

MESSAGE

Following the successful transition of the financial services sector through the millennium rollover, Hong Kong continued to strengthen our financial infrastructure and ensure that the regulation of the financial services industry stays within international norms. The concerted efforts of the financial services industry and the financial regulators have contributed to the promotion of more efficient and professional financial services and the enhancement of Hong Kong's status as a major international financial centre.



During the year, we have made good progress in pursuing the legislative reforms to improve the regulatory framework for the securities and futures market, so that the industry and regulators can operate in a fair, orderly and transparent environment on par with international standards. The Securities and Futures Bill is being refined for introduction into the Legislative Council in this session.

The merger of the stock and futures exchanges and the related clearing houses has been completed successfully. We are confident that the reform will facilitate market operations and the Hong Kong Exchanges and Clearing Limited will perform both its public and commercial functions effectively.

We have also reached another milestone in the development of Hong Kong as a leading international capital market. Since August 2000, we have been introducing in phases the US dollar Clearing System which will significantly enhance the settlement efficiency and further minimize settlement risk of US dollar transactions in Hong Kong.

In December 2000, Hong Kong will formally introduce the Mandatory Provident Fund (MPF) Scheme to assist members of the workforce to accumulate financial resources for their retirement protection. In the past year, we have introduced amendments to the MPF subsidiary legislation with a view to facilitating the effective operation of service providers and

participation of the workforce. We shall continue to work closely with all relevant parties to ensure the success of the scheme.

An important element for the continual growth of Hong Kong's financial services sector is the adequate supply of well-equipped human resources. We have established a dedicated committee to advise on and coordinate a human resources development strategy for the financial industry.

We have taken positive steps forward during the first nine months of the new millennium. We are not complacent. Much more remains to be done and we will endeavour to achieve our targets.

A handwritten signature in black ink, consisting of stylized, flowing characters that appear to be 'Ip' followed by a series of loops and a final vertical stroke.

(Stephen Ip)
Secretary for Financial Services

International Financial Centre

Policy Objective and Key Result Areas

INTERNATIONAL FINANCIAL CENTRE

Our Policy Objective is to maintain and enhance Hong Kong's status as a major international financial centre through the provision of an appropriate economic and legal environment for an open, fair and efficient market.

Overall Targets

Our targets this year in pursuing this Policy Objective are -

- to ensure that Hong Kong's financial infrastructure meets international standards
- to ensure that our business laws continue to provide a level playing field
- to ensure that the various regulatory regimes in Hong Kong are consistent with the international standards recommended by the respective international organizations

Progress

In the past 12 months, we continued to deliver results in the four Key Result Areas as indicated by the following –

First, the extent to which our financial infrastructure meets international standards. We have completed a consultancy study in September 1999 and worked out detailed recommendations to enhance the financial infrastructure to improve risk management, increase efficiency and reduce costs. Concrete work plans have been developed for the implementation of the recommended measures, which will equip Hong Kong with a superior market infrastructure and help to sustain our competitiveness in the global financial market. We have also studied the merits and feasibility of a US dollar Clearing System in Hong Kong and are introducing the System in phases in the second half of 2000. The System is a springboard for further enhancing Hong Kong's status as an international

financial centre by paving the way to a capital market that offers a wide range of US dollar denominated products.

Second, the extent to which Hong Kong maintains a free and orderly market with a high degree of transparency. Most of the measures in the 30-point programme launched in September 1998 enhanced efficiency and transparency of the securities and futures markets. The transparency of the banking sector is also enhanced by updating the Guideline on Financial Disclosure by Authorized Institutions.

Third, the extent to which our financial market develops in line with globalization and our regulatory regime is updated to international standards. Following the successful merger and demutualization of the two exchanges and their three associated clearing houses in March 2000, the Hong Kong Exchanges and Clearing Limited as the merged entity was also listed on its own stock exchange in June of the same year. It has actively sought to establish strategic alliances with major international exchanges and to develop new financial products and services with a view to enhancing its competitiveness in the global market. During the year, the Hong Kong Monetary Authority (HKMA) has issued guidelines to authorized institutions on corporate governance and electronic banking. Measures under the 30-point programme also contributed towards greater discipline and efficiency in the securities and futures market. In April 2000 we published the Securities and Futures Bill as a White Bill for a three-month consultation. The Bill aims to consolidate and modernize all existing ordinances governing the securities and futures market. We plan to introduce the Bill into the Legislative Council in November 2000.

Fourth, our progress is also indicated by the recently established Hong Kong Special Administrative Region Sub-Office of the Resident Representative Office of the International Monetary Fund in the People's Republic of China and the Joint Regional Office of the International Finance Corporation and the International Bank for Reconstruction and Development's private sector development operations. This underlines the strategic location of Hong Kong in the region and the attractions in telecommunication, financial infrastructure and financial stability that Hong Kong can offer as an international financial centre.

We also achieved the following progress in our four Key Result Areas (KRAs).

1 Maintain monetary and banking stability in Hong Kong

We have completed the study on enhancing depositor protection and will soon embark on an extensive public consultation exercise. The feasibility study on the establishment of a commercial credit reference agency was completed in July 2000 and the public consultation on this subject has also just been completed. We are considering how to take forward this proposal taking into account the public views collected. We have also updated the Guideline on Financial Disclosure by Authorized Institutions in 1999 in line with international best practices.

2 Further improve the regulatory framework

The legislative amendments for regulating securities margin financing were enacted by the Legislative Council in March 2000 and came into operation on 12 June 2000. As part of the 30-point programme, legislative amendments to enhance the regulation on short selling and to outlaw the provision of false or misleading information to regulators were completed. In April 2000, we published the Securities and Futures Bill in the form of a White Bill for public consultation until end-June 2000. The Bill seeks to consolidate all securities and futures-related ordinances to remove all inconsistencies and improve the regulatory framework. We have taken into account the comments received during the consultation period to refine the Bill for introduction into the Legislative Council in November 2000.

To further strengthen the soundness of the banking system in preparation for the challenges and competition brought by globalization, the HKMA has introduced a more systematic and formalized risk-based supervisory approach. In May 2000, the HKMA issued the Guideline on Corporate Governance of Locally Incorporated Authorized Institutions, which sets out minimum standards in the responsibilities of boards of directors, legal obligations of directors and the role of auditors. To keep in pace with the development of electronic banking, in May 2000, the HKMA promulgated the Guideline on Authorization of Virtual Banks. In July 2000, the Guidance Note on Management of Security Risks in

Electronic Banking Services was issued, providing recommendations for authorized institutions in managing security risks in transactional electronic banking services through internet or wireless communication networks.

