

MESSAGE

It has been almost two years since Hong Kong was hit by the contagion of the worst financial crisis in decades. An often asked question is “What’s next?”. As the economic tide turns, it is of utmost importance to ensure that we not only recover, but also do this on an even healthier footing. 1999 has been a year of consolidation and reform in order to maintain and enhance our competitiveness as a global financial centre. Such efforts will continue into the next millennium.

Crisis or not, it has always been our goal to strengthen our financial infrastructure and to spearhead the development of the financial market in line with our commitment to promote free, fair and orderly competition. We have completed a consultancy study on the enhancement of our financial infrastructure in September 1999 with detailed recommendations on the way forward. With due consideration of international best practices and global trends, the study has reviewed various options for a single clearing arrangement for securities, stock options, futures and other exchange-traded transactions, how existing financial transactions should be streamlined to facilitate straight-through processing, and the development of a secure and efficient scripless market.

In March 1999, the Financial Secretary reaffirmed our resolve to consolidate nine pieces of securities and futures-related legislation into one. The composite Securities and Futures Bill is meant to provide a more transparent, coherent and effective regulatory framework that fits an increasingly sophisticated financial market. My colleagues and the Securities and Futures Commission are pressing ahead towards the target of introducing the Bill to the Legislative Council by year-end.

Separately, the Government has been providing strong impetus and assistance to facilitate the merger of the stock and futures exchanges and related clearing houses. The objective is to reform the market structure to maintain its competitiveness. With a clear business objective and streamlined governance structure, the merged exchange will pursue efficiently its commercial goals and effectively perform its public functions.

Physical infrastructure aside, we have never lost sight of a fundamental force which has been propelling Hong Kong’s economic success – human resources. We need well-trained and highly adaptable personnel to meet the challenges of a rapidly changing financial market. While regulators, market players, academic and professional bodies are all contributing towards this need, we see a strong case for better co-ordination and focus in the direction of human resources development. A study to examine manpower training in the financial services industry was completed this year, and a co-ordinating mechanism will be put in place to ensure that concerted efforts in the market can be better channelled to meet the longer term needs of the industry.

Many lessons can be drawn from the financial turmoil. One of them is that Hong Kong cannot afford to stand still. We must constantly look for ways to build on our strengths and to maintain our competitive edge. My Bureau will be ever mindful of this lesson in discharging our responsibilities.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

(Rafael S Y Hui)
Secretary for Financial Services

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.

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 organisations

Progress Made

In the past 12 months, we have continued to deliver results in the four Key Result Areas. We have made satisfactory progress in all these areas.

Four indicators were used to measure our achievement under this Policy Objective in 1998.

The first indicator was the extent to which Hong Kong's financial infrastructure meets international standards. We have completed a consultancy study in September 1999 and worked out detailed recommendations to strengthen the financial infrastructure in Hong Kong. Specifically, we have reviewed various options for a single clearing arrangement for securities, stock options, futures and other exchange-traded transactions, how existing financial transactions should be streamlined to facilitate straight-through processing, and the development of a secure, scripless securities market using secure and reliable networks and sufficient capacity. In all these reviews, due consideration has been given to international best practices to ensure that our recommendations are in line with global developments.

The second indicator was the extent to which Hong Kong's business laws provide a level playing field. In this connection, we have increased the transparency of the banking sector by updating the Best Practice Guide on Financial Disclosure by Authorised Institutions and requiring these institutions to disclose more information about their asset quality.

The third indicator was the extent to which our financial regulatory regime meets international standards. During the year, we have completed a review of Hong Kong's banking regulatory framework and enacted a Banking (Amendment) Bill to bring our framework of supervision in line with the Basle Committee's Core Principles for Effective Banking Supervision. We have also implemented most of the measures of the 30-point programme

for further strengthening and enhancing the discipline and transparency of the securities and futures markets. The remaining items are under study by the Financial Services Bureau. Additionally, we are preparing the composite Securities and Futures Bill for introduction into the Legislative Council by December 1999.

The fourth indicator was the setting up of the first overseas office of the Bank for International Settlements (BIS) in Hong Kong. The BIS opened its Representative Office for Asia and the Pacific in Hong Kong in 1998. This is the first overseas office for BIS, and serves as a regional centre for the activities of BIS in Asia. The setting up of the office underlies the strategic location of Hong Kong in the region and the attractions in telecommunication and financial infrastructure that Hong Kong can offer as an international financial centre.

KEY RESULT AREAS (KRAs)

To ensure that this Policy Objective can be achieved, we must deliver results in a number of key areas, that is, we must –

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1

Maintain monetary and banking stability in Hong Kong

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.

Notwithstanding the volatile global market conditions in the aftermath of the Asian financial turmoil, the Hong Kong dollar remained remarkably stable against the US dollar in the past year. The seven technical measures introduced in September 1998 and the subsequent fine-tuning measures have been functioning smoothly to further enhance the robustness of the currency board system in Hong Kong.

