

Anselmo Teng: Overview of Macao's 2012 financial sector development

Address by Mr Anselmo Teng, Chairman of the Monetary Authority of Macao, at the Spring Cocktail Reception of the Monetary Authority of Macao, Macao, 18 March 2013.

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The Honourable Secretary for Economy and Finance, Mr. Tam Pak Yuen,

The Honourable Deputy Director General, Economic Affairs Department of the Liaison Office of the Central People's Government in the MSAR, Mr. Kou Ming,

The Honourable Deputy Director-General of the Office of the Commissioner of the Ministry of Foreign Affairs in the MSAR, Ms. Ji Ziyuan,

Dear Guests, Practitioners of the Financial Sector, Friends of the Media, Colleagues,

"The Dragon goes back to the sea and bids farewell to the old calendar. The Golden Snake is clad in colours to greet the new Spring." At this moment, flowers bloom in the warm March air, we gather together again to bid farewell to the Year of the Dragon and greet the Year of Snake in the midst of well wishes. We are honoured to have the presence of Mr. Tam Pak Yuen, Secretary for Economy and Finance to officiate this Spring Cocktail Reception. As such, I would like to express, on behalf of the Monetary Authority of Macao, our candid gratitude to Mr. Tam for squeezing out some time from his tight schedule to come to this function. At the same time, I would like to extend our warmest welcome to our guests, particularly Mr. Kou Ming of the Liaison Office, and Ms. Ji Ziyuan of the Ministry of Foreign Affairs.

In the past year, the international economic and financial status was still unstable. The shock arising from the international financial crisis remained unsettled. The negative impacts of the European debt crisis and the U.S. "fiscal cliff" continued to ferment. Major economic entities adopted loose monetary policies consecutively. Coupled with the problems and threats triggered by other geopolitical factors, the global financial situation was further complicated and looked opaque. Under the interaction of all risks, global economic recovery was moribund. The economic entities of major developed nations had anaemic growth. Recession loomed in Eurozone.

Under such an uncertain global economic and political environment, the MSAR Government insisted on promoting appropriate economic diversification. Through continued deepening of regional cooperation and the locomotive effect of the thriving tourism services industry, satisfactory growth was achieved by its overall economy, which laid down solid foundation for the MSAR to stave away economic turmoils. At the same time, under the coordinated endeavour of all sectors of the community, our financial industry realized steady growth and scored flying colours. It has never been better.

As at the end of 2012, total assets of the banking system reached MOP796.2 billion, a year-on-year increase of 21%; total deposits stood at MOP554.2 billion, a year-on-year increase of 32.7%; total loans amounted to MOP407 billion, a year-on-year increase of 26.2%; capital adequacy ratio was 14.6%, basically core capital. Asset quality was fine, non-performing assets ratio was only 0.19%. Profits of the banking system amounted to MOP5.7 billion, a year-on-year increase of 25%. As per the end of 2012, RMB deposits in Macao reached RMB41.63 billion while cross-border RMB trade settlement business amounted to RMB97.25 billion, a year-on-year increase of 62%.

The insurance industry is an important component of the Macao financial industry. As at end 2012, total insurance premium receipts amounted to MOP5.38 billion, a year-on-year increase of 24%; of which life-related receipts amounted to MOP3.73 billion, a year-on-year increase of 19%; while non-life receipts were MOP1.65 billion, a year-on-year increase of 36%.

On the issue of supervisory duty as a whole, AMCM in 2012 continued its supervision on authorized institutions via measures such as onsite inspection, offsite surveillance, theme inspection and study, cross-border cooperation supervision. Moreover, it established regular meeting mechanism with relevant trade associations to strengthen information exchange and risk surveillance communication which enhanced the function of self-regulation on the part of the trades concerned.

On the banking supervision front, to ensure that banks will maintain prudent operation in an ever changing environment through appropriate internal control and risk management, AMCM continued its supervision on banks operating in Macao. Simultaneously, it postulated and amended suitable and timely supervisory requirements and arrangements in line with international prudent supervisory standards and principles in accordance with the practical needs and conditions of Macao. These included the step-by-step implementation of the “New Capital Accord” II/III of the Basel Committee on Banking Supervision. The “Guideline on Financial Information Disclosure” was promulgated to enhance the requirement for banks to disclose information. In response to the implementation of the Pataca Real Time Gross Settlement System, the “Rules for Cash in Hand and Minimum Solvency” was amended.

In the supervision of the insurance industry, inspections were carried out according to annual plan. Simultaneously, AMCM finalized thematic onsite inspections of AML and CFT on life insurance institutions operating in Macao. At the same time, AMCM amended the existing supervisory legislations and guidelines, mainly related to supplements to the provisions of the “Macao Insurance Ordinance” and “Insurance Agents & Brokers Ordinance”. Moreover, drafting of amendments to the legislations relating to employees’ compensations, and guidelines which included corporate governance were carried out.