Amendments to the Mandatory Provident Fund (MPF) Schemes (General) Regulation were passed by the Legislative Council in June 2000 and the MPF System will be fully implemented in December 2000.

3 Improve the infrastructure required for a first class international financial centre

We co-ordinated, through the Steering Committee on the Year 2000 Compliance in the Financial Services Sector, the efforts of the financial services sector in tackling the Year 2000 problem. All testing activities involving the major shared financial systems in the securities and futures industry and the interbank payment systems were completed before 2000 with no particular problem identified. With the support of the financial regulators, the exchanges and the clearing houses, we also put in place a Year 2000 contingency plan for the financial services sector as a whole to address cross-industry and cross-sector issues. All these efforts have contributed to a successful transition of the financial services sector through the millennium rollover.

In 2000, we reached another milestone in the development of Hong Kong as a leading international capital market. Since August 2000, we have been introducing in phases the US dollar Clearing System. The System will significantly enhance the settlement efficiency and reduce the settlement risk of US dollar transactions in Hong Kong. This provides an infrastructure that encourages the issue of US dollar debt and equity securities in Hong Kong, thereby attracting more global investors to Hong Kong.

Separately, as part of our efforts to promote more efficient and professional financial services, the Government has established an advisory committee to co-ordinate a human resources development strategy. We will continue to work with the industry and the other parties concerned, and encourage them to implement the recommended measures to maintain Hong Kong's position as a premier international financial centre.

4 Spearhead the further development of the financial market

The second board, now known as the Growth Enterprises Market was launched by the Stock Exchange of Hong Kong Limited in November 1999 as an alternative market to provide emerging growth companies easier access to the funds of the investing public. In July 2000, the interest rate rules on time deposits below seven days were removed. This first phase of deregulation has enhanced innovation in banking products and fostered competition in the banking sector. Subject to the economic and financial environment not being unfavourable, we will proceed with the second phase covering the remaining interest rate rules on savings deposits and current deposits in July 2001 as scheduled. In addition, the “one building condition” was also relaxed in September 1999 so that foreign banks were allowed to open up to three branches in Hong Kong. Restricted licence banks have been allowed access to the Real Time Gross Settlement System since June 2000.

Progress on each previously announced initiative under the above KRAs is set out in the “Detailed Progress” section of this report.

Looking Forward

To achieve our overall targets this year, we will undertake the following initiatives and targets under each of the KRAs for the coming year.

Hong Kong is an externally-oriented economy with a high proportion of its GDP derived from international trade and investment. The maintenance of a stable exchange rate is essential to the promotion of international trade and to the status of Hong Kong as an international financial centre.

The Government is fully committed to the maintenance of the linked exchange rate system. The robustness of the link is underpinned by sound economic fundamentals, characterised by substantial foreign exchange reserves, strong fiscal discipline, a healthy banking system as well as an advanced financial infrastructure. This, together with a recovering global financial environment, contributed to the remarkably stable Hong Kong dollar exchange rate and domestic monetary conditions in the past year.

The Hong Kong banking sector has also weathered well the Asian financial crisis, and has since recovered strongly in line with the improvements in the economy and in asset quality. For the first half of 2000, banks in general have reported significant rebounds in net profits, due in particular to the reduction in bad debt charges. As a whole, the local banking sector has remained strong and well-capitalized in the wake of increased competitive pressures.

There is, however, no room for complacency in view of the challenges of globalization of financial markets. The Hong Kong Monetary Authority (HKMA) will continue to ensure the stability of the Hong Kong dollar exchange rate under the linked exchange rate system and review the currency board arrangements for refinement as appropriate. It will further enhance the supervision of authorized institutions under the Banking Ordinance to ensure soundness of the banking system. Among various initiatives, we will consult the public on the recommendations of the Consultancy Study on Deposit Protection before considering the implementation of any scheme to enhance deposit protection in the coming year.

The Hong Kong Special Administrative Region Sub-Office of the Resident Representative Office of the International Monetary Fund in the People's Republic of China and the Joint Regional Office of the International Finance Corporation and the International Bank for Reconstruction and

Development's private sector development operations were established in Hong Kong in September 2000. The setting up of these offices underlies the strategic location of Hong Kong in the region and the attractions in telecommunication, financial infrastructure and financial stability which Hong Kong can offer as an international financial centre.

We will assess our performance in respect of this KRA against the following indicators –

- Stability of our currency. Our target is to continue to maintain the exchange rate at HK\$7.80 to the US dollar within the framework of the linked exchange rate system.
- Effectiveness of the banking regulatory framework for prudential supervision of authorized institutions which is fully in line with international standards. Our target is to achieve general compliance with international standards established by the Basel Committee on Banking Supervision.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative*	Target
To enhance deposit protection in Hong Kong (<i>Hong Kong Monetary Authority (HKMA)</i>)	To consult the public on the recommendations of the Consultancy Study on Deposit Protection and subject to the results of the consultation, to initiate appropriate measures in 2001
To promote the establishment of a commercial credit reference agency for the banking industry in Hong Kong (<i>HKMA</i>)	To initiate appropriate measures in early 2001 having regard to the views collected from the public consultation on this subject

* the bracketed information denotes the agency with lead responsibility for the initiative

Initiative	Target
<p>To continue to improve financial disclosure requirements for the banking industry in line with international best practices (HKMA)</p>	<p>To transform the current disclosure recommendations for authorized institutions into a formal set of guidelines with legal backing under the Banking Ordinance in 2001</p>
<p>To continue refining the currency board arrangements (HKMA)</p>	<p>To review, on an ongoing basis, the currency board arrangements and introduce refinements as appropriate, especially with regard to convertibility of and transferability among the various monetary base components</p>

Hong Kong has a well-established regulatory framework for the financial services sector, which operates smoothly. Nevertheless, the Government will continue to further enhance the regulatory framework in the light of international experience and standards through co-operation with regulators in other jurisdictions and through the use of external auditors on a more regular basis and to maintain a level playing field. Major new initiatives include enhancement of the existing regulatory framework for electronic banking and promotion of higher standards of corporate governance in the banking sector by ensuring compliance with the new Guideline on Corporate Governance issued by the Hong Kong Monetary Authority (HKMA) in May 2000.

Development of electronic banking is gaining further momentum in Hong Kong. The HKMA will ensure that the regulatory framework continues to evolve and keep pace with technological developments in line with international standards. Further to the Guideline on Authorization of Virtual Banks and the Guidance Note on Management of Security Risks in Electronic Banking Services issued in 2000, the HKMA will issue guidelines on other aspects of electronic banking and further develop its capacity to examine the electronic banking services of authorized institutions.