The Hong Kong banking sector has also weathered well the Asian financial crisis. Although profitability of the banking industry as a whole has declined and the level of bad debts has risen as a result of the economic downturn and the financial difficulties encountered by some Chinese corporate borrowers, local banks in Hong Kong remain financially strong and well-capitalised.

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 enhance its supervision of authorised institutions under the Banking Ordinance to ensure soundness of the banking system.

Progress Made

The indicators we used last year to measure progress in this area were: the stability of the Hong Kong dollar exchange rate against the US dollar at around 7.80 and the transparency in the operation of the linked exchange rate system; the further strengthening of the currency board arrangements in Hong Kong; the maintenance of a regulatory framework for prudential supervision of authorised institutions which is fully in line with international standards; and the health of the local banks in terms of capital adequacy and liquidity.

We have completed the review of the banking sector in December 1998. We have also updated the Best Practice Guide on Financial Disclosure by Authorised Institutions in 1998 and the authorised institutions are required to disclose more information about their asset quality. As regards the currency board arrangements, all the seven technical measures announced in September 1998 were implemented.

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 review the banking supervisory regime in the light of international standards and developments of the banking sector in Hong Kong <i>(Hong Kong Monetary Authority (HKMA))</i>	To complete the review by end-1998 <i>(1998)</i>	The review, as part of the Banking Sector Consultancy Study, was completed in December 1998. <i>(Action Completed)</i>
To step up monitoring and supervision of authorised institutions on a risk-based approach <i>(HKMA)</i>	To improve speed of detection and resolution of likely financial problems <i>(1998)</i>	Specific recommendations for a more risk-based approach were contained in the review mentioned above. These are currently being implemented. <i>(Action in Progress: On Schedule)</i>
To promote fixed rate mortgages given through the Hong Kong Mortgage Corporation to provide an additional choice for home buyers which can protect them against adverse interest rate movements <i>(HKMA)</i>	To expand the pilot scheme into a regular programme under which the Hong Kong Mortgage Corporation is committed to purchasing \$3.5 billion of fixed rate mortgages between September 1998 and March 1999 <i>(1998)</i>	The pilot scheme was converted into a regular programme in September 1998. It was further expanded in June 1999 to include one-year, two-year and three-year fixed rate products. <i>(Action Completed)</i>

* 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 improve the transparency of the banking sector (HKMA)</p>	<ul style="list-style-type: none"> ● To implement a new Guideline to standardise policy on how authorised institutions should recognise interest income in the profit and loss account ● To increase the amount and frequency of disclosure by both local and foreign institutions in respect of their 1998 accounts, particularly in relation to asset quality (1998) 	<ul style="list-style-type: none"> ● The guideline on recognition of interest income in the profit and loss account by authorised institutions was issued in May 1998. ● The Best Practice Guide on Financial Disclosure by Authorised Institutions was updated in 1998. Authorised institutions are required to disclose more information about their asset quality. ● Starting from 1998, foreign institutions with significant operations in Hong Kong are required to disclose on a half-yearly basis selected financial information about their local operations, as well as the financial strength of the institution as a whole. ● In June 1999, the disclosure frequency of non-listed local institutions was increased to semi-annual basis in line with the existing requirement for listed local authorised institutions. <p><i>(Action Completed)</i></p>
<p>To ensure a smooth changeover to the Euro in the banking sector (HKMA)</p>	<p>To introduce legislation in 1998 to provide for continuity of contract in relation to the introduction of Euro on 1 January 1999 (1998)</p>	<p>The Introduction of the Euro Ordinance was passed by the Legislative Council and took effect on 31 December 1998. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To further strengthen the currency board arrangements in Hong Kong (HKMA)</p>	<p>To implement the new measures announced in September 1998 including –</p> <ul style="list-style-type: none"> ● Convertibility undertaking – to provide a clear undertaking to all licensed banks to convert Hong Kong dollars in their clearing accounts into US dollars at the fixed rate of HK\$7.75 to US\$1 and to move the rate of the convertibility undertaking to HK\$7.8 when market circumstances permit ● to make technical adjustments to the operation of the Discount Window. These include – <ul style="list-style-type: none"> – to remove the bid rate of Liquidity Adjustment Facility (LAF) – to replace the LAF by a Discount Window and to determine the Base Rate (formerly known as the LAF Offer Rate) such that interest rates are adequately responsive to capital flows while allowing excessive and destabilising interest rate volatility to be dampened 	<p>All the seven technical measures announced in September 1998 were implemented. A number of fine-tuning measures in respect of those technical measures were implemented in subsequent months –</p> <ul style="list-style-type: none"> ● The HKMA announced in November 1998 that the convertibility rate in respect of the Aggregate Balance would stay at the level of 7.75 until end-March 1999, after which time the rate would move by 1 pip per calendar day until it reached 7.8000 in August 2000, the convertibility rate applicable for the issue and redemption of the Certificates of Indebtedness backing Hong Kong dollar bank notes. The scheme was implemented on 1 April 1999 as scheduled and is progressing smoothly. ● The formula for determining the Base Rate, upon which the discount rate for use in the overnight repurchase agreements (repos) through the Discount Window is calculated, was announced in November 1998. The floor for the Base Rate was set at 150 basis points above the US Fed Funds Target Rate. Subject to the floor, the Base Rate would be derived by taking the simple average of the five-day moving averages of the overnight and one-month Hong Kong Interbank Offer Rate.

