

Market Infrastructure in 2006

OPERATION OF PAYMENT SYSTEMS

The Hong Kong dollar, US dollar and euro payment systems continued to function efficiently in 2006. The daily average turnover of the Hong Kong dollar system reached record highs during the year, mainly because of a number of well-received initial public offerings

in the stock market, which increased flows of Hong Kong dollars.

In 2006 the HKMA made encouraging progress in implementing the recommendations of the review of the financial infrastructure of Hong Kong conducted in 2005. Projects completed during the year include the CMU Bond Price Bulletin, the Renminbi Settlement System, and the payment-versus-payment link between Hong Kong's US dollar and Malaysia's ringgit RTGS systems.

Chart 1. Hong Kong dollar payment system daily average turnover

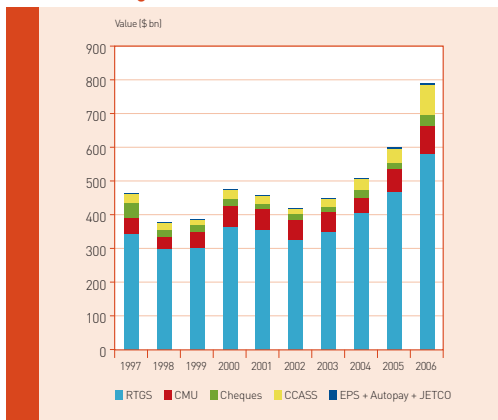


Chart 2. US dollar clearing system daily average turnover

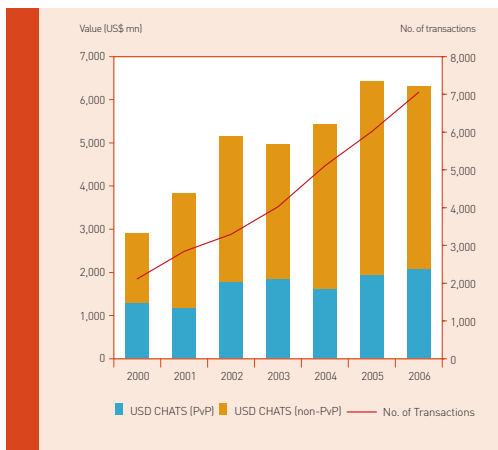


Chart 3. Euro clearing system daily average turnover



OVERSIGHT OF CLEARING AND SETTLEMENT SYSTEMS

In 2006 all designated systems under the *Clearing and Settlement Systems Ordinance* continued to be in compliance with the safety and efficiency requirements of the Ordinance. The HKMA assessed the Euro CHATS, one of the designated systems, and concluded that it generally observes the Core Principles for Systemically Important Payment Systems developed by the Committee on Payment and Settlement Systems of the Bank for International Settlements.

Assisted by the HKMA, eight credit and debit card scheme operators issued a *Code of Practice for Payment Card Scheme Operators* in December 2006. The Code sets out the principles on operational reliability, data and network security, and the efficiency and transparency of payment card operations in Hong Kong. The HKMA endorsed the Code and is responsible for monitoring the operators' compliance with it.

EXCHANGE FUND BILLS AND NOTES PROGRAMME

The HKMA completed a review of the programme in 2006. A number of recommendations to improve market efficiency were identified. Among these recommendations, a league table of the most active market makers was published for the first time in December. The HKMA has also removed the rule imposed in 1998 restricting the issuance of Hong Kong dollar bonds by multilateral development banks to tenors of three years or longer.

TREASURY MARKETS ASSOCIATION

The Association completed its first full year of operation. The HKMA continued to provide strategic support to develop Hong Kong into the hub of treasury market business in the region. More than 2,000 individual and 74 institutional members from virtually all sectors of the treasury markets have now joined the Association. To promote members' qualifications, new certificate programmes were developed jointly with the Hong Kong Institute of Bankers and the University of Science and Technology. The Association organised seminars, workshops and talks for market professionals, and launched new financial products to help develop the treasury markets.

 > Financial Infrastructure