On the securities and futures side, we need to have a modern and flexible regulatory framework for the securities and futures market to facilitate the development of new financial products and effective trading methods while enhancing protection for the investing public. Such a framework is essential to strengthen our competitive edge amidst rapid changes in the international financial markets. In this connection, the Government has worked closely with the Securities and Futures Commission, the statutory regulator overseeing the securities and futures market, in reviewing our regulatory regime and making recommendations for improvement.

The Mandatory Provident Fund System will be fully implemented in December 2000. We will work with the Mandatory Provident Fund Schemes Authority to ensure the effective operation of the System.

We will assess our performance in respect of this KRA against the following indicators –

- The extent of free and orderly operation of the regulated financial markets. Our target is to further improve the regulatory regime as well as implementation and enforcement to ensure a level playing field.
- The effectiveness of the modern regulatory framework for the securities and futures market. Our target is to introduce the Securities and Futures Bill, which consolidates the existing 11 securities and futures related ordinances, into the Legislative Council in November 2000.
- The extent of compliance with the obligations and commitments of the World Trade Organization in respect of financial services. Our target is to achieve general compliance.
- The extent of compliance with the regulatory standards recommended by the International Organization of Securities Commissions in respect of the securities sector. Our target is to achieve general compliance.
- The extent of compliance with the international standards established by the Basel Committee on Banking Supervision in respect of the banking sector. Our target is to achieve general compliance.
- The extent of compliance with the regulatory standards recommended by the International Association of Insurance Supervisors in respect of the insurance sector. Our target is to achieve general compliance.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
To monitor the operation of the Mandatory Provident Fund (MPF) System upon full implementation in December 2000 <i>(Financial Services Bureau (FSB))</i>	The Mandatory Provident Fund Schemes Authority to regulate, supervise and monitor the MPF System in accordance with the MPF Schemes Ordinance
To conduct a comprehensive review on the regulatory system in respect of the Occupational Retirement Schemes <i>(FSB)</i>	To complete the review by mid-2001
To enhance the standards of corporate governance in Hong Kong <i>(FSB)</i>	The Standing Committee on Company Law Reform to commission a Corporate Governance Review in 2000-2001
To conduct a study on the future role of the Official Receiver <i>(FSB/Official Receiver's Office)</i>	To identify possible options on the future role of the Official Receiver by 2001-2002
To enhance the protection given to insurance policy holders <i>(Office of the Commissioner of Insurance (OCI))</i>	In 2001 to prescribe, by regulation, that appointed actuaries of insurers shall comply with the Professional Standard 1 issued by the Actuarial Society of Hong Kong
To conduct a comprehensive review of the regulatory system for insurance intermediaries, in the light of operational experience and market developments since the scheme was implemented in 1995 <i>(OCI)</i>	To report the outcome of the review in 2001

Initiative	Target
<p>To develop guidelines on the use of internet in the insurance sector for the purpose of enhancing the healthy growth of the industry in the new IT era</p> <p><i>(OCI)</i></p>	<p>To issue guidelines on the use of internet in the insurance sector in the first half of 2001</p>
<p>To consolidate and modernise all existing ordinances governing the securities and futures market into a single piece of legislation to enable Hong Kong to better meet the competitive challenge as a result of increasing globalization</p> <p><i>(FSB)</i></p>	<p>To introduce the Securities and Futures Bill into the Legislative Council in November 2000</p>
<p>To amend the Banking Ordinance to enhance the regulation of authorized institutions (AIs) which will be exempt from the Securities and Futures Bill and to improve the operation of the Banking Ordinance in the light of recent market developments</p> <p><i>(FSB)</i></p>	<p>To implement the relevant amendments to the Banking Ordinance in 2001</p>
<p>To review the listing rules of the Growth Enterprises Market as well as the related regulatory and legal regime</p> <p><i>(FSB)</i></p>	<p>To implement by end-2000 proposed changes to the listing rules and related regulatory regime in the light of comments received during a market consultation exercise conducted in June 2000</p>
<p>To refine the existing regulatory framework for electronic banking</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<ul style="list-style-type: none"> ● To devote more resources (including setting up an additional specialist team) to strengthen the supervision of electronic banking activities

Initiative	Target
	<ul style="list-style-type: none"> ● To issue a guideline on internet advertisements for deposits in the first half of 2001 ● To develop an examination programme for electronic banking activities of AIs in the second half of 2000 and start conducting examination in 2001
<p>To maintain high standards of corporate governance within the banking industry (HKMA)</p>	<p>To ensure that all locally incorporated AIs have adopted the sound corporate governance standards set out in the Guideline on Corporate Governance issued by the HKMA in May 2000 no later than the end of June 2001</p>
<p>To develop a Supervisory Policy Manual to support the risk-based supervisory approach to AIs adopted by the HKMA (HKMA)</p>	<p>To complete the Manual by the end of 2001</p>
<p>To monitor the development of the New Capital Accord by the Basel Committee on Banking Supervision and assess its impact on the banking sector (HKMA)</p>	<p>To review consultative documents to be issued by the Basel Committee in early 2001 and comment on issues that may affect the Hong Kong banking sector by the deadline to be set by the Committee</p>
<p>To review and update the Guide to Applicants for Authorization under the Banking Ordinance (HKMA)</p>	<p>To finalize the review in the first quarter of 2001</p>

Initiative	Target
To review and update the Guideline for Prevention of Money Laundering issued by the HKMA to bring AIs' policies and procedures to combat money laundering activities fully in line with international standards <i>(HKMA)</i>	To complete the review and update the Guideline for Prevention of Money Laundering by end-2000

The Government is committed to maintaining Hong Kong's position as a premier international financial centre by, among other things, developing state-of-the-art financial infrastructure and a well-trained, adaptable workforce. Through these measures the Government aims to enhance the competitiveness of Hong Kong, in terms of more professional services, reduced risk and increased efficiency.

To remain competitive, it is necessary to capitalize upon the latest developments in information technology and its applications to enhance system security and efficiency of our financial infrastructure. This will require careful planning and much commitment, particularly on the part of the industry.

To facilitate the development of the Hong Kong capital markets in the trading and issuance of US dollar denominated products and reduce the settlement risk for US dollar transactions, we will continue to implement the US dollar Clearing System in full.