Initiative	Target	Present Position
	<ul style="list-style-type: none"> – to remove the restriction on repeated borrowing in respect of the use of Exchange Fund papers for discounting at the Discount Window – to issue new Exchange Fund paper only when there is an inflow of funds – to introduce a schedule of discount rates for different percentage thresholds of holdings of Exchange Fund paper by the licensed banks for Discount Window purpose – to retain the restriction on repeated borrowing in respect of repos transactions involving debt securities other than Exchange Fund papers and not to accept any further new issues of such paper for Discount Window purpose <p>(1998)</p>	<ul style="list-style-type: none"> ● Starting from 1 April 1999, interest payments on Exchange Fund paper have been allowed to expand the outstanding amount of Exchange Fund paper. Operationally, the Aggregate Balance will increase temporarily as a result of such interest payments, and additional Exchange Fund paper will subsequently be issued to absorb the increase. The arrangement is consistent with currency board principles, as the interest payments are fully backed by the interest income on US dollar assets backing the monetary base. <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
To move towards greater transparency and disclosure on currency board operations (HKMA)	To identify clearly that part of the Exchange Fund balance sheet showing currency board operations and to publish the relevant information as frequently as it is technically feasible to do so (1998)	<ul style="list-style-type: none"> Starting from November 1998, the HKMA has been publishing the size of the monetary base and its components on a daily basis on the news services. Starting from the November 1998 meeting of the Exchange Fund Advisory Committee Sub-Committee on Currency Board Operations, records of the meetings have been published within six weeks of each meeting. A regular report on the currency board operations has been published as part of the record of the meeting since February 1999. The HKMA started to publish the Currency Board Account on a monthly basis from 1 March 1999 onwards. <p><i>(Action Completed)</i></p>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
Stability of our currency	To continue to maintain exchange rate at 7.80 to the US dollar within the framework of the linked exchange rate system
Effectiveness of the banking and monetary regulatory framework for prudential supervision of authorised institutions which is fully in line with international standards	General compliance with international standards established by the Basle Committee on Banking Supervision

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
<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>(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>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>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 Authorised Institutions in line with disclosure practices and developments in Hong Kong and other major financial centres</p>

2

Further improve the regulatory framework

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 introducing a more systematic and formal risk-based supervisory approach for local banks by September 2000 and issuing a new “Best Practice Guide” for directors of authorised institutions to improve the level of corporate governance in the banking sector.

Last year, the Government proposed a series of measures under the Report on Financial Market Review and the 30-point programme with a view to further strengthening the regulatory and operation systems and enhancing the discipline and transparency of the securities and futures markets. With the co-operation and efforts of the Securities and Futures Commission (SFC) and the relevant market bodies, most of those recommendations have been completed or are under implementation and the remaining ones are under consideration. We will work closely with SFC and the two Exchanges to bring the outstanding measures to completion as soon as possible.

Hong Kong needs 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. Such a framework is essential to strengthen our competitive edge amidst rapid changes in the international financial markets. In March 1999, the Government announced a series of legislative reforms for the securities and futures market, to be enshrined in the composite Securities and Futures Bill. The Bill will aim at providing a regulatory framework which is on par with international standards and promotes a fair, orderly and transparent market. New measures will also be introduced to enhance the accountability and transparency of the regulatory authority.

As an effort to enhance the accountability of the SFC, the Government plans to establish an independent Process Review Panel to review SFC’s internal operations, including investigative procedures. The Panel will comprise a majority of independent, prominent public persons, to be appointed by the Chief Executive, as well as Non-Executive Directors of the SFC. It will make independent reports to the Financial Secretary.

In support of the launch of the Mandatory Provident Fund (MPF) System, we will step up public education and publicity programmes to enhance employers’ and employees’ awareness of their rights and obligations under the System.

Progress Made

The indicators we used last year to measure progress in this area were: the free and orderly operation of the regulated financial markets; the public perception of the soundness of the regulatory framework; and compliance with international standards for regulatory practices.

The legislative amendments for regulating securities margin financing were introduced into the Legislative Council in March 1999 and are currently being examined by the Council. As regards the 30-point programme for further strengthening and enhancing the discipline and transparency of the securities and futures markets, most of the measures have been implemented and the remaining items are under study by the Financial Services Bureau with the contribution of the SFC and the two Exchanges. The composite Securities and Futures Bill to consolidate all securities and futures-related ordinances to remove all inconsistencies and improve the regulatory framework is scheduled for introduction into the Legislative Council by December 1999.

