

Norman Chan: Hong Kong as an international debt financing centre

Remarks by Mr Norman Chan, Deputy Chief Executive of the Hong Kong Monetary Authority, at the cocktail reception of HKCMA Forum 2005, Hong Kong, 26 January 2005.

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Mr Yiu, ladies and gentlemen:

I am very pleased to be invited to speak at this Cocktail Reception today. Let me first congratulate the Hong Kong Capital Markets Association for successfully organising this Forum. I am glad to note that the Forum has drawn together many market participants to discuss a number of important issues related to the role of Hong Kong as an international debt financing centre.

Over the years, the Hong Kong Monetary Authority (HKMA) has been working closely with the HKCMA in developing the debt market of Hong Kong. This co-operation has turned a new page last year with the establishment of the Hong Kong Treasury Markets Forum, or the TMF in short, on which the HKCMA is represented. As the Chairman of the TMF, I would like to take this opportunity to introduce how the TMF intends to work with the industry associations, including the HKCMA, to enhance the competitiveness of the treasury markets in Hong Kong.

As some of you may already know, the TMF was set up in March 2004 by restructuring the previous Foreign Exchange and Money Market Practices Committee. The newly formed TMF takes on a much broader mandate in that it focuses not only on the foreign exchange and money markets, but also the debt, derivatives and other treasury markets.

With rapid financial innovations and rising demand from customers for a one-stop service, the dividing line between the traditional treasury and trading functions of a bank with other types of financial market services has become rather blurred. In other words, the treasury departments now encompass a wider variety of functions that cut across different markets, notably forex, money, debt and derivative markets. The formation of the TMF, with representatives from the HKCMA and other industry associations, offers great synergy in helping enhance the competitiveness of Hong Kong's treasury markets, thereby contributing to Hong Kong's position as the premier international financial centre in the region. In carrying out its work, the TMF focuses on the "3 P's". That is: "*People*", "*Product*" and "*Profile*". Let me explain further.

Firstly, "*people*". As with other service industries, financial services are a "people business". The competitive edge of a financial centre depends largely on the availability of a large pool of highly professional market practitioners. A priority area for the TMF is therefore to work with the industry to enhance the professionalism of practitioners in the treasury markets. As you may be aware, with the support of the TMF, the Financial Markets Association of Hong Kong (ACIHK) has recently launched a new membership regime, together with a revamped professional training and accreditation programme. Under the new membership drive, ACIHK, traditionally consisted of practitioners drawn from the foreign exchange and money markets, has recruited new members from other treasury markets. In particular, with the support of the HKCMA, many of you working in the debt origination as well as trading sides have now joined the ACIHK. The number of ACIHK members has by now grown to over 1,800.

As part of the training and accreditation programme for ACIHK members, two new courses, one on dealing and the other one on debt securities, have been developed together with the Chinese University of Hong Kong and the University of Science and Technology respectively. The HKCMA has provided very useful contributions in designing the debt securities course, which commenced last November.

Secondly, "*product*". Here I'm not referring to the wide array of financial products that are offered to the investors, which should best be left to individual financial firms to develop. What the TMF and the HKCMA can help is to seek to develop the necessary infrastructure so that new products can be launched in Hong Kong. For example, the TMF, together with the HKCMA and the HKMA, have been seeking to develop the HK dollar repo market in Hong Kong. For the repo market to kick off, we will need the necessary repo settlement facility operated by the Central Moneymarkets Unit. As a result of

this effort, an efficient and highly automated platform for repo settlement has been made available since December 2004. This is an example of how the TMF can help promote product development in Hong Kong.

The TMF has also worked on other issues to facilitate market development. Examples include the NDF documentation for Asian currencies, promotion of overnight index swaps and constant maturity swaps, review of electronic prime broking system, and work on standard documentation in Chinese for use by Mainland and other customers who prefer to use their mother tongue as the working language in financial transactions.

Last but not least, the “*profile*”. Even with good people and product, it is important to promote the profile of our financial markets to the Mainland and overseas markets. As the Mainland gradually liberalises its markets, the demand for treasury market products and services from the Mainland customers is likely to grow. Hong Kong has a clear niche in tapping this huge potential with our unique advantages in geographical proximity, culture and language, as well as a talented pool of professionals and a highly efficient marketplace.

With this in mind, the TMF has started reaching out to the Mainland. For example, TMF organised a seminar for the Mainland regulators last October to deepen their understanding of financial markets in Hong Kong. HKCMA representatives, including the Chairman, Brian, also participated as a speaker in the seminar. As the seminar was very well received, plans are underway to organise similar seminars this year to promote the exchange with Mainland officials and major financial institutions. In the past year, the TMF also called on the financial regulatory bodies and financial institutions in Beijing and participated in a Financial Services Expo in Shanghai to promote the treasury markets in Hong Kong.

In addition to the Mainland, the TMF maintains close contact with our overseas counterparts in the major financial centres, such as the foreign exchange committees in London and New York. The TMF will continue to arrange regular meetings and visits with our overseas counterparts to keep abreast of global developments and to exchange views on matters of mutual interest.

Ladies and gentlemen, in less than a year since its establishment, the TMF, with the support from the industry and market practitioners, has made very impressive progress in its work. Looking ahead, with the numerous and valuable opportunities offered by the gradual opening up of the Mainland markets, it is up to all of us to try our best to seize such opportunities to ensure that Hong Kong will remain the hub for financial services and intermediation for Mainland China and the rest of the region. Thank you.