A robust physical infrastructure functions effectively only with human input of the right calibre. Human resources have long been one of the most important assets of Hong Kong. While financial products are becoming more sophisticated and financial transactions are moving towards full automation and straight-through processing, there is a need to ensure that we have a workforce that is adaptable and well-equipped to meet the challenges ahead and to reap the benefits offered by the new opportunities. The Government has established the Advisory Committee on Human Resources Development in the Financial Services Sector (FinMan Committee) to co-ordinate the strategy of meeting the sector's demand for human resources development needs.

We will assess our performance in respect of this KRA against the following indicator –

- Availability of more efficient and professional financial services comparable to those of other international financial centres. Our target is to facilitate full implementation of a series of

enhancement measures to strengthen the financial infrastructure as quickly as possible.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
<p>To implement a series of measures contained in the Report of the Standing Committee on Enhancement of Financial Infrastructure to enhance the financial infrastructure with a view to improving risk management, increasing efficiency, and reducing cost</p> <p><i>(Financial Services Bureau)</i></p>	<ul style="list-style-type: none"> ● To complete a number of short-term measures including consolidated account reporting for securities and futures trading, and electronic filing for intermediaries by the end of 2000 ● To complete longer term measures including the provision of straight through processing for securities and derivatives trading, and upgrading of clearing arrangements by the end of 2002
<p>To conduct a Population Census to provide up-to-date benchmark information on the social and economic characteristics of the population for use by Government in formulating policies and plans and by the private sector in conducting business and research</p> <p><i>(Census and Statistics Department (C&SD))</i></p>	<p>To complete all planning work and establish the necessary statistical systems in 2000 for conducting the Population Census in March 2001</p>
<p>To produce timely and detailed quarterly Balance of Payments accounts to facilitate the analysis and monitoring of the financial market</p> <p><i>(C&SD)</i></p>	<p>To release detailed Balance of Payments statistics on a quarterly basis within three months after the reference quarter by the end of 2000</p>

Initiative	Target
<p>To produce production-based Gross Domestic Product (GDP(P)) at constant prices to facilitate analysis of the performance of different economic sectors</p> <p><i>(C&SD)</i></p>	<p>To conduct related research studies and establish the necessary statistical systems for the compilation of constant price GDP(P) statistics with a view to completing the studies in early 2001 and setting up the entire compilation framework by the end of 2001 and releasing the statistics with major sectoral breakdowns in mid-2002</p>
<p>To enhance settlement efficiency and reduce settlement risks by providing US dollar settlement in the Asian time zone and Delivery versus Payment settlement for debt securities and shares denominated in US dollars</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<p>To fully implement the US dollar Clearing System in Hong Kong in December 2000</p>
<p>To conduct a comprehensive review of retail payments services in Hong Kong. The review will cover current means of retail payments, the likely future trends given technological developments, the risks associated with different means of payments, and the efficiency, pricing and the degree of competition in the provision of retail payments services</p> <p><i>(HKMA)</i></p>	<p>To complete the review in the first half of 2001</p>

Initiative	Target
<p>To study the feasibility of introducing electronic filing, processing and dissemination of corporate information in the Companies Registry</p> <p><i>(Companies Registry)</i></p>	<p>To complete a further consultancy study by May 2001</p>
<p>To ensure the provision of an effective and efficient insolvency service</p> <p><i>(Official Receiver's Office)</i></p>	<p>To replace the existing roster appointment system of private sector insolvency practitioner under the contracting out scheme for summary court winding up cases by a competitive tendering system in 2000-2001</p>

In order to maintain our position as an international financial centre, we have to develop new products and raise our regulatory, infrastructural, analytical and statistical standards. The Government, financial regulatory bodies, exchanges and clearing houses will continue to move in this direction.

The two Exchanges under the management of their holding company, the Hong Kong Exchanges and Clearing Limited (HKEx), are committed to introducing new financial products and services to meet the demand of investors. The HKEx also actively seeks to establish strategic alliances with major international exchanges and to develop Hong Kong as a major fund raising centre in the region.

We will continue to contribute towards the development of debt markets in Hong Kong and in the region. The risk of liquidity crunch brought by over-reliance on short-term bank lending and capital from the securities market in the region during the Asian financial turmoil has clearly illustrated the need for a deeper and more liquid debt market. The Hong Kong Monetary Authority (HKMA) will examine the scope for enhancing the Central Moneymarkets Unit service to deepen the development of local and regional debt markets. The Hong Kong Mortgage Corporation will continue to play a prominent role in the development of the secondary mortgage market. We will also build on the existing basis of extensive linkage with central clearing and depository systems outside Hong Kong and reach out further, including the Mainland and Singapore. Such linkages will reduce the settlement risk in cross-border securities trade by facilitating Delivery versus Payment settlement.

In the light of the trend of globalization and liberalization of the banking industry, the HKMA will continue to implement the planned reforms of the banking sector in Hong Kong which aim to encourage market liberalization and enhance the level of competitiveness of the Hong Kong banking sector in order to promote greater efficiency and innovation in the market. In addition, there is a complementary set of measures that will strengthen the banking infrastructure with a view to enhancing the safety and soundness of the sector. By careful elimination of regulatory barriers,

market forces will play a greater role in the consolidation of the banking industry.

The implementation of the Mandatory Provident Fund System will further contribute to the development of the debt market by creating a huge demand for quality debt instruments. As regards the securities market, the successful launching of the Second Board will broaden our equities market. It will also enlarge the pool of companies to be listed in Hong Kong to include private enterprises in the Mainland. Other initiatives to enhance regulatory co-operation with the Mainland will continue to be pursued.

We will assess our performance in respect of this KRA against the following indicators –

- The willingness of the parties concerned to introduce new financial products and services and the efforts to develop the liquidity, breadth and depth of these new products and services. Our target is to encourage the HKEx to further develop their client and product base, and to improve their market infrastructure to support market growth and meet changing needs of investors.
- The extent to which Hong Kong plays a role in the trend of globalization of international financial markets. Our target is to encourage the HKEx to actively explore opportunities to establish strategic alliances with reputable international exchanges.
- The competitiveness and efficiency of our banking sector. Our target is to promote competition in the banking sector by removing unnecessary regulatory barriers and allow market forces to play a larger role in the consolidation of the banking industry.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
To deregulate the remaining interest rate rules on savings and current accounts <i>(Hong Kong Monetary Authority (HKMA))</i>	To complete the deregulation in July 2001, subject to the economic and financial environment not being unfavourable