The Banking (Amendment) Bill was passed in July 1999. Most of the provisions are expected to come into effect by October 1999. The amendments, when implemented, will bring Hong Kong’s framework of supervision fully in line with the Basle Committee’s Core Principles for Effective Banking Supervision. Minimum capital adequacy ratios of local banks were increased to a minimum of 10% starting from 31 December 1998. Their trigger capital adequacy ratios have also been revised accordingly.

Additionally, the MPF Schemes Authority has successfully completed and issued all the guidelines and codes for MPF service providers in accordance with the legislative requirements. These will facilitate the effective implementation of the MPF system in 1999-2000.

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 introduce a Banking (Amendment) Bill to bring Hong Kong’s framework of supervision fully in line with the Basle Committee’s Core Principles for Effective Banking Supervision <i>(Financial Services Bureau (FSB))</i>	To implement the relevant amendments to the Banking Ordinance in 1999 <i>(1998 and 1997)</i>	The Banking (Amendment) Bill was passed in July 1999. Most of its provisions are intended to come into effect by October 1999. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
<p>To conduct a review of the existing minimum and trigger capital adequacy ratios of local authorised institutions based on an assessment of their individual risk profile</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<p>To complete the review in 1998</p> <p><i>(1998)</i></p>	<p>The review was completed in June 1998. Minimum capital adequacy ratios of local banks were increased to a minimum of 10% starting from 31 December 1998. Their trigger capital adequacy ratios have also been revised accordingly.</p> <p><i>(Action Completed)</i></p>
<p>To review the current liquidity ratio system with particular focus on the quality of liquid assets held by authorised institutions</p> <p><i>(HKMA)</i></p>	<p>To complete the review in 1999</p> <p><i>(1998)</i></p>	<p>The review was completed in October 1998. No change to the existing liquidity regime was considered necessary at that stage.</p> <p><i>(Action Completed)</i></p>
<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</p> <p><i>(FSB)</i></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</p> <p><i>(1998 and 1995)</i></p>	<p>The Financial Secretary has subsequently set a target in the 1999 Budget Speech to introduce the Securities and Futures Bill into the Legislative Council by December 1999. We are considering public comments on the major proposals under the Bill and at the same time are pressing ahead with the legislative drafting work.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To introduce and implement legislative amendments for the regulation of share margin financing activities</p> <p><i>(FSB)</i></p>	<p>To introduce the relevant legislative amendments into the Legislative Council in the 1998-1999 legislative year</p> <p><i>(1998)</i></p>	<p>The Securities (Margin Financing) (Amendment) Bill 1999 was introduced into the Legislative Council in March 1999 and is being scrutinised by the Council.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To further strengthen the discipline and transparency of the securities and futures markets <i>(FSB)</i></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>17 measures of the 30-point programme have been implemented and six are being implemented. The remaining seven items are under study by the relevant parties including FSB, SFC and the two Exchanges. We will aim to bring them into completion as soon as possible. <i>(Action in Progress: On Schedule)</i></p>
<p>To develop the framework for the Mandatory Provident Fund (MPF) Schemes <i>(Mandatory Provident Fund Schemes Authority (MPFA))</i></p>	<ul style="list-style-type: none"> ● To complete major parts of the development of detailed codes and rules for the effective implementation of MPF System in 1998 <i>(1998 and 1997)</i> ● To take steps to establish the MPFA as soon as the relevant legislation is enacted <i>(1997)</i> 	<ul style="list-style-type: none"> ● Major parts of the detailed codes and rules were developed in 1998. A total of 37 sets of guidelines and codes were issued by the MPFA from December 1998 to June 1999. <i>(Action Completed)</i> ● The legislative process was completed in April 1998. The MPFA was formally established in September 1998. From 1 April 1999, the MPFA has taken over from the Mandatory Provident Fund Office (MPFO) the preparation work required for the implementation of the MPF System. The MPFO lapsed on the same day. <i>(Action Completed)</i>

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>(Office of the Commissioner of Insurance (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 to strengthen the supervision of insurance companies in respect of their investment portfolios and MPF-related business, and to enhance anti-money laundering efforts will be established after the transfer of the statutory functions regarding the registration of occupational retirement schemes from the OCI to the MPFA. Since the transfer has been postponed to early 2000, the setting up of the team will also be postponed to early 2000.</p> <p><i>(Action in Progress: Behind Schedule)</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>(Companies Registry (CR)/ Official Receiver's Office (ORO))</i></p>	<ul style="list-style-type: none"> ● To examine the consultancy report on the Review of the Companies Ordinance and the public submissions, and the Law Reform Commission's (LRC's) proposals on insolvency legislation in 1999 and introduce legislative amendments if appropriate in 2000 onward <p><i>(1998 and 1996)</i></p> <ul style="list-style-type: none"> ● To introduce legislation in 1996-1997 to facilitate the administration of companies in financial trouble <p><i>(1996)</i></p>	<ul style="list-style-type: none"> ● The Standing Committee on Company Law Reform is examining the consultancy report on the Review of the Companies Ordinance. The LRC final report on the insolvency legislation released in July 1999 is being examined by the Administration. <p><i>(Action in Progress: On Schedule)</i></p> <ul style="list-style-type: none"> ● We will introduce the legislation into the Legislative Council within 1999. <p><i>(Action in Progress: Behind Schedule)</i></p>

