

# Financial Infrastructure

To reinforce Hong Kong's position as an international financial centre and a regional payment and settlement hub, the RTGS systems have migrated to the global SWIFTNet open platform; the CMU Fund Order Routing and Settlement Service has been introduced; the foreign-currency RTGS systems and the CMU have extended their operations to include all Hong Kong general holidays, except 1 January; and economic and financial ties between the Mainland and Hong Kong have been strengthened with the establishment of multi-currency cross-border payment arrangements.

## OBJECTIVES

An important policy objective of the HKMA is to promote the development of a safe and efficient financial market infrastructure to help maintain financial and monetary stability and Hong Kong's status as an international financial centre. Particular attention is paid to the clearing and settlement systems for the safe and efficient transfer of funds and securities within Hong Kong and between Hong Kong and other Asian cities, including those on the Mainland.

## REVIEW OF 2009

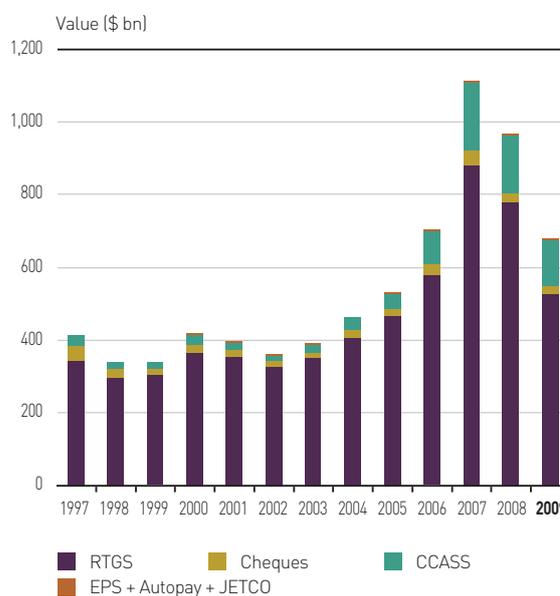
### Hong Kong dollar interbank payment system

The Hong Kong dollar Clearing House Automated Transfer System (CHATS), which operates on a Real Time Gross Settlement (RTGS) basis, is responsible for clearing all Hong Kong dollar interbank payments. It has a direct link with the Central Moneymarkets Unit (CMU), which is the debt securities clearing and settlement system operated by the HKMA, to provide both real-time and end-of-day delivery-versus-payment (DvP) settlement services. Hong Kong Interbank Clearing Limited (HKICL), the system operator of CHATS, was established in 1995 and is owned equally by the HKMA and the Hong Kong Association of Banks. In 2009 HKICL processed a daily average of \$526 billion in CHATS transactions (20,717 items).

In addition to settling large-value payments, CHATS also handles daily bulk clearings of stock market transactions, credit card transactions, cheques, low-value bulk electronic payment items (EPS, auto-credit and auto-debit transactions), and low-value ATM transfers (Chart 1).

Banks can use their Exchange Fund Bills and Notes (EFBN) to obtain interest-free intraday liquidity through intraday repurchase agreements with the HKMA to settle their interbank payments. On average in 2009, intraday repurchase transactions amounting to \$26 billion were carried out each day, representing 5% of the \$485 billion in Exchange Fund paper held by banks in December.

**Chart 1** Hong Kong dollar payment system daily average turnover



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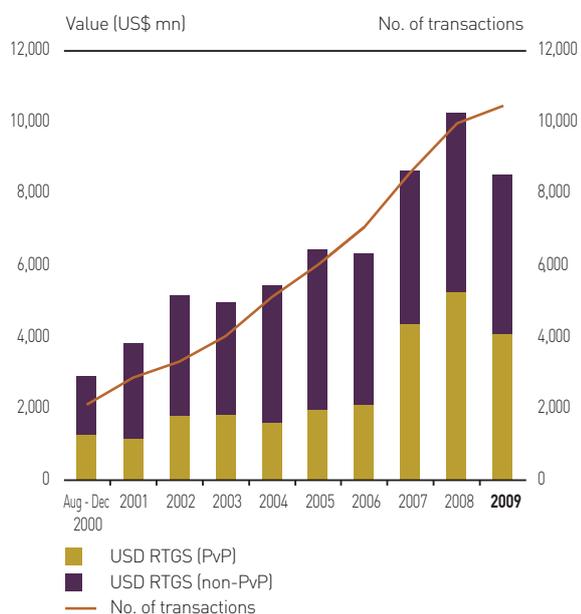
## US dollar RTGS system

The US dollar RTGS system has been operating efficiently since its launch in 2000. The Hongkong and Shanghai Banking Corporation is the settlement institution with HKICL as system operator. At the end of 2009, the system had 80 direct and 149 indirect participants, including 105 indirect participants from outside Hong Kong. On average, it handled more than 10,400 transactions amounting to US\$8.5 billion a day in 2009 (Chart 2). The system also processed a daily average of 7,377 US dollar cheques with a value of US\$214 million.