Initiative	Target
To review the three-tier authorization system (HKMA)	To complete the review in the first half of 2001 and implement any reform as appropriate by the end of 2001
To consider further relaxation of the three-building condition which allows foreign banks to operate no more than three branches (HKMA)	To complete the review in the first half of 2001
To review the existing market entry requirements for a local banking licence (HKMA)	To complete the review in the second half of 2001
In collaboration with the industry associations, to review the Code of Banking Practice in order to promote good business practices in the banking industry (HKMA)	To conduct the review in the second half of 2000 and to consult relevant parties thereafter
To promote further development of the local debt market by enhancing the reliability of the benchmark yield curve (HKMA)	To complete by end-2000 the review of the balance of issuance between Exchange Fund Bills and Notes of various maturities with a view to developing the longer term debt market
To promote bilateral links with other financial centres in Payment versus Payment and Delivery versus Payment transactions (HKMA)	<ul style="list-style-type: none"> ● To establish a bilateral link between the Central Moneymarkets Unit and the Central Securities Depository in Singapore by 2001

Initiative	Target
	<ul style="list-style-type: none">● To reduce the settlement risk in foreign exchange transactions by pursuing the establishment of a Payment versus Payment link between the local payment system and those in the region, including the Mainland

International Financial Centre

Detailed Progress

1

Maintain monetary and banking stability in Hong Kong

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative *	Target #	Present Position +
<p>To conduct a detailed study on the issue of further enhancing depositor protection in Hong Kong and review the desirability of setting an asset maintenance requirement for licensed banks in relation to the Priority Payment Scheme for small depositors under the Companies Ordinance</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<p>To commence the study in the first half of 2000 and to consult the banking industry and the general public thereafter</p> <p><i>(1999)</i></p>	<p>The consultancy report was completed in July 2000. The general public will be consulted before end-2000.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To conduct a feasibility study on the establishment of a commercial credit register for the banking industry in Hong Kong</p> <p><i>(HKMA)</i></p>	<p>To complete the study in the first half of 2000</p> <p><i>(1999)</i></p>	<p>The study was completed in June 2000. The study report was issued for public consultation until September 2000.</p> <p><i>(Action Completed)</i></p>

* the bracketed information denotes the agency with lead responsibility for the initiative

the bracketed information denotes the year in which the target was set

+ the bracketed information denotes the status of the target

Initiative	Target	Present Position
<p>To continue to improve the financial disclosure requirements for the banking industry in line with international best practices</p> <p><i>(HKMA)</i></p>	<p>To update the 1999 Best Practice Guide for Financial Disclosure by Authorized Institutions in line with disclosure practices and developments in Hong Kong and other major financial centres</p> <p><i>(1999)</i></p>	<p>The 1999 Best Practice Guide has been updated and converted into a formal Guideline. Efforts to improve disclosure will continue on an ongoing basis.</p> <p><i>(Action Completed)</i></p>
<p>To step up monitoring and supervision of authorized institutions on a risk-based approach</p> <p><i>(HKMA)</i></p>	<p>To improve speed of detection and resolution of likely financial problems</p> <p><i>(1998)</i></p>	<p>A more systematic and formal risk-based approach to supervise authorized institutions has been introduced in early 2000.</p> <p><i>(Action Completed)</i></p>

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
<p>To establish a Market Misconduct Tribunal for tackling market misconduct in the securities and futures market</p> <p><i>(Financial Services Bureau (FSB))</i></p>	<p>To introduce the legislative proposal into the Legislative Council by December 1999, with a view to establishing the Tribunal in 2000-2001</p> <p><i>(1999)</i></p>	<p>The Securities and Futures Bill provides for the establishment and operation of the Tribunal. We will introduce the Bill into the Legislative Council in November 2000 and set up the Tribunal when the law comes into operation. Progress on this item slipped due to the longer time required for drafting the Bill and conducting the public consultation exercise.</p> <p><i>(Action in Progress: Behind Schedule)</i></p>
<p>To establish a Securities and Futures Appeals Tribunal for handling appeals lodged against decisions made by the Securities and Futures Commission (SFC)</p> <p><i>(FSB)</i></p>	<p>To introduce the legislative proposal into the Legislative Council by December 1999, with a view to establishing the Tribunal in 2000-2001</p> <p><i>(1999)</i></p>	<p>The Securities and Futures Bill provides for the establishment and operation of the Tribunal. We will introduce the Bill into the Legislative Council in November 2000 and set up the Tribunal when the law comes into operation. Progress on this item slipped due to the longer time required for drafting the Bill and conducting the public consultation exercise.</p> <p><i>(Action in Progress: Behind Schedule)</i></p>

Initiative	Target	Present Position
To establish an independent Process Review Panel for reviewing the internal operations, including investigative procedures, of the SFC (FSB)	To set up the Panel in 2000 (1999)	The Panel will be set up by end-November 2000. <i>(Action in Progress: On Schedule)</i>
To streamline the licensing regime for securities and futures intermediaries (FSB)	To introduce the legislative proposal into the Legislative Council by December 1999, with a view to putting the new licensing regime in place as soon as possible (1999)	The Securities and Futures Bill provides for the operation of the new licensing regime. We will introduce the Bill into the Legislative Council in November 2000 and set up the new licensing regime when the law comes into operation. Progress on this item slipped due to the longer time required for drafting the Bill and conducting the public consultation exercise. <i>(Action in Progress: Behind Schedule)</i>

Initiative	Target	Present Position
To enhance the disclosure of interests in securities (FSB)	To introduce the legislative proposal into the Legislative Council by December 1999, with a view to putting the new requirement in place as soon as possible (1999)	The Securities and Futures Bill provides for the disclosure of interests in securities. We will introduce the Bill into the Legislative Council in November 2000 and enhance the disclosure requirements when the law comes into operation. Progress on this item slipped due to the longer time required for drafting the Bill and conducting the public consultation exercise. (Action in Progress: Behind Schedule)
To adopt a more formal risk-based supervisory approach and apply this approach in the supervision of authorized institutions (Hong Kong Monetary Authority (HKMA))	To introduce a more systematic and formalised risk-based supervisory approach by September 2000 (1999)	A more systematic and formalized risk-based supervision approach has been introduced since early 2000. (Action Completed)
To closely monitor the asset quality of local banks (HKMA)	To conduct on-site examinations of the local banks semi-annually ahead of the year-end result announcements for 1999 and the interim and year-end result announcements for 2000 (1999)	Asset quality of local banks is under close surveillance. On-site examinations on asset quality were conducted before the interim result announcements for 2000. (Action in Progress: On Schedule)