Initiative	Target	Present Position
To improve communication between the HKMA and the authorised institutions, including the electronic submission of prudential returns (HKMA)	To introduce an electronic network in 1997 (1996)	The electronic transmission system was launched in December 1997. As at end September 1999, 91% of authorised institutions submit prudential returns through the system. The remaining institutions will join the system by the end of 1999. <i>(Action in Progress: On Schedule)</i>
To consider the establishment of the Insurance Authority (IA) as an independent regulatory body (FSB)	To consider the establishment in 1997 (1996)	The establishment of the MPFA will impact on the organisation of the OCI because the statutory functions regarding the registration of occupational retirement schemes will be transferred to the MPFA. The proposal to turn the OCI into an independent IA will be considered after these functions are transferred in early 2000. <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 (FSB)	To introduce legislation in the 1995-1996 session (1995)	The proposal will be included in the composite Securities and Futures Bill. We are considering public comments on the proposal. <i>(Action in Progress: Behind Schedule)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
The extent of free and orderly operation of the regulated financial markets	To further improve the regulatory regime as well as implementation and enforcement to ensure a level playing field

Indicator	1999 Target
The effectiveness of the modern regulatory framework for the securities and futures market	To introduce the composite Securities and Futures Bill, which consolidates the existing nine securities and futures related ordinances, into the Legislative Council by end-1999
The extent of compliance with the obligations and commitments of the World Trade Organisation (WTO) in respect of financial services	General compliance with the obligations and commitments of the WTO in respect of financial services
The extent of compliance with the regulatory standards recommended by the International Organisation of Securities Commissions (IOSCO) in respect of the securities sector	General compliance with the regulatory standards recommended by the IOSCO in respect of the securities sector
The extent of compliance with the international standards established by the Basle Committee on Banking Supervision (BCBS) in respect of the banking sector	General compliance with the regulatory standards recommended by the BCBS in respect of the banking sector
The extent of compliance with the regulatory standards recommended by International Association of Insurance Supervisors (IAIS) in respect of the insurance sector	General compliance with the regulatory standards recommended by the IAIS in respect of the insurance sector

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To establish a Market Misconduct Tribunal for tackling market misconduct in the securities and futures markets (FSB)	To introduce the legislative proposal into the Legislative Council by December 1999, with a view to establishing the Tribunal in 2000-2001
To establish a Securities and Futures Appeals Tribunal for handling appeals lodged against decisions made by the Securities and Futures Commission (SFC) (FSB)	To introduce the legislative proposal into the Legislative Council by December 1999, with a view to establishing the Tribunal in 2000-2001

Initiative	1999 Target
<p>To establish an independent Process Review Panel for reviewing the internal operations, including investigative procedures of the SFC (FSB)</p>	<p>To set up the Panel in 2000</p>
<p>To streamline the licensing regime for securities and futures intermediaries (FSB)</p>	<p>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</p>
<p>To enhance the disclosure of interests in securities (FSB)</p>	<p>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</p>
<p>To adopt a more formal risk-based supervisory approach and apply this approach in the supervision of authorised institutions (HKMA)</p>	<p>To introduce a more systematic and formalised risk-based supervisory approach by September 2000</p>
<p>To closely monitor the asset quality of local banks (HKMA)</p>	<p>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</p>
<p>To promote high standards of corporate governance within the banking industry (HKMA)</p>	<p>To issue a new “Best Practice Guide” for directors of authorised institutions by the end of 1999</p>
<p>To introduce the new guideline of the Basle Committee on Banking Supervision on acceptance of innovative capital instruments as tier one capital (HKMA)</p>	<p>To issue a policy guideline on this issue by the end of 1999</p>
<p>To encourage competition among private sector insolvency practitioners through their increasing participation in the administering of compulsory liquidation cases (ORO)</p>	<p>To attract more firms to join the Panels established under the ORO for contracting out insolvency work to private practitioners in 2000-2001</p>

Initiative	1999 Target
<p>To implement the Law Reform Commission's proposal on licensing insolvency practitioners (ORO)</p>	<p>To consult professional and academic bodies with a view to setting standards for the licensing of practitioners</p>
<p>To modernise and update our legislative framework based on the overall review of the Companies Ordinance (CR)</p>	<p>Standing Committee on Company Law Reform to complete its assessment on the consultant's report in 1999-2000</p>
<p>To provide for statutory corporate rescue procedure to allow a viable business to survive as a going concern (ORO)</p>	<p>To introduce the legislative proposals into the Legislative Council before end-1999</p>
<p>To further strengthen liaison with overseas insurance regulators to enhance Hong Kong's status as a regional insurance centre (OCI)</p>	<ul style="list-style-type: none"> ● To step up our participation in the International Association of Insurance Supervisors by becoming a member of its technical committees and contributing towards the development of international standards of insurance regulation ● 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>To further enhance the professional standard and the overall quality of insurance intermediaries (OCI)</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>To develop guidelines on compliance with the "fit and proper" requirement in the Insurance Companies Ordinance (OCI)</p>	<p>To issue a Guidance Note on "fit and proper" criteria to all insurers by early 2000</p>

Initiative	1999 Target
<p>To oversee the MPFA to ensure successful and timely implementation of the Scheme by the end of 2000</p> <p><i>(FSB)</i></p>	<p>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</p>

3

Improve the infrastructure required for a first class international financial centre

The Government is committed to maintaining Hong Kong's position as a premier international financial centre by, among other things, providing 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 capitalise 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.