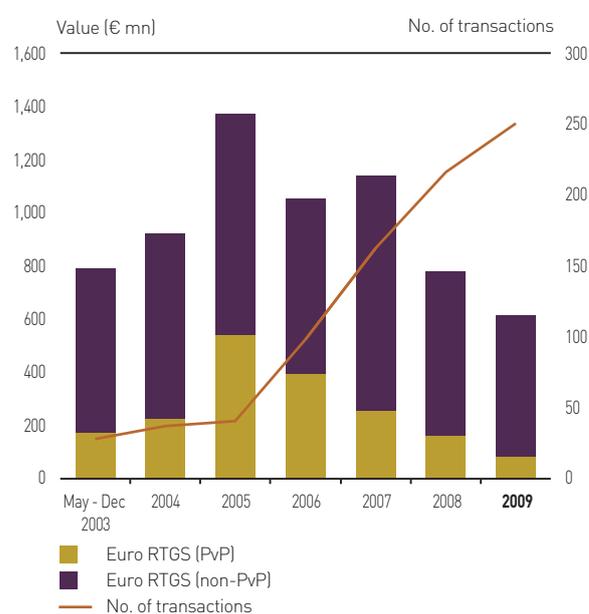
## Euro RTGS system

The euro RTGS system was launched in 2003. The settlement institution is the Standard Chartered Bank (Hong Kong) Limited with HKICL as system operator. At the end of 2009, there were 30 direct and 20 indirect participants, including 11 indirect participants from outside Hong Kong. In 2009 the system handled on average 251 transactions with a total value of €616 million a day (Chart 3).

**Chart 2 US dollar clearing system daily average turnover**



**Chart 3 Euro clearing system daily average turnover**



## Renminbi RTGS system

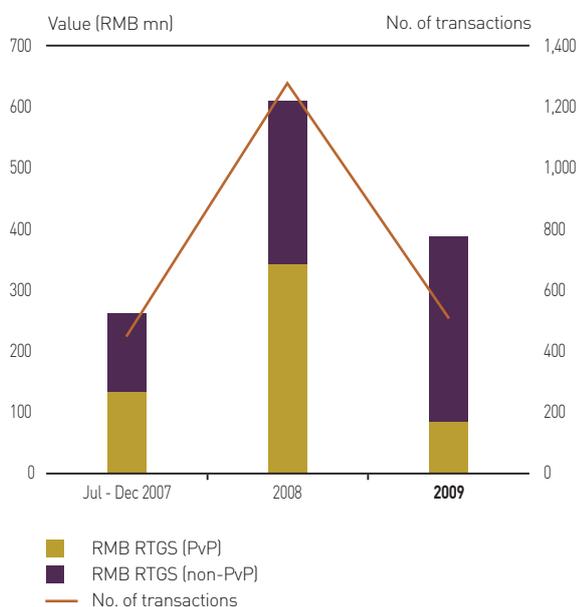
The renminbi RTGS system was launched in 2007. The clearing bank is Bank of China (Hong Kong) Limited with HKICL as system operator. At the end of 2009, there were 46 direct participants. On average, it handled 509 transactions with a total value of RMB388 million a day in 2009 (Chart 4).

## Payment-versus-payment (PvP)

PvP is a mechanism for settling a foreign-exchange transaction to ensure that payments in the two currencies involved are settled simultaneously. Within Hong Kong, six cross-currency PvP links have been established among the Hong Kong dollar, US dollar, euro and renminbi RTGS

systems. A PvP link between Hong Kong's US dollar RTGS and Malaysia's ringgit RTGS systems was established in November 2006. PvP greatly improves settlement efficiency and eliminates settlement risk arising from time lags in settlements and from time-zone differences (known as Herstatt risk). In 2009 the transaction volume of Hong Kong dollar, US dollar, euro and renminbi-related PvP amounted to about \$5,142 billion, US\$1,026 billion, €20 billion and RMB21 billion respectively.

