

CHRONOLOGY OF EVENTS (NOVEMBER 94 – JANUARY 95)

31 OCT – 2 NOV	HKMA held the 11th Pacific Basin Central Bank Conference in Hong Kong, with participants from 15 central banks and monetary authorities along the Pacific Rim, to discuss their own country's experience with and policy response to strong capital flows that have posed new challenges to monetary and exchange rate management.
16 NOV	The Liquidity Adjustment Facility's Bid and Offer Rates were raised to 3.75% and 5.75% from 3% and 5% respectively, the third time the rates had been raised during 1994. The Hong Kong Association of Banks (HKAB) announced an increase in interest rates on many retail deposits by 0.75 percentage point on 18 November.
25 NOV	The Committee of the HKAB submitted to the HKMA a proposal that the Bank of China (BOC) become a rotating Chairman Bank of HKAB, along with the Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank. Under HKAB's proposal, BOC would be included as a rotating Chairman with its first one-year term to commence in 1996.
5 DEC	The feasibility study on the introduction of Real Time Gross Settlement (RTGS) for Hong Kong's interbank payment system concluded that it would be feasible to implement the RTGS project in phases beginning in February 1996 for completion by end-1996. It also recommended the establishment of a new clearing and settlement company to be jointly owned by HKMA and HKAB. Later in December, both HKMA and HKAB endorsed the main conclusions of the study.
16 DEC	The link between HKMA's Central Moneymarkets Unit and Cedel became operational. As with the link-up with Euroclear established earlier in the month, the new hook-up would facilitate trading by overseas investors in HK dollar debt instruments.
19 DEC	The second issue of 5-year Exchange Fund Notes, which carried a coupon rate of 8.15%, was well received with an oversubscription rate of 6.2 times.
19 DEC	The Joint Technical Working Group, formed by HKMA, Stock Exchange of Hong Kong and the Securities and Futures Commission, has reached an agreement on the first phase of recommendations in respect of items to be disclosed in the authorised institutions' 1995 accounts. Phase I of the disclosure package covers items such as movements in provisions for bad and doubtful debts, types and maturity profile of investment securities, capital adequacy ratio and liquidity ratio. Discussion on the remaining more complicated items, such as those relating to segmental analysis, off-balance-sheet exposures and cash flow statement continued.

19 DEC	HKMA issued a letter to all the authorised institutions, clarifying its view on the implications of the Leveraged Foreign Exchange Trading Ordinance 1994 on Als. The letter said that although Als are not, in general, governed by that Ordinance, Als should study the Ordinance carefully and assess whether or not their own practices should be brought into line with the new rules. The letter also said that Als should be subject to the same, or higher, standards and HKMA would use the Ordinance as a guide while conducting on-site examinations.
19 DEC	A risk management guideline on financial derivatives activities was issued to the Als. The guideline endorsed fully the principles and procedures contained in the Basle paper issued in July on the same subject. HKMA will visit the treasury departments of those Als which are more active in derivatives activities to study further the more operational aspects of the risk management of derivatives and will issue a further guideline on this subject in 1995.
20–22 DEC	At the invitation of the People's Bank of China, HKMA representatives led by Joseph Yam, Chief Executive of HKMA, visited Beijing. The team met with senior Chinese officials including Lu Ping, Director of the Hong Kong and Macao Affairs Office and Chen Yuan, Deputy Governor of the People's Bank. Both officials expressed support for efforts by the HKMA in ensuring exchange rate and monetary stability in Hong Kong. In Beijing, the People's Bank and the HKMA announced that a linkage between the HK dollar and RMB payment systems would be developed when the two systems went live on RTGS sometime in 1996. A Payment versus Payment linkage would reduce settlement risks of HK\$/RMB transactions and enhance economic and commercial transactions between Hong Kong and the mainland.
23 DEC	The Government gazetted the Exchange Fund (Amendment) Bill 1994. The Bill seeks to modernise certain provisions in the Exchange Fund Ordinance to enhance the robustness of the legal framework for monetary management and for the prudent management of the Exchange Fund.
30 DEC	The UK's Hong Kong (Coinage) Orders 1936 to 1978 were revoked and Hong Kong's Coinage Ordinance (No. 81 of 1994) came into operation. This enables the Governor in Council to authorise the issue of coins in Hong Kong, and the Financial Secretary may appoint any person to mint Hong Kong coins. The Coinage Ordinance also provides for matters relating to the demonetisation of the one cent currency note.

3 JAN	Interest-rate cap on retail deposits fixed for more than seven days was lifted in the second phase of the interest rate deregulation programme.
19 JAN	The HKMA and the Mass Transit Railway Corp. signed an agreement under which the HKMA would arrange HK\$10 billion in notes issued by MTRC with maturities of up to ten years. The HKMA also agreed to extend the market-making arrangement for the Exchange Fund Bills and Notes to the MTRC Note Programme, marking a milestone in the development of the HK dollar debt market.
21 JAN	At the initiative of HKMA, senior representatives of the central banks and monetary authorities from Indonesia, Malaysia, the Philippines, Singapore and Thailand held an informal meeting in Hong Kong to exchange views on currency speculation in the Asian region. Meeting participants agreed to keep closely in touch and share relevant information on this matter.
24 JAN	A comprehensive survey on the structure and performance of residential mortgage loans conducted in October by HKMA was 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 94.