

## **Joseph Yam: Hong Kong Institute of Bankers Beijing Representative Office**

Address by Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority, at the inaugural ceremony and dinner, Beijing Representative Office of the Hong Kong Institute of Bankers, Beijing, 10 June 2005.

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Chairman Liu, Vice Governor Xiang, Mr Sullivan, Ms Li, ladies and gentlemen,

I would like to thank the Institute of Bankers for inviting me to attend this inaugural ceremony of its Beijing Representative Office. On behalf of the Hong Kong Monetary Authority, I would like to extend our warmest congratulations to the Institute for making a major step in its development.

As we all know, the savings rate in Mainland China is among the world's highest, accounting for more than 40% of its GDP. The effective channelling of private-sector savings into fixed-assets investments is a major function of the financial system. Such is also an important responsibility of the many employees engaged in the normal workings of the financial system. The proper functioning of the financial sector, with effectiveness in financial intermediation, is crucial for the promotion of economic growth and development. Mr Deng Xiaoping once said, "Finance is very important; it is the core of modern economics."

Presently Mainland China relies preponderantly on the banking system in intermediating funds. Last year bank financing remained the most important channel for raising new funds for the non-government non-financial sector, accounting for over 90% of total funds raised. There are clear needs for developing other channels of financial intermediation in the longer term, in order to promote diversification and ensure financial stability and sustainable growth. However while the capital markets on the Mainland are still in their nascent stage and face some difficulties in development, the banking system will remain the most important channel of financial intermediation in the foreseeable future. Thus, those engaged in the banking sector will continue, for a long period of time, to play an important role in ensuring the effective intermediation of funds.

Given the rapidly changing macroeconomic environment, the banking sector professionals face a difficult task in achieving this mission. The changes involved in this broad picture include supervisory policies for the banking sector, relationship between the regulatory authority and banks, and governance arrangements of individual banks. In line with the government's reform and open policies and under the supervision of the China Banking Regulatory Commission, Mainland banks have become increasingly commercialized. Banking professionals have progressed from their former mode of following the authorities' policy instructions to a more active role in assessment of loan applications before making credit decisions.

This is not an easy change. It involves both time and considerable adjustment in the thinking. Besides, good tools are a must for a good job: bank employees have to increase their knowledge of the banking business in a market economy and enhance their professional standards. This is precisely one of the objectives of the Institute of Bankers, and with its newly launched Representative Office in Beijing, the Institute will extend its existing good work to the Mainland. It will help promote the training of bank employees on the Mainland, thereby contributing to the effective financial intermediation and smooth functioning of this crucial part of modern economy. The economies of the Mainland and Hong Kong are now highly interdependent. The Institute's Beijing Representative Office will not only serve to enhance professionalism of the Mainland's banking sector as a whole, but also contribute to the financial stability and development of both the Mainland and Hong Kong.

Let me end this address by wishing the Institute's Beijing Representative Office every success in its future endeavours.