Even a robust physical infrastructure cannot function effectively without 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 be sure 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 will co-ordinate the strategy of meeting the human resources demands of the financial services sector.

Progress Made

The indicators we used last year to measure progress in this area were: the smooth operation of the critical systems and equipment in the financial services sector through the millennium, and more efficient and professional financial services comparable to those of other international financial centres.

We have continued to co-ordinate, 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. Good progress has been made in terms of testing of major shared financial systems and contingency planning. All testing activities involving the major shared financial systems in the securities and futures industry and the interbank payment systems have been completed with no particular problem identified. With the support of the financial regulators, the exchanges and the clearing houses, we have 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.

Separately, our efforts to promote more efficient and professional financial services are marked by the completion of two studies - one on human resources development and the other on enhancement of financial infrastructure. We will continue to work with the industry and the other parties concerned, and encourage them to implement the recommendations of the studies to maintain Hong Kong's position as a premier international financial centre.

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 facilitate the integration and upgrading of the systems of the various exchanges and clearing systems to improve system security and efficiency with a view to achieving straight-through processing of financial transactions <i>(Financial Services Bureau (FSB))</i>	To complete a detailed study on the enhancement of the financial infrastructure for Hong Kong by the first half of 2000 <i>(1998 and 1997)</i>	The consultancy study was completed in September 1999. <i>(Action Completed)</i>
To study whether a need exists for a Financial Services Institute to meet the human resource needs of the financial sector <i>(FSB)</i>	To complete a detailed report on the demand for and supply of human resources development needs in the financial services sector in March 1999 <i>(1998 and 1997)</i>	The report was completed in September 1999. <i>(Action Completed)</i>

Initiative	Target	Present Position
<p>To ensure the provision of an effective and efficient insolvency service <i>(Official Receiver's Office (ORO))</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 <i>(1998)</i> ● To improve the administration of insolvent estates in 1996 by reviewing and updating the Insolvency Practice Manual and make internal documents and non-statutory forms easier to use <i>(1997)</i> ● 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 <i>(1997)</i> 	<ul style="list-style-type: none"> ● All 400 cases expected to be contracted out by the end of 1999. <i>(Action in Progress: On Schedule)</i> ● The Insolvency Practice Manual has been further revised to take account of changes arising from Bankruptcy (Amendment) Ordinance 1996 and subsidiary legislation, which commenced on 1 April 1998. New Manual was issued to staff in July 1999. <i>(Action Completed)</i> ● The feasibility study commenced in May 1998 and was completed in August 1998. Enhancement work is in progress and it is expected that the bilingual search facility would be available by 1999-2000. <i>(Action in Progress: Behind Schedule)</i>
<p>To enhance Year 2000 readiness across the whole of the financial services sector <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 <i>(1998)</i></p>	<ul style="list-style-type: none"> ● All external testing between the interbank clearing house and its member banks was completed in November 1998. Another round of testing was conducted in August and September 1999 with no Year 2000-related problem identified. ● Three rounds of industry-wide testing in the securities and futures industry were completed in the first half of 1999.