**Chart 4** RMB clearing system  
daily average turnover



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## Payment links with the Mainland

The HKMA continues to work closely with Mainland authorities in providing efficient cross-border payment links to meet the growing demand. The use of these services has risen gradually over the years, and in 2009 the daily average turnover handled by the various system links was equivalent to over \$1.6 billion, including the RTGS cross-border links with the Mainland's Domestic Foreign Currency Payment Systems launched in March 2009 (Chart 5).

The RTGS system links with Shenzhen and Guangdong handled more than 21,000 transactions during the year, with a total value equivalent to \$337 billion. The system allows cross-border payments in Hong Kong dollars and US dollars between banks in Hong Kong and their counterparts in Shenzhen and Guangdong to be settled efficiently and safely.

The two-way joint cheque-clearing facilities processed about 398,000 Hong Kong dollar and US dollar cheques, with a value equivalent to \$36 billion, in 2009. The facilities shortened the clearing time for cheques drawn on banks in Hong Kong and presented in Shenzhen and Guangdong, and for cheques drawn on banks in Shenzhen and Guangdong and presented in Hong Kong. Since

March 2006, the joint cheque-clearing facilities have been expanded to cover renminbi cheques drawn on banks in Hong Kong, and presented in Shenzhen and Guangdong for consumer spending. In 2009 renminbi cheques with a total value equivalent to \$30 million were cleared.

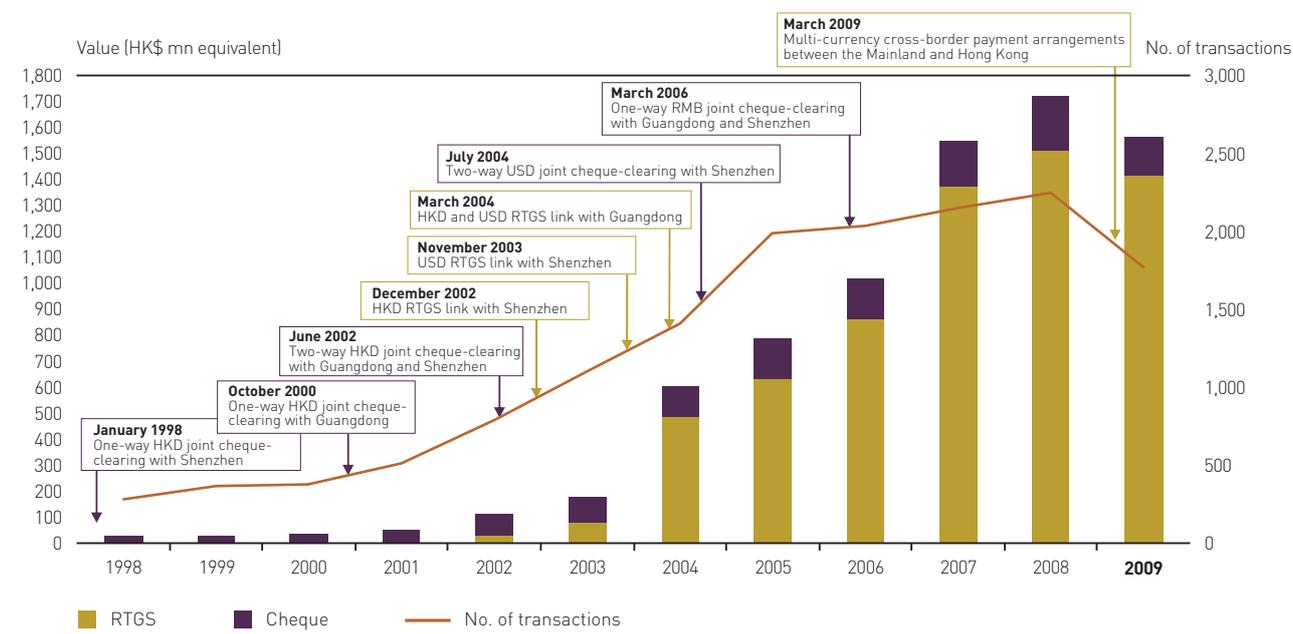
## Payment links with Macau

The one-way joint clearing facility for Hong Kong dollar cheques between Hong Kong and Macau was launched in August 2007 and a similar facility for US dollar cheques was launched in June 2008 to meet growing demands. The facilities have reduced the time required for clearing Hong Kong dollar and US dollar cheques issued by banks in Hong Kong and presented in Macau from four or five days to two. In 2009 Hong Kong dollar cheques with a total value of over \$9 billion and US dollar cheques with a total value of over US\$10 million were cleared.

