



# DAILY INFORMATION BULLETIN

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MONDAY, AUGUST 1, 1994

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MONDAY, AUGUST 1, 1994

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RISK MANAGEMENT OF FINANCIAL DERIVATIVE ACTIVITIES

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THE HONG KONG MONETARY AUTHORITY TODAY (MONDAY) ISSUED TO THE TWO INDUSTRY ASSOCIATIONS FOR COMMENT A GUIDANCE PAPER PRODUCED BY THE BASLE COMMITTEE OF BANKING SUPERVISION ON THE MANAGEMENT OF RISKS INVOLVED IN FINANCIAL DERIVATIVE ACTIVITIES.

THE BASLE COMMITTEE BELIEVES THAT THE ESSENTIAL ELEMENTS OF A SOUND RISK MANAGEMENT SYSTEM SHOULD INCLUDE THE FOLLOWING:

- \* AWARENESS AND PROPER UNDERSTANDING BY MANAGEMENT OF THE MARKET AND CREDIT RISKS INVOLVED IN DERIVATIVES.
- \* APPROPRIATE OVERSIGHT BY BOARDS OF DIRECTORS AND SENIOR MANAGEMENT.
- \* CONTINUOUS MONITORING, REVIEW AND CONTROL OF THE RISKS INVOLVED.
- \* RELIABLE MANAGEMENT INFORMATION SYSTEMS WHICH PROVIDE TIMELY REPORTING TO SENIOR MANAGEMENT; AND
- \* COMPREHENSIVE INTERNAL CONTROL AND AUDIT PROCEDURES.

"THE BASLE PAPER, AND A SIMILAR PAPER ISSUED BY THE INTERNATIONAL ORGANISATION OF SECURITIES COMMISSION, REPRESENT A GLOBAL CO-ORDINATED INITIATIVE BY BANKING AND SECURITIES SUPERVISORS TO PROMOTE BETTER RISK MANAGEMENT OF FINANCIAL DERIVATIVE ACTIVITIES," THE EXECUTIVE DIRECTOR (BANKING SUPERVISION), MR ALBERT CHEOK, SAID.

"RECENT YEARS HAVE SEEN BANKS IN HONG KONG BECOMING MORE ACTIVE IN FINANCIAL DERIVATIVE ACTIVITIES, SUCH AS FUTURES, SWAPS AND OPTIONS.

"WHILE FINANCIAL DERIVATIVE ACTIVITIES COULD PROVIDE AN ADDITIONAL TOOL FOR HEDGING RISKS AS WELL AS PROVIDE AN ADDITIONAL SOURCE OF BUSINESS, IT COULD ALSO BRING ADDED RISKS TO BANKS.

"THE GUIDANCE OFFERED BY BASLE PROVIDES AN INDICATION OF THE MINIMUM STANDARDS WHICH BANKS SHOULD MEET IN THE MANAGEMENT OF RISK EXPOSURES ARISING FROM FINANCIAL DERIVATIVE ACTIVITIES," MR CHEOK SAID.

THE HONG KONG ASSOCIATION OF BANKS AND THE DEPOSIT-TAKING COMPANIES ASSOCIATION HAVE BEEN ASKED TO COMMENT BY SEPTEMBER 15.

REFLECTING A COMMON SUPERVISORY INTEREST, THE MONETARY AUTHORITY WILL ALSO BE CONSULTING WITH THE SECURITIES AND FUTURES COMMISSION.

FOLLOWING THESE CONSULTATIONS, THE MONETARY AUTHORITY WILL CONSIDER HOW AND TO WHAT EXTENT THE BASLE PAPER SHOULD FORM THE BASIS FOR FORMAL GUIDELINES FOR AUTHORISED INSTITUTIONS ON THE RISK MANAGEMENT OF THEIR FINANCIAL DERIVATIVE BUSINESS.

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/COPIES OF .....

COPIES OF THE BASLE COMMITTEE PAPER ARE AVAILABLE AT HKMA'S RECEPTION COUNTER ON 30TH FLOOR, 3 GARDEN ROAD. FOR FURTHER INFORMATION ON THIS SUBJECT, PLEASE CONTACT MS JULIA LEUNG ON TEL 878 8246 OR MR OSBERT LAM ON TEL 878 1687.

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415 NOMINATIONS FOR DB ELECTIONS RECEIVED

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THE REGISTRATION AND ELECTORAL OFFICE HAS RECEIVED A TOTAL OF 415 NOMINATIONS OF CANDIDATES FOR THE SEPTEMBER DB ELECTIONS TODAY (MONDAY).

TODAY IS THE FIRST DAY OF THE NOMINATION PERIOD WHICH WILL CLOSE ON AUGUST 15 (MONDAY).

