April 1998. Besides helping the development of the securities market, these bilateral linkages also help to reduce settlement risk by facilitating cross-border delivery versus payment.

May

- 19** Following extensive consultation with the banking industry, the HKMA finalises the new “Guideline on recognition of interest”. The guideline was endorsed by the Working Party on Financial Disclosure, which comprises representatives from both local and foreign authorised institutions and from the accounting profession.

June



- 4** The HKMA announces the launch of the Hong Kong International Airport Commemorative Gold Coin, issued on behalf of the Government of the Hong Kong SAR to mark the opening of the new Hong Kong International Airport in July 1998.

- 11** The HKMA revises the HKMA page on Reuters to further enhance the transparency of its market activities. Starting on 11 June 1998, the HKMA page provides a forecast of changes in the Aggregate Balance of the banks’ clearing accounts with the HKMA attributable to the HKMA’s foreign exchange transactions. The forecast shows the projected positions for “Today”, “Tomorrow” and “After Tomorrow”. The forecast is updated virtually on a real-time basis.



- 12** Following consultations with individual authorised institutions and industry associations, the HKMA finalises the recommendations for listed authorised and listed banking groups to disclose additional information in their interim reports. The comments received show general support for the proposal to increase the transparency of the local banking sector.

July

10 The HKMC announces that the Approved Sellers have indicated that they are prepared to commit to sell an aggregate amount of \$13.65 billion under the Forward Commitment Facility in the following 12 months.

11 The Bank for International Settlements (BIS) opens its Representative Office for Asia and the Pacific in Hong Kong. Through the establishment of this office, the BIS aims at strengthening further the relations between the BIS and central banks and monetary authorities in the region, to improve the exchange of information and data, to facilitate the organisation of meetings and seminars and to contribute generally to co-operation among central banks and monetary authorities.



23 The HKMA announces the unaudited balance sheet of the Exchange Fund as at the end of June 1998. The figures show that in the first half of 1998 total assets of the Exchange Fund rose by 3.6% from \$636.7 billion at the end of December 1997 to \$659.5 billion at the end of June 1998. The accumulated surplus of the Exchange Fund, including minority interests, increased by 6.2% from \$190.2 billion at the end of December 1997 to \$202 billion at the end of June 1998.

28 The HKMA announces that its “40% guideline” on the property exposure of authorised institutions in Hong Kong is withdrawn, with effect from 28 July 1998, because it has become less relevant to market conditions.

August

14 In order to deter market manipulation by speculators, the Financial Secretary exercises his power under the Exchange Fund Ordinance and asks the HKMA to draw upon the resources of the Exchange Fund to mount appropriate counter activities in the stock and futures markets. During operations in the markets between 14 and 28 August, the Exchange Fund acquires a portfolio of Hang Seng Index constituent stocks.

19 The HKMA is awarded ISO 9002 Certification for the provision of information technology infrastructure. The award is a recognition of the HKMA's commitment to ensuring the quality and efficiency of its information technology services.

September

- 5** The HKMA announces a package of seven technical measures to further strengthen the currency board arrangements and make them less susceptible to manipulation by speculators. The HKMA also announces the formation of the Sub-Committee on Currency Board Operations under the Exchange Fund Advisory Committee (EFAC). These measures are also aimed at achieving an even higher degree of transparency and disclosure in Hong Kong's monetary arrangements.
- 15** The HKMC announces its unaudited interim results, which show that the operating profit before tax for the six months ending on 30 June 1998 is \$28.2 million. This profit has enabled the HKMC to recoup the full amount of the operating loss of \$20.3 million incurred in 1997, which was largely attributable to start-up expenses.
- 29** The triennial survey of the foreign exchange and derivatives markets in Hong Kong, co-ordinated by the BIS, shows that the average net daily turnover of foreign exchange and over-the-counter derivatives transactions in Hong Kong amounted to US\$82.4 billion in April 1998 (a decline of 12.8% from US\$94.4 billion in 1995 and equivalent to an annual compounded decline of 4.5%).
- 30** The Government announces that a new company called "Exchange Fund Investment Limited" (EFIL) will be set up to manage the portfolio of Hang Seng Index constituent stocks acquired by the Exchange Fund in the market operation of August.