## Debt settlement systems

The CMU provides an efficient, one-stop clearing, settlement and depository service for Hong Kong dollar and foreign-currency denominated debt securities issued in Hong Kong. Since its establishment in 1990, the CMU has developed links with many regional and international central securities depositories. Overseas investors can hold and settle securities lodged with the CMU. It also

**Chart 5** Daily average turnover in cross-border links with the Mainland



helps Hong Kong investors to hold and settle foreign securities held with regional and international central securities depositories.

In 2009 the CMU processed a daily average value of \$172 billion (242 transactions) in secondary market transactions (Chart 6). Among the debt securities lodged with the CMU at the end of the year, the outstanding amount of EFBN was \$534 billion and the total amount of other securities was equivalent to \$226 billion.

### Development initiatives in 2009

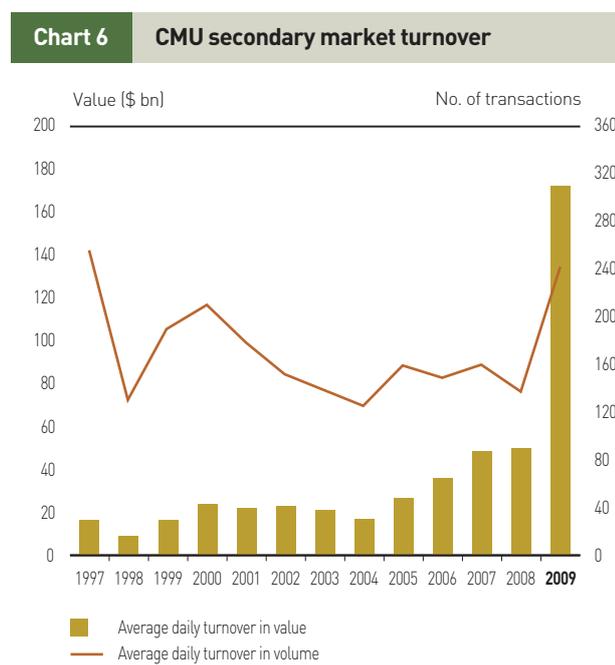
The HKMA completed several development projects and captured new business opportunities during the year to promote the safety and efficiency of the financial infrastructure and develop Hong Kong into a regional payment and settlement hub.

### System development

To strengthen co-operation in cross-border financial infrastructure, the People's Bank of China (PBoC) and the HKMA established multi-currency cross-border payment arrangements in March 2009 to settle Hong Kong dollar, US dollar, euro and British pound payments between the Mainland's Domestic Foreign

Currency Payment Systems and the Hong Kong dollar, US dollar and euro RTGS systems in Hong Kong. Settlements for transactions denominated in the British pound are through a correspondent bank in Hong Kong. These arrangements enable Mainland and Hong Kong participating banks to manage their liquidity more efficiently and become more competitive in providing cross-border payment services in the Asian time zone, thus reducing settlement risk. While the operating mechanism is similar to that of the Hong Kong dollar and US dollar RTGS links with Shenzhen and Guangdong, the geographical coverage has been expanded considerably to benefit more Mainland cities. From its inception in March 2009 to the end of the year, 809 transactions with a value equivalent to \$602 million were handled through these arrangements.

The SWIFTNet migration project, which replaces the proprietary platform of Hong Kong's RTGS systems and the CMU with an open platform, is being implemented in two phases. Phase I, allowing banks to use SWIFT messages for payment instructions on the SWIFTNet platform, was launched on schedule in May 2009. The banking industry has welcomed the migration as it enhances the interoperability between Hong Kong's domestic RTGS systems and the global platform, thus increasing the efficiency of the participating banks. It also helps attract overseas financial institutions to use Hong Kong's RTGS systems with its more open and convenient access. Phase II of the project, covering the migration of the interactive user interfaces for account enquiry and reporting functions to the SWIFTNet platform, is progressing well and is scheduled for completion in July 2010.



