

Anselmo Teng: Abundant opportunities for the MSAR financial sector

Speech by Mr Anselmo Teng, Chairman of the Monetary Authority of Macao, at the 2014 Spring Cocktail Reception of the Monetary Authority of Macao, Macao, 17 March 2014.

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

Honourable Director-General, Economic Affairs Department of the Liaison Office of the Central People's Government in the Macau Special Administrative Region (MSAR), Mr. Wang Xindong,

Honourable Counselor, the Office of the Commissioner of the Ministry of Foreign Affairs in the MSAR, Mr. Nie Quan,

Distinguished guests from the financial industry, media friends, and colleagues,

While the dancing Snake goes to praise merits, the galloping Horse comes to deliver good news. Today, practitioners of the Macao financial industry gather to celebrate the new spring season. First of all, on behalf of the AMCM, I wish everyone a successful and healthy New Year of the Horse! We are honoured to have the Secretary for Economy and Finance, Mr. Tam Pak Yuen, with us. On behalf of the AMCM, I would like to express our sincere gratitude to Secretary Tam for his presence in our reception, his continuous guidance to the AMCM, and his support for the development of the financial sector! At the same time, I welcome our guests, especially, Director-General, Economic Affairs Department of the Liaison Office of the Central People's Government in the MSAR, Mr. Wang Xindong; Director-General, the Office of the Commissioner of the Ministry of Foreign Affairs in the MSAR, Mr. Nie Quan; and practitioners from the local financial industry.

Over the past year, under the auspices of the Central Government, with the guidance provided by the MSAR Government to assiduously pursue appropriate economic diversification and the joint efforts of all stakeholders, the MSAR economy achieved new highs in many aspects. The financial industry actively contributed in the process while it itself also flourished in such a favourable economic environment.

At end-2013, total assets of the banking system reached MOP990.1 billion, a year-on-year increase of 24.4%; total deposits stood at MOP680.1 billion, a rise of 25.8% over a year earlier; total loans amounted to MOP534.7 billion, a year-on-year increase of 31.4%. For the whole year of 2013, profits after tax reached MOP7.5 billion, a rise of 31.5% over a year earlier. While the scale of assets continued to expand, all prudential supervisory indicators stayed at healthy levels: the non-performing loan (NPL) ratio at 0.09%; the capital adequacy ratio (CAR) at 14.8%, within which the tier-one capital ratio stood at 11.2%; the one-month and three-month liquidity ratios were reported at 52.3% and 66.0% respectively. Renminbi (RMB) businesses of local banks also registered notable growth. At end-2013, RMB deposits amounted to RMB85.8 billion, which represented an annual rise of about 110.0% while the cross-border RMB trade settlement business hit RMB149.2 billion, a year-on-year increase of 53.5%.

As regards insurance business, the total gross premium reached MOP6.8 billion in 2013, a year-on-year rise of 25.5%. Within this total, the life insurance premium stood at MOP5.0 billion, an annual increase of 32.8%, while the non-life insurance premium reached MOP1.8 billion, a year-on-year increase of 9.3%.

To uphold financial safety and stability in the MSAR, the AMCM continued to supervise authorised institutions on an on-going basis through offsite surveillance, onsite examinations and thematic reviews. In order to promote sustainable development of the local financial sector and to cope with enhancing international financial supervisory requirements, regulatory regimes and financial infrastructure in the MSAR have continuously been refined.

With regard to regulatory framework, on the banking front, the “Guideline on Disclosure of Financial Information” was made effective in 2013 in order to fulfil the requirement for market disciplines laid down by Basel II. For the revision of credit risk-weighted capital adequacy requirements, the AMCM kicked off a consultation with practitioners and a quantitative impact study. To strengthen the security of automatic teller machines (ATMs) and bank cards, the AMCM issued the “Requirements for Automatic Teller Machine and Bank Card Security”. In particular, in the light of financial-market developments and enhancing international supervisory requirements, the AMCM has been conducting a comprehensive review of the “Financial System Act” (FSA) through concluding past regulatory experiences as well as making references to international regulatory standards and supervisory regimes in other jurisdictions. As regards insurance supervision in the year under review, progress was made in the revision of some articles contained in the legal framework for employees’ compensation insurance, which has entered into the legislative stage. Furthermore, after prior consultation with the industry, “Guidelines on Corporate Governance of Authorised Insurers” was promulgated and became effective in January 2014.

On financial infrastructure, the launch of MOP Real Time Gross Settlement (RTGS) system in January 2013 was a milestone in the modernisation and digitalisation of the MSAR payment system. With the aim to achieve convenient, efficient and stable cross-border capital flows, we are working on expanding capacity to deal with other currencies at this stage so as to prepare for connection with neighbouring jurisdictions’ payment systems.

The Exchange Reserve and Fiscal Reserve are important components of the public financial resources of the MSAR. As these two reserves serve different statutory and policy functions, the AMCM has all along followed relevant legal requirements and international standards, upholding the principles of safety, stability and prudence in managing these reserves. Taking into account various internal and external factors, including the global political, economic and investment environments as well as financial market dynamics, the AMCM has stricken a reasonable balance of risks while carrying out appropriate diversification of asset allocation. At end-2013, the Exchange Reserve stood at MOP129.0 billion, while the Fiscal Reserve amounted to MOP168.9 billion.

As regards regional financial cooperation, with the gradual implementation of the “Framework Agreement on Cooperation between Guangdong and Macao”, financial cooperation between Guangdong and Macao has been deepened and broadened with steady concrete results and progresses. In 2013, in addition to existing cooperation mechanisms such as “the Financial Cooperation Meeting between Guangdong and Macao” and “the Working Group on Financial Cooperation between Guangdong and Macao”, Zhuhai and Macao also established a Steering Group and a Working Group on Financial Cooperation between Zhuhai and Macao, and a Working Group on Coordinating Financial Policies between Zhuhai (Hengqin) and Macao to strengthen the financial cooperation, including financial innovation in Hengqin. These initiatives serve to enhance communications and realise financial cooperation in a gradual fashion. Meanwhile, in accordance with the “Memorandum of Understanding (MOU) on Financial Cooperation between Shanghai and Macao” signed between the AMCM and the Financial Services Office of the Municipal Government of Shanghai in 2012, the “1st Financial Cooperation Meeting between Shanghai and Macao” took place in Shanghai in 2013. During the meeting, consensus on various issues was reached and expected results were achieved, including the proper use of Macao as a trade and commerce platform between Mainland China and Portuguese-speaking countries (PSCs).

As far as we recognise, the MSAR financial sector has entered into a stage where opportunities are abundant. In the current situation, I believe that the local financial sector should look at it from a broader perspective, think more innovatively, make full use of various policy initiatives, try actively and seize the opportunities. On the basis of maintaining a reasonably prudent balance between business development and risk management, the local financial sector could reach new highs in the future, while making greater contribution to appropriate economic diversification.

Finally, on behalf of the AMCM, I wish the MSAR continuous prosperity and stability, Macao's financial sector steady development, everyone a prosperous Year of the Horse, good health and a happy family! Thank you very much!