Initiative	Target	Present Position
To promote high standards of corporate governance within the banking industry (HKMA)	To issue a new “Best Practice Guide” for directors of authorized institutions by the end of 1999 (1999)	A statutory guideline on corporate governance of locally incorporated authorized institutions was issued in May 2000. (Action Completed)
To introduce the new guideline of the Basel Committee on Banking Supervision on acceptance of innovative capital instruments as tier one capital (HKMA)	To issue a policy guideline on this issue by the end of 1999 (1999)	Guideline issued in 1999 for consultation. The policy guideline was finalized in March 2000 after addressing the industry’s comments. (Action Completed)
To encourage competition among private sector insolvency practitioners through their increasing participation in the administering of compulsory liquidation cases (Official Receiver’s Office (ORO))	To attract more firms to join the Panels established under the ORO for contracting out insolvency work to private practitioners in 2000-2001 (1999)	The ORO is revising the entry requirements of its administrative panel for contracting out of summary winding up cases to facilitate more participation by eligible private sector insolvency practitioners. (Action in Progress: On Schedule)
To implement the Law Reform Commission’s proposal on licensing insolvency practitioners (ORO)	To consult professional and academic bodies with a view to setting standards for the licensing of practitioners (1999)	Consultation exercise completed in June 2000. Views collected will be fed into the consultancy study on the future role of the Official Receiver which is due to commence. (Action in Progress: On Schedule)

Initiative	Target	Present Position
To modernise and update our legislative framework based on the overall review of the Companies Ordinance <i>(Companies Registry (CR))</i>	Standing Committee on Company Law Reform to complete its assessment on the consultant's report in 1999-2000 <i>(1999)</i>	The Standing Committee on Company Law Reform's Report on the consultant's recommendations was published in February 2000. <i>(Action Completed)</i>
To provide for statutory corporate rescue procedure to allow a viable business to survive as a going concern <i>(ORO)</i>	To introduce the legislative proposals into the Legislative Council before end-1999 <i>(1999 and 1996)</i>	Legislative proposals were introduced into the Legislative Council in its 1999-2000 session. Due to time constraints, the Bills Committee did not complete the scrutiny of the proposals. We intend to re-introduce draft legislation into the Legislative Council in 2001. <i>(Action in Progress: Behind Schedule)</i>
To further strengthen liaison with overseas insurance regulators to enhance Hong Kong's status as a regional insurance centre <i>(Office of the Commissioner of Insurance (OCI))</i>	<ul style="list-style-type: none"> ● To step up our participation in the International Association of Insurance Supervisors (IAIS) by becoming a member of its technical committees and contributing towards the development of international standards of insurance regulation 	<ul style="list-style-type: none"> ● Representatives of the OCI will attend the relevant sub-committee meetings at the Annual Conference of the IAIS and would play an active role in some of those meetings.

Initiative	Target	Present Position
	<ul style="list-style-type: none"> ● To promulgate and monitor compliance of Hong Kong insurance companies with international standards of insurance regulations ● To discuss and sign Memoranda of Understanding with major overseas insurance regulators <p>(1999)</p>	<ul style="list-style-type: none"> ● The OCI has promulgated all standards of insurance regulations so far issued by the IAIS. Hong Kong insurance companies have complied with these standards. ● The OCI has initiated discussions with the Financial Services Authority of the United Kingdom and the same will be carried out in due course with other major overseas insurance regulators. <p><i>(Action in Progress: On Schedule)</i></p>
<p>To further enhance the professional standard and the overall quality of insurance intermediaries</p> <p><i>(OCI)</i></p>	<p>To implement an Insurance Intermediaries Quality Assurance Scheme on 1 January 2000 to require insurance intermediaries, their chief executives and technical representatives to pass a qualifying examination and attend continuing professional development programmes</p> <p><i>(1999)</i></p>	<p>The Insurance Intermediaries Quality Assurance Scheme was implemented on 1 January 2000. Insurance intermediaries, their responsible officers/chief executives and technical representatives should meet the qualifying examination requirement before the expiry of the two-year transitional period on 31 December 2001 and attend continuing professional development programmes thereafter.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
To develop guidelines on compliance with the “fit and proper” requirement in the Insurance Companies Ordinance <i>(OCI)</i>	To issue a Guidance Note on “fit and proper” criteria to all insurers by early 2000 <i>(1999)</i>	The Guidance Note on “fit and proper” criteria was issued to all insurers on 11 February 2000. <i>(Action Completed)</i>
To oversee the Mandatory Provident Fund Schemes Authority (MPFA) to ensure successful and timely implementation of the System by the end of 2000 <i>(FSB)</i>	To keep in view progress of the MPFA primarily in vetting of products, development of an Information Management System, registration of intermediaries and processing of applications for exemptions so that employees can start to contribute to their schemes by 1 December 2000 <i>(1999)</i>	The MPFA has approved Mandatory Provident Fund (MPF) trustees and products; registered MPF schemes and intermediaries; and approved applications for exemptions from MPF requirements. Core phases of the Information Management System are also completed for the launching of the MPF System in December 2000. The MPFA will monitor the implementation of the System. <i>(Action in Progress: On Schedule)</i>
To introduce a Banking (Amendment) Bill to bring Hong Kong’s framework of supervision fully in line with the Basel Committee’s Core Principles for Effective Banking Supervision <i>(FSB)</i>	To implement the relevant amendments to the Banking Ordinance in 1999 <i>(1998 and 1997)</i>	All relevant provisions have commenced operation. <i>(Action Completed)</i>