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A new bulk settlement run was introduced in Hong Kong's US dollar RTGS system in June 2009 for US dollar debit and credit card transactions. The arrangement allows US dollar debit and credit card-related payments between card-issuing banks and merchant-acquiring banks in the Asian region to be settled in the same time zone to improve settlement efficiency and mitigate settlement risks among the banks. Mainland China's biggest card company, China UnionPay, has joined the new service, which facilitates payment in US dollars to its merchant-acquiring banks in Asia for transactions involving its debit and credit cards.

System enhancements were implemented in July 2009 for the launch of the pilot scheme between the Mainland and Hong Kong for cross-border renminbi trade settlements. The enhancements included the establishment of PvP links between Hong Kong's renminbi and US dollar RTGS systems, and between the renminbi and euro RTGS systems to increase competitiveness, safety and efficiency of the renminbi RTGS system.

Investment funds have become an increasingly important international financial intermediation channel. Until recently, however, there was no standardised settlement platform for investment funds in Hong Kong. The non-standardised system previously in use led to high operational risks and back office costs, and could come under pressure particularly at times of heavy IPO activities and financial turmoil. The HKMA therefore launched the CMU Fund Order Routing and Settlement Service in August 2009. The new service provides a standardised platform to streamline and automate investment fund transactions to reduce operational risks. It will further enlarge the coverage and improve the safety and efficiency of Hong Kong's multi-dimensional financial infrastructure.

In late November 2009 Hong Kong's US dollar, euro and renminbi RTGS systems and the CMU began operating

on all Hong Kong general holidays, with the exception of 1 January, which is a worldwide holiday. This initiative facilitates local and overseas institutions' use of the RTGS systems in Hong Kong to process their regional payments.

To shorten the settlement cycle for interbank credit transfer items, an additional bulk settlement run in the Hong Kong dollar RTGS system was established in November 2009 to provide same-day settlement services. Facilitating a speedier turnaround of funding availability at interbank level, the arrangement allows bank customers to enjoy same-day interbank money transfers, including payment of wages and salaries, if banks are able to credit the money received from this bulk settlement run to the recipient's account on the same day.

In 2009 the HKMA and Bank Indonesia completed the development of the PvP link between Hong Kong's US dollar RTGS and Indonesia's rupiah RTGS systems. The link was launched in January 2010 and will help improve the settlement efficiency of the US dollar and Indonesian rupiah in the region and reduce Herstatt risk.

## Business development

Expanding international links with Hong Kong's RTGS systems and promoting Hong Kong's payment services and financial infrastructure were priority business development areas pursued during the year.

## Expanding system links

In 2009 the HKMA participated in a regional task force on Common Platform Model for Asia to improve the debt securities post-trade processing infrastructure through a set of harmonised procedures and shared technology among Asian central securities depositories. The initiative is designed to assist in developing the Asian bond market, making it more attractive to foreign investors.

### ***Promoting the use of Hong Kong's payment platform***

Intense promotion of Hong Kong's financial infrastructure continued throughout the year, with the HKMA holding or attending 42 seminars and arranging over 270 marketing calls in various cities in Mainland China, South East Asia, the Indian Sub-continent, the Middle East and Europe.

SIBOS 2009, a renowned exhibition for the payment industry, was held in Hong Kong. Senior officials of the HKMA delivered four speeches and presentations, including the keynote opening address, to promote Hong Kong's financial infrastructure to over 5,800 senior executives from more than 100 countries.

The HKMA built on its partnership with large regional banks to boost the scale and effectiveness of its marketing efforts. For example, with the Bank of China (Hong Kong) Limited, it launched a number of marketing campaigns in Hong Kong, Macau and a number of ASEAN countries to promote Hong Kong's cross-border renminbi trade settlement infrastructure. As a result, 27 overseas banks have indicated an interest to join the renminbi RTGS system. In addition, speeches were delivered at various regional conferences, including the World SME Expo, Asia Risk Congress and SIBOS 2009, to raise awareness among trade enterprises to use the renminbi as a trade-settlement currency. Locally, the HKMA worked closely with major retail banks to promote same-day settlement of electronic funds transfer to the general public.

### **Oversight of clearing and settlement systems**

#### ***Oversight of designated systems***

The Clearing and Settlement Systems Ordinance (CSSO), which came into force in November 2004, empowers the Monetary Authority to designate and oversee clearing and settlement systems that are material to the monetary or financial stability of Hong Kong, or to the functioning of Hong Kong as an international financial centre. The purpose of the CSSO is to promote the general safety and efficiency of the designated systems: the CMU, Hong Kong dollar CHATS, US dollar CHATS, euro CHATS, renminbi CHATS, and the Continuous Linked Settlement

(CLS) System. Except for the CLS System, the HKMA oversees the designated systems through off-site reviews, continuous monitoring, on-site examinations and meetings with management.