In the management of Fiscal Reserve of the SAR and Exchange Reserves, following the legislation of the creation of the new SAR Fiscal Reserve System which became effective at the beginning of 2012, AMCM takes into consideration the legal provisions relating to basic and excess reserve and the tolerance of acceptable risks to secure commensurate returns. Moreover, AMCM has been endeavouring to perfect investment management and widen investment channel, including the execution of the “China (Mainland) Interbank Bond Market Investment Agency Agreement” with the People’s Bank of China in March last year. Besides, AMCM continues to listen to the community, particularly the Fiscal Reserve Advisory Committee, all relevant advices; and will increase, as appropriate, the proportion of riskier assets in the portfolio in the expectation of a higher return. As at end February 2013, Fiscal Reserve stood at MOP164.3 billion while FX Reserves amounted to MOP132.6 billion.

In financial infrastructure construction, AMCM continues improvement and enhancement of the systems which are in operation. It also develops new systems so as to enhance management and service. The Pataca Real Time Gross Settlement System (RTGS) was developed and was formally in operation at the beginning of 2013. The RTGS provides highly efficient and modern payment settlement service to the market and it is expected that it will provide impetus to upgrade the Macao financial industry.

In the disclosure of financial statistics and data, AMCM makes use of the vehicle “Monetary and Financial Stability Review”, which is compiled and published at regular intervals, to conduct thematic research on the supervision of monetary and financial stability in order to strengthen surveillance on cross-border fund movements arising from international balance of payment of the SAR, which can enhance our ability in detecting and preventing financial hazards. On the other hand, according to the most up-to-date request of international organizations, we keep on revamping the method of compiling the monetary and financial data of the SAR. A study has been started to shorten the intervals between the publication of financial data of all kinds of currencies conducive to financial market development, risk control requirements and the timelines of the release of such statistical information.

All along, AMCM has been promoting our financial sector to participate in regional financial cooperation and communication programmes. In 2012, the 14th “Guangdong-Macao

Financial Cooperation Meeting” and the “12th Quadripartite Meeting of Insurance Regulators of Guangdong-Hong Kong-Macao-Shenzhen” were successfully held in Macao. Simultaneously, AMCM coordinated with the Office of Financial Services of Guangdong Province and other financial regulatory institutions in Guangdong to found the “Guangdong-Macao Financial Cooperation Task Force” which convened two meetings in the year to gradually implement the “Guangdong-Macao Cooperation Framework Agreement” to deal with matters relating to financial cooperation. In January 2012, the Shanghai People’s Government Financial Delegation led by the Vice-Mayor, Mr. Tu Guangshao visited AMCM. Consensus was arrived at in promoting financial cooperation between the two regions. In June, under the witness of Mr. Tam Pak Yuen, Secretary for Economy and Finance, and Mr. Tu Guangshao, Vice-Mayor of the Shanghai People’s Government, AMCM executed the “Shanghai-Macao Financial Cooperation Agreement” with the Financial Services Office of Shanghai, with a view to promoting financial cooperation and development between the two regions.

On the other hand, AMCM is proactively promoting liaison between China and Portuguese speaking countries. In October last year, AMCM organized a financial forum with the main theme “Exploit Macao’s Platform Function to Promote Economic and Commercial Development between China and Portuguese Speaking Countries”, which was participated by governors of central banks of some Portuguese speaking countries. They had a candid communication with the representatives of the Shanghai Financial Services Office and the Office of Financial Services of Guangdong Province on how to strengthen economic, commercial and financial relationship by making use of the platform function of the MSAR. In November, representatives of AMCM participated in the 22nd “Lisbon Meeting” held in Lisbon, Portugal. Our attendees made use of the opportunity to enhance mutual understanding and information exchange.

AMCM has achieved fruitful results last year as aforementioned. We are grateful to the Secretary for Economy and Finance, for his wholehearted support and guidance and we have had the care and coordination of the Liaison Office of the Central People’s Government in the MSAR, the Office of Commissioner of the Ministry of Foreign Affairs in the MSAR, all government agencies, the financial sector and the community. It goes without saying that the efforts and hard works of our colleagues are indispensable. I would like to take this opportunity, on behalf of the AMCM Board of Directors, to express our candid appreciation.

At the moment, international financial conditions show signs of recovery. However, hidden elements of uncertainty are still around. We shall keep a watchful eye and stay vigilant to deal with changes arising from external environment which may inflict risks and impact on our economy and financial system. Through further deepening of the regional financial cooperation with Guangdong Province, there is an increasing space for development for our financial industry. I believe that our practitioners will grasp the opportunity to exploit the competitive edge of their institutions and Macao to realize organic growth with a view to contributing to the continued stability of our financial industry conducive to the appropriate economic diversification of Macao.

Finally, let us toast to the burgeoning prosperity of our Motherland and the MSAR! The Macao financial industry will continue its steady development! At the same time, we wish every guest health and wishes come true.

Thank you.