Initiative	Target	Present Position
		<ul style="list-style-type: none"> ● Joint testing between the major fixed-line telecommunications network and the shared financial systems in the banking industry and the securities and futures industry was completed in November 1998 and February 1999 respectively. ● A Year 2000 contingency plan for the financial services sector as a whole was put in place in September 1999. <p><i>(Action in Progress: On Schedule)</i></p>
<p>To monitor the Year 2000 readiness in the banking sector</p> <p><i>(Hong Kong Monetary Authority (HKMA))</i></p>	<p>To ensure that authorised institutions take necessary steps to achieve Year 2000 compliance</p> <p><i>(1997)</i></p>	<p>In the survey conducted in June 1999, all authorised institutions reported that all their critical systems were already Year 2000 compliant.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To monitor the Year 2000 readiness in the insurance industry</p> <p><i>(Office of the Commissioner of Insurance (OCI))</i></p>	<p>To ensure that the computer systems of all insurers and insurance brokers are Year 2000 compliant by the year 1998</p> <p><i>(1997)</i></p>	<p>We have completed on-site inspections on insurers. Based on the information provided by insurers and the two approved bodies of insurance brokers, it is noted that the computer systems of all insurers and nearly all insurance brokers are Year 2000 compliant. They have also drawn up contingency plans. The OCI will continue to monitor the situation closely and to undertake regulatory measures in the run up to year 2000 as and when necessary.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>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 (SEHK) <i>(FSB)</i></p>	<ul style="list-style-type: none"> ● To introduce measures to reduce the pressure <i>(1997)</i> ● To collaborate with the Hong Kong Interbank Clearing Limited to enhance back-up facilities so as to minimise possible disruption to the payment system in 1998 <i>(1997)</i> 	<ul style="list-style-type: none"> ● In order to improve further the mechanism, we are considering the feasibility of accepting electronic application for new shares. <i>(Action in Progress: On Schedule)</i> ● A “hot” off-site back-up computer centre for Hong Kong Interbank Clearing Limited’s operating system started operation in August 1998. <i>(Action Completed)</i>
<p>To study the impact of the development of electronic banking <i>(HKMA)</i></p>	<p>To study the impact of the development of electronic banking on the banking system and banking supervisory policies in 1998 <i>(1997)</i></p>	<p>We have studied the security issues relating to the development of electronic banking, and the HKMA has issued a circular letter to the authorised institutions to inform them about the supervisory policies in respect of electronic banking services. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To house all major financial authorities under one roof <i>(FSB)</i></p>	<p>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></p>	<p>We are monitoring the progress of the development closely to ensure timely input into the planning process. The project is making good progress. The MPFA has moved into the HKIFC and the SEHK will move into HKIFC by the end of 1999. <i>(Action in Progress: On Schedule)</i></p>
<p>To enhance investor education <i>(FSB)</i></p>	<p>To support the Securities and Futures Commission (SFC) and the two Exchanges to establish an Investor Resources Centre to enhance investor education in 1998 <i>(1997)</i></p>	<p>Given the technological advances, the SFC and the two Exchanges have decided to turn the project into a cyber investor resources centre providing access by the public around the clock and through electronic means. The implementation of the cyber investor resources centre is underway and expected to be completed by the second quarter of 2000. <i>(Action in Progress: Behind Schedule)</i></p>
<p>To introduce remote, on-line access to key information on companies <i>(Companies Registry (CR))</i></p>	<p>To introduce remote, on-line access to key information on companies, thereby obviating the need for users to visit the CR in 1998 <i>(1997)</i></p>	<p>The introduction of the on-line system is expected to be implemented by March 2000. <i>(Action in Progress: Behind Schedule)</i></p>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
Smooth operation of the critical systems and equipment in the financial services sector through the turn of the millennium	To co-ordinate, in collaboration with the financial regulators, a Year 2000 programme for the financial services sector to ensure as far as possible that all system rectification, testing and contingency planning work identified is completed before the millennium transition
Availability of more efficient and professional financial services comparable to those of other international financial centres	<ul style="list-style-type: none"> ● To set up an advisory committee by the end of 1999 to better co-ordinate human resources development needs of the financial services sector in the longer term ● To facilitate full implementation of a series of enhancement measures to strengthen the financial infrastructure as quickly as possible

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To set up a new advisory committee to better co-ordinate human resources development needs of the financial services sector in the longer term (FSB)	To set up the new advisory committee by the end of 1999
To facilitate implementation of enhancement measures to strengthen the financial infrastructure in Hong Kong (FSB)	To encourage the financial industry and parties concerned to implement the enhancement measures as quickly as possible having regard to their development plans

Initiative	1999 Target
<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>To explore the merits and feasibility of setting up a US\$ clearing system in Hong Kong</p> <p><i>(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>To introduce a new statutory deregistration procedure for defunct solvent private companies as a new service of the Companies Registry</p> <p><i>(CR)</i></p>	<p>To commence the new deregistration service before end-1999</p>
<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>

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, the exchanges and the clearing houses will continue to move in this direction.

The two Exchanges are committed to introducing new financial products and services to meet the demand of the investors. The Stock Exchange of Hong Kong started trading in Exchange Fund Notes in August 1999. It was announced in last year's Policy Address that a Second Board would be set up to provide an additional fund-raising channel for small and medium enterprises in Hong Kong and the region. Development work on this, which is now renamed as the Growth Enterprises Market or the "GEM", is progressing smoothly, and it is expected that the GEM will start to accept applications for listing by October 1999. In respect of the futures market, trading in Hang Seng Properties Sub-Index futures and options contracts on the Hong Kong Futures Exchange (HKFE) was launched in June 1999. Furthermore, in order to enhance its trading capacity and efficiency, the HKFE has continued to pursue changing the trading of its Hang Seng Index futures contracts from the open outcry system to the Automated Trading System.

The Hong Kong Mortgage Corporation plays a prominent role in the development of the secondary mortgage market, which will assist in promoting banking and monetary stability, debt market development as well as home financing. Hong Kong's debt securities clearing system, the Central Moneymarkets Unit, has established bilateral linkages with Australia, New Zealand and South Korea. Such linkages will reduce the settlement risk in cross-border securities trade by facilitating Delivery versus Payment settlement. Similar linkages are under discussion with other countries in the region. A Cross Currency Payment Matching Processor is being developed to facilitate Payment versus Payment link with neighbouring economies with a view to eliminating settlement risk in foreign exchange transactions.