All designated systems continued to comply with the safety and efficiency requirements under the CSSO in 2009. In May all local designated systems migrated from the proprietary operating platform to the SWIFTNet infrastructure. The second phase of the migration is scheduled for July 2010. Apart from complying with the requirements under the CSSO, the designated systems are encouraged to comply with internationally recognised standards for payment and settlement. The HKMA assessed the euro CHATS and US dollar CHATS in 2009 against the Core Principles for Systemically Important Payment Systems issued by the Bank for International Settlements. The assessment took into account the existing policies regarding payment and settlement systems of the European Central Bank and the US Federal Reserve under the principles for international co-operative oversight. Assessment of other designated systems against the Core Principles will be conducted and the results published when they are available.

#### ***Co-operative oversight arrangements***

The CLS System, a designated system in Hong Kong, is operated by CLS Bank, which is primarily regulated by its home supervisor, the US Federal Reserve. The HKMA participates in the international co-operative oversight of the CLS System with the US Federal Reserve and other central banks through the CLS Oversight Committee.

SWIFT, a major global message carrier for payment systems, is subject to co-operative oversight by central banks, with the National Bank of Belgium being the lead overseer since the carrier is incorporated in Belgium. Because the CMU accepts SWIFT messages and all the local designated systems have migrated to the SWIFTNet platform since May 2009, the HKMA has an interest in the oversight of SWIFT and has participated in discussions with the National Bank of Belgium and other central banks on oversight matters.

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The HKMA co-operates with other central banks in the oversight of PVP links between payment and settlement systems in Hong Kong and those in other jurisdictions. For example, the HKMA worked with Bank Indonesia in preparing for the oversight of the US dollar/Indonesian Rupiah PVP link launched in January 2010.

## ***Independent tribunal and committee***

An independent Clearing and Settlement Systems Appeals Tribunal established under the CSSO hears appeals by any party aggrieved by a decision of the Monetary Authority on designation and related matters. There has been no appeal since the establishment of the Tribunal.

An independent Process Review Committee reviews processes and procedures adopted by the HKMA in applying standards set under the CSSO to systems in which the HKMA has a legal or beneficial interest. The Committee follows the procedures in the Internal Operating Manual in evaluating the designated systems' compliance with the oversight standards and in assessing whether the HKMA has applied the same set of procedures to all designated systems. Regular reports with accompanying management reports summarising the HKMA's oversight activities were submitted to the Committee.

The Committee held two meetings in 2009. It reviewed four regular reports and 23 accompanying oversight activities management reports of the designated systems. The Committee concluded that it was not aware of any case where the HKMA had not duly followed the internal operational procedures, or where the HKMA had not been procedurally fair in carrying out its oversight activities. Under its terms of reference, the Committee submitted its annual report, which is published on the HKMA website, to the Financial Secretary.

## ***Informal oversight of retail payment systems***

Compared with large-value interbank payment systems, the retail payment systems generally carry few, if any, systemic risks and, at this stage, the HKMA considers that they are not systemically significant enough to be designated under the CSSO. However, the HKMA encourages the retail payment industry to adopt a

self-regulatory approach by issuing codes of practice to promote safety and efficiency.

The HKMA is responsible for monitoring the compliance of Octopus Cards Limited (OCL) with the Code of Practice for Multi-purpose Stored Value Card Operation issued by OCL and endorsed by the HKMA in 2005. In 2009 OCL completed its fourth annual self-assessment against the Code and reported its full compliance. The HKMA will continue to encourage the industry to introduce competition in the market.

The Code of Practice for Payment Card Scheme Operators issued by eight credit and debit card scheme operators with the support of the HKMA in 2006 sets out the principles covering operational reliability, data and network security, and the efficiency and transparency of payment card operations in Hong Kong. The HKMA monitors the payment card scheme operators' compliance with the Code and all operators are required to perform an annual self-assessment and report to the HKMA any incident which may have material and adverse impact on cardholders in Hong Kong. In 2009 the HKMA received the second annual self-assessment for 2008 with the eight card scheme operators reporting full compliance with the Code.

