

CHRONOLOGY OF EVENTS (FEB '98 - APR '98)

5 February 1998	The Report by the Informal Working Group on Financial Technology Infrastructure was released. The Informal Working Group, co-chaired by Mr. Andrew Sheng, Deputy Chief Executive of Hong Kong Monetary Authority (HKMA), recommended the establishment of a FinNet, a secure Intranet built for financial transactions throughout Hong Kong amongst all financial institutions and authorised users to facilitate electronic exchange of data in transaction, clearing, settlement and custody. The Informal Working Group comprising representatives from both the private sector and the Government was set up by the Financial Secretary to study the long-term strategy in the development of information technology in the financial markets in Hong Kong.
16 February 1998	In a press information notice issued by the International Monetary Fund (IMF), the IMF Executive Board gave full endorsement to Hong Kong's existing policy framework including a prudent fiscal policy and the linked exchange rate system. The notice carried IMF's official assessment on Hong Kong's economic performance and prospects. The assessment was based on an annual consultation under Article IV of the IMF's Articles of Agreement with the Hong Kong Special Administrative Region of China.
26 February 1998	The HKMA announced that the official foreign currency assets of Hong Kong, including those held in the Land Fund, were US\$98.1 billion at the end of January 1998, placing Hong Kong at the third position in world ranking. The foreign currency assets held in the Exchange Fund, excluding forward transactions yet to be settled were US\$80.3 billion and those in the Land Fund were US\$17.8 billion.
26 February 1998	The Board of Directors of the Hong Kong Mortgage Corporation Limited (HKMC) agreed that the HKMC would proceed full steam ahead to develop the necessary infrastructure to promote fixed rate mortgages in Hong Kong as an additional choice for consumers. The Corporation was formulating specific proposals to develop fixed rate mortgage market and would consult the other key players, such as commercial banks and investors of fixed rate paper, whose participation would be needed to develop fixed rate mortgage products.
9 March 1998	The HKMA issued a letter to set out its views on the participation by authorized institutions (AIs) in Hong Kong in Credit Reference Agencies (CRAs). This followed the release by the Privacy Commissioner for Personal Data of a Code of Practice on Consumer Credit Data. The HKMA considered that the Code of Practice provides a sound framework within which institutions may disclose consumer credit data to CRAs and recommended all AIs to share credit information of personal customers within the limits laid down by the Code of Practice.

18 March 1998	<p>The HKMC signed 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 agreed to purchase from each of the two participating banks up to HK\$250 million of the eligible fixed rate mortgages during the 6-month pilot scheme period. Mortgage loans offered by the two participating banks would be fixed for the first three years and the interest rate was fixed at 10.5%.</p>
23 March 1998	<p>The HKMA appointed KPMG Peat Marwick and its subsidiary, Barents Group, LLC as consultants to carry out a study on the future development of the banking sector in Hong Kong. The first objective of the study is to examine the strategic outlook for the banking sector in Hong Kong over the next five years. The second is to consider the adequacy and effectiveness of the HKMA's current approach to banking supervision and to make recommendation for any changes that seem required in the light of the strategic outlook for the banking sector. The Study consists of two phases corresponding to the above objectives and is expected to be completed by the end of September 1998.</p>
26 March 1998	<p>The HKMA announced that the official foreign currency assets of Hong Kong, including those held in the Land Fund, were US\$96.7 billion at the end of February 1998, placing Hong Kong at the third position in world ranking. The foreign currency assets held in the Exchange Fund, excluding forward transactions yet to be settled were US\$78.6 billion and those in the Land Fund were US\$18.1 billion.</p>
31 March 1998	<p>The HKMA announced the audited results of the Exchange Fund at end-1997 with total assets up 19% to HK\$636.6 billion and a 10% growth in accumulated surplus (1996:8%). The foreign currency assets in the Exchange Fund and the Land Fund totalled US\$92.8 billion as at end-1997, placing Hong Kong the third in the world ranking in term of size of foreign exchange reserves.</p>
31 March 1998	<p>The HKMC held its first Annual General Meeting and announced the composition of its new Board of Directors.</p>
4 April 1998	<p>The HKMA and the Monetary Authority of Singapore (MAS) held a bilateral meeting at the MAS. The bilateral meeting discussed plans of both Hong Kong and Singapore to further develop their financial sectors. The meeting agreed to study possible payment system (Real Time Gross Settlement System) linkages.</p>
7 April 1998	<p>The HKMA issued a letter to the chief executives of all authorized institutions outlining a number of additional measures in order to intensify its supervisory efforts to address the banking sector's obligation to be Year 2000 compliant. The first "Year 2000 Bulletin" was also released to provide a channel for the HKMA to disseminate information on the Year 2000 issue to the banking industry in Hong Kong.</p>

7 April 1998	<p>The HKMA announced that the ratings of Japan Rating and Investment Information, Inc. (R&I), other than those assigned by the agency on its shareholders and their related companies, were recognized with immediate effect by the HKMA in assessing the eligibility of Hong Kong dollar denominated debt issues as Repo securities for discounting under the Liquidity Adjustment Facility (LAF) as well as for the purpose of the profits tax concession scheme under section 14A(4)(b) of the Inland Revenue Ordinance. At the same time, the recognition of ratings of JBRI was revoked for both LAF and profits tax concession purposes. The minimum requirements in respect of the R&I's ratings recognized by the HKMA for LAF purpose are A+ for bank issues and AA- for non-bank issues. The minimum requirement for profits tax concession purpose is BBB+. R&I was formed through the merger of JBRI and Nippon Investors Service Inc.</p>
17 April 1998	<p>The HKMA was 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.</p>
21 April 1998	<p>The Bank for International Settlements (BIS) announced its plan to establish in Hong Kong a Representative Office to serve as its regional office for Asia and the Pacific. This is the first overseas office for the BIS and will serve to strengthen its cooperation with central banks and monetary authorities in the region. The BIS Representative Office is expected to commence operation in July 1998.</p>
23 April 1998	<p>The HKMA announced that the official foreign currency assets of Hong Kong, including those held in the Land Fund, were US\$96.8 billion at the end of March 1998, placing Hong Kong at the third position in world ranking. The foreign currency assets held in the Exchange Fund, excluding forward transactions yet to be settled were US\$78.5 billion and those in the Land Fund were US\$18.3 billion.</p>
29 April 1998	<p>The HKMA and the Reserve Bank of New Zealand (RBNZ) jointly announced that a reciprocal bilateral linkage between the Central Moneymarkets Unit (CMU) operated by the HKMA and the securities depository in New Zealand (Austraclear New Zealand System) would 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.</p>
30 April 1998	<p>During the 31st Annual Meeting of the Asian Development Bank (ADB), the HKMA urged the ADB to devote more efforts to develop the Asian bond markets as part of the long-term solution to the Asian financial turmoil.</p>