In the light of the globalisation and liberalisation of the banking industry, the Hong Kong Monetary Authority has undertaken a coherent package of reforms of the banking sector in Hong Kong. The reforms aim to encourage market liberalisation 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, they 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 possible introduction 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.

Progress Made

The indicators we used last year to measure progress in this area were: the number of new financial products and services; the range of financial products and services as compared to the world’s other important financial centres; and the liquidity, breadth and depth of these developing sectors of the financial market.

The Second Board (now renamed as Growth Enterprises Market) is near completion and the new market is expected to start accepting applications for listing by October 1999. As regards the debt market, the Hong Kong Mortgage Corporation has successfully extended the yield curve of its unsecured debt securities from two-year to ten-year. It also plans to launch a pilot scheme on mortgage-backed securities in the fourth quarter of 1999.

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 attract private enterprises in the Mainland to list in Hong Kong <i>(Financial Services Bureau)</i></p>	<ul style="list-style-type: none"> To work with the Stock Exchange of Hong Kong and 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 <i>(1998 and 1997)</i> 	<ul style="list-style-type: none"> The implementation for the Second Board (now renamed as Growth Enterprises Market) is near completion and the new market is expected to start accepting applications for listing by October 1999. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
	<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 (1997) 	<ul style="list-style-type: none"> ● A study on the currency denomination for the trading and settlement of “H” shares has been conducted. The preliminary findings are being considered by the relevant authorities. ● Data collection on the use of Hong Kong’s bond market by Mainland enterprises is completed. An analysis of the factors affecting the choice of Mainland enterprises is in progress. <p><i>(Action in Progress: On Schedule)</i></p>
<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 <i>(Hong Kong Monetary Authority (HKMA))</i></p>	<p>HKMC to increase the issuance of debt securities in 1999 (1998)</p>	<p>HKMC has successfully extended the yield curve of its unsecured debt securities from two-year to ten-year. HKMC also plans to launch a pilot scheme on mortgage-backed securities in the fourth quarter of 1999. <i>(Action in Progress: On Schedule)</i></p>
<p>To promote bilateral linkage with other financial centres in Payment vs Payment and Delivery vs Payment transactions <i>(HKMA)</i></p>	<ul style="list-style-type: none"> ● To set up a bilateral linkage between HKMA’s Central Moneymarkets Unit 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) 	<ul style="list-style-type: none"> ● The People’s Bank of China has agreed to commence the preliminary work on the linkage including staff training in Central Moneymarkets Unit. Final endorsement of the linkage is awaited. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
	<ul style="list-style-type: none"> To reduce the settlement risk in foreign exchange transactions by pursuing the establishment of a Payment vs Payment link between the local payment system and those in the region, including the Mainland <i>(1997)</i> 	<ul style="list-style-type: none"> 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 <i>(HKMA)</i></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 <i>(1998)</i></p>	<p>Dialogue with Guangdong authorities has started. <i>(Action in Progress: On Schedule)</i></p>
<p>To enhance the research capability of Hong Kong to conduct longer-term and wider monetary and banking policy analysis so as to position Hong Kong to play a leading role in research and policy analysis in the region <i>(HKMA)</i></p>	<p>To establish in 1999 a monetary institute which is affiliated to the HKMA <i>(1998)</i></p>	<p>The Hong Kong Institute of Monetary Research has been formally established. <i>(Action Completed)</i></p>
<p>To implement an enhanced statistical system to comply with Special Data Dissemination Standards (SDDS) announced by the International Monetary Fund <i>(Census and Statistics Department)</i></p>	<p>To establish a new statistical system to compile a complete Balance of Payments account so as to fully comply with the SDDS with effect from early 1999 <i>(1998 and 1997)</i></p>	<p>Compliance met with release of the first set of official Balance of Payments statistics for Hong Kong in April 1999. <i>(Action Completed)</i></p>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
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	To encourage the two Exchanges to further develop their clients and products base and improve their market infrastructure to support market growth and to meet the changing needs of investors
The extent to which Hong Kong plays a role in the trend of globalisation of international financial markets	To encourage the Hong Kong Exchanges and Clearing Limited to actively explore opportunities to establish strategic alliances with reputable international exchanges after the completion of the merger of the two Exchanges and three Clearing Houses
The competitiveness and efficiency of our banking sector	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 undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To deregulate the remaining interest rate rules in a stable economic and market environment (HKMA)	<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
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 (HKMA)	To consider full relaxation of this policy upon a review in 2001 (the initial relaxation has been completed in September 1999)

Initiative	1999 Target
<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 (HKMA)</p>	<p>To allow restricted licence banks access to the Real Time Gross Settlement System by the end of 1999</p>
<p>To conduct a detailed review on ways to reform the three-tier authorisation system into a two-tiered system and review the minimum paid-up capital requirements for different tiers of authorised institutions (HKMA)</p>	<p>To commence this review in the second half of 2000 and to consult the banking industry on any recommendations for changes</p>