## ***International participation***

The HKMA hosted the 21st EMEAP Working Group meeting on Payment and Settlement Systems in Hong Kong on 10 - 11 September 2009. Delegates from the 11 EMEAP member economies discussed a range of issues relating to payment systems. Representatives from the National Bank of Belgium, SWIFT and VISA also participated in different sessions to share views on specific topics. The HKMA participates regularly in meetings of the committees and working groups under the Bank for International Settlements and EMEAP.

## ***Exchange Fund Bills and Notes programme***

Persistent capital inflows into Hong Kong during 2009 led to repeated triggering of the strong-side Convertibility Undertaking and a substantial expansion in the Aggregate Balance. With ample liquidity in the interbank market, banks' demand for short-dated Exchange Fund papers for liquidity management increased substantially, as reflected

by their very low yields. To address such strong demand, an additional \$374.4 billion worth of Exchange Fund Bills were issued during the year (Table 1). The additional issuances covered the three benchmark tenors of 91, 182 and 364 days. The HKMA also continued to fine-tune the maturity mix of the Exchange Fund Bills and Notes with increased issuance of 5-, 10- and 15-year Exchange Fund Notes.

An electronic trading platform was launched in December 2007 to increase the price transparency and streamline the trading process of the Bills and Notes. The daily turnover involving the use of the platform increased steadily to a monthly average of 57% of the total market turnover in December 2009.

**Table 1 Outstanding issues of Exchange Fund Bills and Notes**

	2009	2008
	(in millions of dollars)	
Exchange Fund Bills (by original maturity)		
91 days	<b>299,162</b>	56,953
182 days	<b>123,000</b>	16,900
364 days	<b>42,200</b>	16,900
Sub-total	<b>464,362</b>	90,753
Exchange Fund Notes (by remaining tenor)		
1 year or below	<b>16,200</b>	13,600
Over 1 year and up to 3 years	<b>29,200</b>	28,400
Over 3 years and up to 5 years	<b>13,600</b>	14,800
Over 5 years and up to 10 years	<b>7,700</b>	8,300
Over 10 years	<b>3,000</b>	1,800
Sub-total	<b>69,700</b>	66,900
<b>Total</b>	<b>534,062</b>	157,653

### Debt-market development

The HKMA continued to implement the recommendations arising from the second phase of its review on debt-market development. The recommendations aim to attract more issuers and broaden the investor base by looking at the issues relating to the regulatory process, investment benchmarks and guidelines, and the tax treatment of debt. In particular, the HKMA conducted a study of the Qualifying Debt Instruments Programme in Hong Kong and put forward recommendations to improve the offering of tax concessions for qualifying debt securities to make Hong Kong's bond market more competitive. These proposals were submitted to the Government in June 2009 and the HKMA will provide further input to assist in policy deliberations.

### Government Bond Programme

In his 2009-10 Budget Speech, the Financial Secretary announced the Government's intention to implement a Government Bond Programme to issue government bonds systematically. The Programme is designed to promote further and sustainable development of the local bond market, making it an effective channel for financial intermediation, complementing the equity market and banking sector.

The necessary resolutions to implement the Programme were passed by the Legislative Council on 8 July 2009. The Government was authorised to issue bonds with aggregate outstanding principal up to an amount equivalent to \$100 billion, and to set up a fund to manage the money

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raised. The Financial Secretary has directed the HKMA, as representative of the Government, to assist in the implementation of the Programme and to co-ordinate the offering of government bonds.

The Government Bond Programme consists of institutional bond issuance and retail bond issuance programmes. For the institutional programme, the HKMA appointed 12 Primary Dealers and more than 100 Recognized Dealers to take part in the programme. Two issues of government bonds were tendered under the programme in 2009, attracting a diverse group of institutional investors. The HKMA will maintain close contact with market players and consider further measures to expand and improve the programme. On the retail front, co-arranger banks will help arrange and manage offerings of retail government bonds. The HKMA will take into account the advice of the co-arranger banks and the prevailing market conditions in drawing up the timing and details of the retail issues.

## Islamic finance

In collaboration with government agencies and the private sector, progress was made in 2009 in the promotion and development of Islamic finance in Hong Kong. A four-part strategy has been adopted: establishing the necessary market infrastructure; enhancing Hong Kong's international profile as an emerging Islamic finance centre; promoting market awareness and market knowledge of Islamic finance; and encouraging product development.