Initiative	Target	Present Position
<p>To introduce the composite Securities and Futures Bill which aims to consolidate all securities and futures-related ordinances to remove inconsistencies and improve the regulatory framework (FSB)</p>	<p>To issue a White Bill for public consultation in 1996 and to introduce the Bill into the Legislative Council in the 1998-1999 legislative year (1998 and 1995)</p>	<p>The Financial Secretary has subsequently set a target in his 2000 Budget Speech to introduce the Securities and Futures Bill into the Legislative Council as the 2000-2001 legislative session begins. We will introduce the Bill into the Legislative Council in November 2000.</p> <p><i>(Action in Progress: Behind Schedule)</i></p>
<p>To further strengthen the discipline and transparency of the securities and futures markets (FSB)</p>	<p>To implement the new measures in the 30-point programme concerning the short selling regime, risk management, rule enforcement, inter-market surveillance and contingency power. Where legislative amendments are necessary, to introduce the legislative proposals as soon as possible (1998)</p>	<p>Of the 30-point programme, 24 measures have been implemented and four are in progress. The proposal to reduce the threshold for special margin in futures and options contracts forms part of the overall derivative market risk management being kept under regular review by the Hong Kong Exchanges and Clearing Limited. The study on the regulation of share registrars has been put on hold pending a study on the development of a scripless securities market in Hong Kong as recommended by the Steering Committee on Enhancement of Financial Infrastructure.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To strengthen the regulation of insurance companies with regard to their investment portfolio, MPF-related business and oversee their work on prevention of money laundering activities</p> <p><i>(OCI)</i></p>	<p>To establish a team of staff in 1999 to step up supervision of insurance companies carrying on MPF-related business and to redeploy existing resources to strengthen anti-money laundering efforts</p> <p><i>(1998 and 1997)</i></p>	<p>A team of staff was established on 10 January 2000 in the OCI to step up the supervision of insurance companies carrying on MPF-related business and to strengthen anti-money laundering efforts.</p> <p><i>(Action Completed)</i></p>
<p>To ensure that the legal framework for companies is conducive to the running of business in Hong Kong through the review of the Companies Ordinance and related bankruptcy and insolvency legislation</p> <p><i>(CR/ORO)</i></p>	<p>To examine the consultancy report on the Review of the Companies Ordinance and the public submissions, and the Law Reform Commission's (LRC) proposals on insolvency legislation in 1999 and introduce legislative amendments if appropriate from 2000 onwards</p> <p><i>(1998 and 1996)</i></p>	<ul style="list-style-type: none"> ● We will introduce the legislative proposals arising from the Standing Committee on Company Law Reform's Report on the consultant's recommendations into the Legislative Council from 2000-2001 onwards. ● We also plan to introduce legislative proposals made by the LRC on the winding up provisions into the Legislative Council from 2000-2001 onwards. <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
To improve communication between the HKMA and the authorized institutions, including the electronic submission of prudential returns <i>(HKMA)</i>	To introduce an electronic network in 1997 <i>(1996)</i>	The electronic transmission system was launched in December 1997. All authorized institutions have joined the system for submission of prudential returns. <i>(Action Completed)</i>
To consider the establishment of the Insurance Authority as an independent regulatory body <i>(FSB)</i>	To consider the establishment in 1997 <i>(1996)</i>	Different possible organization modes of the OCI are being developed and examined. <i>(Action in Progress: Behind Schedule)</i>
To introduce legislation to provide statutory immunity for auditors of listed companies who report suspected illegal acts by their clients <i>(FSB)</i>	To introduce legislation in the 1995-1996 session <i>(1995)</i>	The Securities and Futures Bill provides for the statutory immunity concerned. We will introduce the Bill into the Legislative Council in November 2000. <i>(Action in Progress: Behind Schedule)</i>

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
To set up a new advisory committee to better co-ordinate human resources development needs of the financial services sector in the longer term <i>(Financial Services Bureau (FSB))</i>	To set up the new advisory committee by the end of 1999 <i>(1999)</i>	The Advisory Committee on Human Resources Development in the Financial Services Sector (FinMan Committee) was established in June 2000. <i>(Action Completed)</i>
To facilitate implementation of enhancement measures to strengthen the financial infrastructure in Hong Kong <i>(FSB)</i>	To encourage the financial industry and parties concerned to implement the enhancement measures as quickly as possible having regard to their development plans <i>(1999)</i>	The Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited have worked out concrete implementation plans for the long-term enhancement measures as recommended by the Steering Committee on the Enhancement of Financial Infrastructure in Hong Kong. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
<p>To improve the market structure by the demutualisation and merger of the two Exchanges and three Clearing Houses into a new single market operator through a commercial process</p> <p><i>(FSB)</i></p>	<p>To enact the necessary enabling legislation for the changes by end-January 2000</p> <p><i>(1999)</i></p>	<p>The Exchanges and Clearing Houses (Merger) Ordinance, the enabling legislation for the merger was enacted on 24 February 2000, followed by the implementation of the merger on 6 March 2000. The Hong Kong Exchanges and Clearing Limited as the merged entity became a listed company on 27 June 2000.</p> <p><i>(Action Completed)</i></p>
<p>To explore the merits and feasibility of setting up a US dollar clearing system in Hong Kong</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<p>To complete a study to establish the business case for the proposal, identify options and assess the feasibility in consultation with key market participants and the US Federal Reserve</p> <p><i>(1999)</i></p>	<p>Phases I and II of the US dollar clearing system came into operation on 21 August and 25 September 2000 respectively. All components of the system will be in full operation by December 2000.</p> <p><i>(Action Completed)</i></p>
<p>To introduce a new statutory deregistration procedure for defunct solvent private companies as a new service of the Companies Registry</p> <p><i>(Companies Registry (CR))</i></p>	<p>To commence the new deregistration service before end-1999</p> <p><i>(1999)</i></p>	<p>Deregistration service commenced in November 1999.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To study the feasibility of introducing electronic filing, processing and dissemination of corporate information in the Companies Registry</p> <p><i>(CR)</i></p>	<p>To complete the Phase I Feasibility Study by May 2000</p> <p><i>(1999)</i></p>	<p>Phase I of the Feasibility Study, i.e. the Strategic Change Plan, has been completed.</p> <p><i>(Action Completed)</i></p>
<p>To ensure the provision of an effective and efficient insolvency service</p> <p><i>(Official Receiver's Office)</i></p>	<ul style="list-style-type: none"> ● To expand the scheme to contract out summary court winding-up cases. To contract out 400 summary cases in 1999-2000 <p><i>(1998)</i></p> <ul style="list-style-type: none"> ● To commence a feasibility study to enhance and modify the management information system in the ORO to meet increasing operational needs and to introduce a bilingual public search facility in 1998 <p><i>(1997)</i></p>	<ul style="list-style-type: none"> ● Four hundred and eight cases were contracted out in 1999-2000. <p><i>(Action Completed)</i></p> <ul style="list-style-type: none"> ● Enhancement work was completed in July 2000. Bilingual public search facility has been made available since March 2000. <p><i>(Action Completed)</i></p>
<p>To enhance Year 2000 readiness across the whole of the financial services sector</p> <p><i>(FSB)</i></p>	<p>To co-ordinate the testing efforts of the financial industry in 1998 and 1999 and to develop an overall contingency plan for the sector by the end of 1999</p> <p><i>(1998)</i></p>	<p>Action completed with successful transition of the financial services sector through the millennium rollover.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
To monitor the Year 2000 readiness in the banking sector <i>(HKMA)</i>	To ensure that authorized institutions take necessary steps to achieve Year 2000 compliance <i>(1997)</i>	The banking sector entered into the new millennium smoothly. No major difficulties were encountered by authorized institutions. <i>(Action Completed)</i>
To reduce the pressure on credit expansion of the banking system and on the payment system from heavily over-subscribed Initial Public Offer of securities on the Stock Exchange of Hong Kong <i>(FSB)</i>	To introduce measures to reduce the pressure <i>(1997)</i>	In order to improve further the mechanism, we have accepted electronic application for new shares. <i>(Action in Progress: On Schedule)</i>
To house all major financial authorities under one roof <i>(FSB)</i>	To house all major financial institutions under one roof in the future Hong Kong International Finance Centre (HKIFC) which will be strategically located at the Central Waterfront <i>(1997)</i>	The Mandatory Provident Fund Schemes Authority moved into the HKIFC in July 1999, followed by the Hong Kong Exchanges and Clearing Limited in March 2000. We will continue to monitor the development in this project. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
To enhance investor education (FSB)	To support the Securities and Futures Commission and the two Exchanges to establish an Investor Resources Centre to enhance investor education in 1998 (1997)	An electronic Investor Resources Centre has been set up on the Internet since 29 June 2000 to provide 24-hour access to the public. The URL of the Centre is http://www.HKeIRC.org . (Action Completed)
To introduce remote, on-line access to key information on companies (CR)	To introduce remote, on-line access to key information on companies, thereby obviating the need for users to visit the CR in 1998 (1997)	The on-line system was launched in September 2000. (Action Completed)