October

- 15** The HKMC launches the inaugural issue under the \$20 billion Debt Issuance Programme. In view of the favourable response from the Primary Dealers and the Selling Group Members, the issue size is increased from \$500 million to \$700 million.
- 26** EFIL holds its first Board of Directors' meeting. The Directors conclude that it is in the interests of the public for the Government to disclose in full the 33 Hang Seng Index constituent stocks acquired by the Exchange Fund during its market operation in August: the total purchase cost of these shares was \$118 billion.

November

10 In a statement following its annual consultations with the Hong Kong SAR Government in October, the International Monetary Fund Staff Mission strongly endorses Hong Kong's linked exchange rate system and fully supports the economic policy framework of the Hong Kong SAR Government.

17 The Government announces that the assets of the Land Fund will be merged into the Exchange Fund. The Hong Kong equity portfolio formerly held by the Land Fund will also be transferred to the Exchange Fund in the portfolio to be managed by EFIL. Henceforth, the assets of the Land Fund, valued at 31 October 1998, are formally merged into the Exchange Fund effective from 1 November 1998.

25 As a further measure to enhance the transparency of the operations of the Currency Board arrangements in Hong Kong, the HKMA starts to publish the size of the Monetary Base and its components on a daily basis. The new HKMA page on Reuters shows the aggregate size of the Monetary Base as well as individual components, including Certificates of Indebtedness (backing the bank notes issued in Hong Kong), coins in circulation, the Aggregate Balance of the banking system, and outstanding Exchange Fund Bills and Notes. The position before Discount Window activities is also shown.

	BEFORE	AFTER
RESERVE IN CIRCULATION	10,000,000,000	10,000,000,000
ISSUING AGGREGATE BALANCE	1,000,000,000	1,000,000,000
OUTSTANDING EXCHANGE FUND BILLS AND NOTES	10,000,000,000	10,000,000,000
TOTAL	21,000,000,000	21,000,000,000

26 Following endorsement by EFAC, the HKMA announces three measures to further enhance the transparency and fine-tune the operations of the Currency Board arrangements in Hong Kong. These include the scheduled plan to move the exchange rate under the Convertibility Undertaking in respect of the Aggregate Balance from 7.75 to 7.80, the methodology for determining the Base Rate under the Discount Window, and the publication of the minutes of the EFAC Sub-Committee on Currency Board Operations.

December

- 3** The Board of Directors of the HKMC gives its approval in principle for the Corporation to partner with mortgage insurers to launch a Mortgage Insurance Programme, which will enable home buyers to secure mortgage loans of up to 85% loan-to-valuation ratio.
- 7** The HKMA receives certification from the Information Technology Association of America, an internationally recognised Year 2000 certification body, for its rigorous treatment of the Year 2000 problem.
- 15** EFIL holds its second Board meeting. Following discussion by the Directors, EFIL discloses in full the additional Hong Kong equity holdings to be placed under EFIL's management. The additional Hong Kong equities to be passed to EFIL for management comprise Hang Seng Index constituent stocks with a total value of \$9 billion as at 11 December 1998.
- 18** The HKMA releases the findings and recommendations of a consultancy study on the strategic outlook of the Hong Kong banking sector over the next five years. The report contains a package of recommendations aimed at enhancing the level of competitiveness of the Hong Kong banking system as well as strengthening the safety and soundness of the banking sector as a whole so that the benefits of increased competition and greater efficiency can be fully realised.



Representatives from 14 member economies of the Asia Pacific Economic Co-operation (APEC) meet in Hong Kong to discuss technical issues on the development of domestic bond markets in the region. Hong Kong is the co-ordinator of this Collaborative Initiative.