In February 2009 the Financial Secretary announced in his Budget Speech the Government's intention to submit to the Legislative Council a proposal to level the playing field between Islamic and conventional financial products with regard to taxation. The proposal will include changes or clarifications to the arrangements for stamp duty, profits tax and property tax. The HKMA is assisting the Government in preparing the legislative proposals and collecting market views through the Treasury Markets Association (TMA). The HKMA has also assisted the Government in preparing an information package, including a procedural flowchart and an outline of the

key issues, detailing the interim arrangements for the application of a tax exemption for sukuk prior to passage of the legislative amendments. The information package was disseminated to market players in late November 2009 through various industry bodies including the TMA.

There has also been significant progress in promoting Hong Kong's international profile and building closer ties with overseas Islamic financial centres. Highlights include signing a Memorandum of Understanding with Bank Negara Malaysia to enter into a long-term strategic partnership to strengthen co-operation in Islamic finance; participating in a range of international forums, such as the Islamic Financial Services Board (IFSB) Annual Summit; and hosting several large-scale events including the inaugural Asia Sukuk Summit and the IFSB Technical Committee Meeting. The HKMA is also promoting market awareness by working with industry associations to provide training for market participants.

## Financial-sector development

As one of the initiatives to further increase the international competitiveness of Hong Kong's financial markets, the HKMA provided input to the Government's study on strengthening Hong Kong's position as a major asset management centre. In conjunction with other regulatory authorities, it will assist the Government in its efforts to provide a more favourable tax and regulatory environment to attract asset management business to Hong Kong.

## Treasury Markets Association

The Association's mission is to further promote the professionalism and competitiveness of Hong Kong's treasury markets. The HKMA provides strategic support to the TMA and works closely with the market to strengthen collaboration between the public and private sectors. The TMA is chaired by the HKMA's Deputy Chief Executive, Mr Eddie Yue. The Association has some 1,740 individual and 74 institutional members from banks, investment houses, insurance companies, money brokers and large corporations.

To encourage professionalism and raise professional standards, the TMA launched its Associate Member Upgrading Scheme on 1 January 2009 to help Associate Members qualify for full TMA membership. It also launched a number of professional training courses in conjunction with various universities in 2009, including the Professional Certificate in Treasury Markets (Derivatives and Structured Products) programme, the Certificate Programme in Treasury Markets (Risk Management for Financial Institutions), the Professional Course in Back Office Operations of Treasury Markets and a Private Banking Training course organised for an institutional member. A series of e-learning programmes has also been launched to promote distance learning and to upgrade the Association's educational capacity on the Mainland and in Asia. During the year more than 130 individuals took professional courses under the auspices of the TMA; and some 50 seminars, workshops and talks were organised for individual members and staff of institutional members to keep them abreast of market trends and developments.

The TMA and the HKMA jointly organised the Treasury Markets Summit in Beijing in July to provide a forum for Mainland and Hong Kong participants to understand more about the major themes driving treasury market development. The Summit was attended by 200 participants from 100 organisations including regulatory bodies, financial institutions, corporations and the media. During the year the TMA also supported a number of high-level international events, including the Asia Sukuk Summit, the third Annual Conference of the Hong Kong Investment Funds Association, and the Open Programme of the Institute of International Finance. As in previous years, representatives of the Association took part in major international forums to maintain close contact with their overseas counterparts.

## PLANS FOR 2010 AND BEYOND

The scheduled delivery of Phase II of the SWIFTNet migration project and the improvement of the debt securities post-trade processing infrastructure in Asia are two key projects in 2010. The HKMA will also explore ways to further develop links with other economies and increase the settlement efficiency of Hong Kong's wholesale and retail payment systems.

The Exchange Fund Bills and Notes programme will be constantly reviewed as part of efforts to keep the programme in line with market developments.

The HKMA will support the Government's initiatives to

- further develop the debt market, Islamic financial market and asset management industry in Hong Kong
- consider and implement initiatives that will reinforce the competitiveness of Hong Kong's financial markets.

As the overseer of designated systems under the CSSO, the HKMA will be involved in promoting and ensuring the safety and efficiency of these systems; and will continue to monitor the performance of the operators of retail payment systems under their self-regulatory codes of practice.

The HKMA will monitor developments in Hong Kong's payment industry and participate in international forums to keep abreast of global trends in the oversight of payment and settlement systems, and to improve the current oversight regime where necessary.