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
<p>To deregulate the remaining interest rate rules in a stable economic and market environment</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<ul style="list-style-type: none"> ● To begin the first phase of deregulation on 1 July 2000 with the remaining regulated time deposits with a maturity less than seven days ● To begin the second phase on 1 July 2001 with savings and current account deposits <p><i>(1999)</i></p>	<ul style="list-style-type: none"> ● First phase of deregulation implemented on 3 July 2000. <p><i>(Action Completed)</i></p> <ul style="list-style-type: none"> ● To review the position in the first half of 2001. Subject to the absence of unfavourable environment, phase 2 of the deregulation will proceed. <p><i>(Action in Progress: On Schedule)</i></p>
<p>To relax the one branch policy by allowing foreign banks currently subject to the one building condition to open up to three branches to which customers have access</p> <p><i>(HKMA)</i></p>	<p>To consider full relaxation of this policy upon a review in 2001 (the initial relaxation has been completed in September 1999)</p> <p><i>(1999)</i></p>	<p>To carry out the review in the first half of 2001.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>Subject to appropriate contractual arrangements being agreed with Hong Kong Interbank Clearing Limited, to allow access by restricted licence banks to the Real Time Gross Settlement System for the purpose of settling payments through the Clearing House Automated Transfer System</p> <p><i>(HKMA)</i></p>	<p>To allow restricted licence banks access to the Real Time Gross Settlement System by the end of 1999</p> <p><i>(1999)</i></p>	<p>Restricted licence banks have been allowed to apply for access to the Real Time Gross Settlement System since June 2000.</p> <p><i>(Action Completed)</i></p>
<p>To conduct a detailed review on ways to reform the three-tier authorisation system into a two-tier system and review the minimum paid-up capital requirements for different tiers of authorized institutions</p> <p><i>(HKMA)</i></p>	<p>To commence this review in the second half of 2000 and to consult the banking industry on any recommendations for changes</p> <p><i>(1999)</i></p>	<p>The review will be deferred to the first half of 2001 as priority has been given to other more pressing projects.</p> <p><i>(Action in Progress: Behind Schedule)</i></p>

Initiative	Target	Present Position
<p>To attract private enterprises in the Mainland to list in Hong Kong</p> <p><i>(Financial Services Bureau)</i></p>	<ul style="list-style-type: none"> ● To work with the Stock Exchange of Hong Kong and the Securities and Futures Commission to develop implementation plans in 1999 for the establishment of a Second Board in Hong Kong to help small and medium enterprises raise capital <p><i>(1998 and 1997)</i></p>	<ul style="list-style-type: none"> ● The Second Board or the Growth Enterprises Market was launched by the Stock Exchange of Hong Kong Limited in November 1999. <p><i>(Action Completed)</i></p>
	<ul style="list-style-type: none"> ● To conduct a detailed study in 1998 on measures to enhance the competitiveness of Hong Kong as a funding centre for Mainland enterprises <p><i>(1997)</i></p>	<ul style="list-style-type: none"> ● A study on the currency denomination for the trading and settlement of “H” shares has been conducted. The findings are being pursued by the relevant authorities. Data collection on the use of Hong Kong’s bond market by Mainland enterprises is completed. On-going review on how to enhance the competitiveness of Hong Kong as a fund raising centre for Mainland enterprises is being conducted and there will be continuing liaison with Mainland authorities on related issues. <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To promote the further development of the local debt market through the activities of the Hong Kong Mortgage Corporation (HKMC) and Mandatory Provident Fund Schemes</p> <p><i>(HKMA)</i></p>	<p>HKMC to increase the issuance of debt securities in 1999</p> <p><i>(1998)</i></p>	<p>HKMC has successfully issued a total of HK\$15.4 billion of unsecured debt securities and extended the yield curve from one month to 10 years. HKMC listed the Note Issuance Programme on the Stock Exchange of Hong Kong in October 1999 to provide a convenient channel for retail investors to subscribe its debt securities and trade them on the Exchange. HKMC launched the HKMC guaranteed mortgage-backed pass-through securitisation programme in October 1999. Two mortgage backed securities with a combined issued amount of HK\$1.63 billion had been issued under the programme.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To promote bilateral linkage with other financial centres in Payment versus Payment and Delivery versus Payment transactions (HKMA)</p>	<ul style="list-style-type: none"> ● To set up a bilateral linkage between HKMA's Central Moneymarkets Unit (CMU) and the Government Securities Book Entry System of the Mainland to facilitate cross-border trading and holding of Hong Kong and Mainland debt securities in 1999 (1998) ● To reduce the settlement risk in foreign exchange transactions by pursuing the establishment of a Payment versus Payment link between the local payment system and those in the region, including the Mainland (1997) 	<ul style="list-style-type: none"> ● The People's Bank of China (PBoC) has agreed to commence the preliminary work on the linkage including staff training in CMU. Final endorsement from PBoC is being awaited. <i>(Action in Progress: Behind Schedule)</i> ● Software programming for the Cross Currency Payment Matching Processor has been completed. User acceptance test is being conducted. <i>(Action in Progress: On Schedule)</i>
<p>To expand the joint cheque clearing system between Hong Kong and Shenzhen (HKMA)</p>	<p>To address the policy and logistical issues in 1999 with the Guangdong authorities to extend the joint cheque clearing system to cover the province (1998)</p>	<p>Agreement with Guangdong authorities reached. The extended system became operational on 1 October 2000. <i>(Action Completed)</i></p>