

Press release

SFST calls for recommitment to co-operation and closer collaboration to deal with global financial crisis

Wednesday, March 4, 2009

A recommitment to co-operation between governments and closer collaboration among regulators in leading markets are required to deal with the global financial crisis, said the Secretary for Financial Services and the Treasury, Professor K C Chan, in Sydney, Australia.

Speaking at a luncheon today (March 4), Professor Chan said that despite the temptation to find a quick fix to the problem, there was no room for protectionism or inward thinking in a globalised world.

He said, "Since the outbreak of the financial crisis, the global financial industry has been facing great changes. All economies have been seeking a new balance between financial innovation and effective supervision. During this period of global financial change, we must capitalise on our strengths and improve our supervisory framework.

"With a more transparent global regulatory system, we will be better able to identify future problems at the root and tackle them before they become widespread."

Professor Chan said that despite the turmoil, Hong Kong's banking system continues to be fundamentally sound, healthy and robust.

He said, "The securities and insurance sectors in Hong Kong also remain financially sound and healthy. Indeed, the Hong Kong Government need not "rescue" any bank, nor is there any default of intermediaries. That said, we are aware that further efforts should be made to boost confidence and better contain the contagious effects of the global financial crisis."

Professor Chan said that the Hong Kong Government and financial regulators in the city had been closely monitoring the developments in global markets and had introduced a series of measures to ensure the stability of financial institutions and the market to bolster public confidence in the financial system. These measures included the provision of liquidity assistance to the banking system and a full deposit guarantee according to the principles of the Deposit Protection Scheme, and the establishment of a Contingent Bank Capital Facility. "I understand that your government is doing similar things," Professor Chan told the audience.

He also said that he was glad that Australia and Hong Kong were having close supervisory co-operation. The Australian Prudential Regulation Authority and the Hong Kong Monetary Authority held a bilateral meeting in February 2008 in Sydney, and the Australian Securities and Investments Commission in July 2008 signed with the Securities and Futures Commission a declaration of mutual recognition concerning the cross-border sale of funds.

"I am confident that such kind of supervisory co-operation will only be deepened," he said.

Professor Chan told the audience he was confident that with sound fundamentals, a strong regulatory framework and flexible market institutions, Hong Kong would have a swift recovery once the global economic environment improves.

He said, "As Hong Kong continues to maintain its unique strategic role as a global financial centre in the Asian time zone, the gate to Mainland China and a regional hub for trade, logistics, tourism and business, the long-term economic prospects remain bright."

During the day, Professor Chan met the Minister for Superannuation and Corporate Law, Mr Nick Sherry, and the Chairman of Australian Prudential Regulation Authority, Dr John Laker, with whom he discussed issues of mutual interest.

Professor Chan will be in Canberra tomorrow (March 5) to meet the Secretary to the Treasury, Dr Ken Henry, and the Chairman of the Parliamentary Joint Committee on Corporations and Financial Services, Mr Bernie Ripoll.

Ends