THE BREAKDOWN OF NOMINATIONS BY DISTRICTS IS AS FOLLOWS:

DISTRICT	NOMINATIONS RECEIVED
CENTRAL AND WESTERN	21
WAN CHAI	12
EASTERN	40
SOUTHERN	14
YAU TSIM MONG	27
SHAM SHUI PO	24
KOWLOON CITY	16
WONG TAI SIN	24
KWUN TONG	44
TSUEN WAN	9
TUEN MUN	37
YUEN LONG	23
NORTH	9
TAI PO	23
SAI KUNG	17
SHA TIN	46
KWAI TSING	26
ISLANDS	3
TOTAL	415

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MANUFACTURING SECTOR REMAINS IMPORTANT TO HK ECONOMY

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THE MANUFACTURING SECTOR WILL REMAIN AN EXTREMELY IMPORTANT PART OF HONG KONG'S ECONOMY IN THE YEARS AHEAD AS IT CONSTANTLY RENEWS ITSELF IN THE LIGHT OF CHANGING MARKET CONDITIONS, THE DIRECTOR-GENERAL OF INDUSTRY, MISS DENISE YUE, SAID TODAY (MONDAY).

SPEAKING AT THE OPENING CEREMONY OF THE MOTOROLA QUST (QUALITY, SPEED AND TEAMWORK) WEEK, MISS YUE SAID FOR SOME TIME NOW, HONG KONG'S INDUSTRIES HAD MOVED AWAY FROM SIMPLE ASSEMBLY-TYPE PRODUCTION TO HIGHER VALUE-ADDED MANUFACTURING AND TO PROVIDING SUPPORT SERVICES FOR MANUFACTURING ELSEWHERE IN THE REGION.

"IN THE PROGRESSION TOWARDS HIGHER VALUE-ADDED AND INTELLIGENCE-INTENSIVE ACTIVITIES, CONTINUOUS IMPROVEMENT IN QUALITY AND SPEED OF EXECUTION ARE ASSUMING INCREASING IMPORTANCE.

"WHILE EFFORTS ON THESE FRONTS MUST REMAIN WITH THE MANUFACTURING SECTOR, THE GOVERNMENT IS WILLING TO HELP THOSE READY TO HELP THEMSELVES," MISS YUE SAID.

SOME OF THE MEASURES TAKEN BY THE GOVERNMENT IN THE QUALITY AREA INCLUDE THE SETTING UP OF THE STANDARDS AND CALIBRATION LABORATORY, THE INTRODUCTION OF THE HONG KONG LABORATORY ACCREDITATION SCHEME (HOKLAS) AND THE ESTABLISHMENT OF THE PRODUCT STANDARDS INFORMATION BUREAU.

OTHERS INCLUDE THE LAUNCHING OF AN ON-GOING QUALITY AWARENESS CAMPAIGN TO RAISE THE LEVEL OF QUALITY AWARENESS AND THE APPLICATION OF THE QUALITY MANAGEMENT SYSTEMS, THE SETTING UP OF THE HONG KONG QUALITY ASSURANCE AGENCY TO PROVIDE ISO 9000 CERTIFICATION SERVICE AND THE INTRODUCTION OF THE QUALITY CATEGORY IN THE ANNUAL GOVERNOR'S AWARD FOR INDUSTRY.

MISS YUE NOTED THAT IN THE AREA OF EXECUTION, MORE AND MORE MANUFACTURERS IN HONG KONG WERE ADOPTING VARIOUS "QUICK RESPONSE" OR "JUST-IN-TIME" SYSTEMS THROUGH THE USE OF CONCURRENT ENGINEERING AND OTHER TECHNOLOGIES.

"SUCH DEVELOPMENT IS VITAL TO THE WELL-BEING OF THE MANUFACTURING SECTOR AS THE SHELF LIFE OF PRODUCTS IS BECOMING SHORTER AND SHORTER," SHE SAID.

"FOR THIS REASON, A NUMBER OF PROJECTS FUNDED BY THE GOVERNMENT ARE NOW BEING UNDERTAKEN BY THE HONG KONG PRODUCTIVITY COUNCIL AND OTHER INDUSTRIAL BODIES TO ASSIST SPECIFIC INDUSTRIAL SECTORS TO SHORTEN THE WHOLE MANUFACTURING CYCLE, FROM ORDERING OF MATERIALS TO DESIGN AND PROTOTYPE OR SAMPLE MAKING, MANUFACTURING AND DELIVERY OF THE FINISHED PRODUCTS TO THE SPECIFIED DESTINATIONS," SHE ADDED.

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#### RESULTS ON WHOLESALE ACTIVITIES STUDY ANNOUNCED

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THE PLANNING DEPARTMENT TODAY (MONDAY) ANNOUNCED THE COMPLETION OF A STUDY ON WHOLESALE ACTIVITIES.

COMMISSIONED IN FEBRUARY 1993, THE CONSULTANCY STUDY EXAMINED THE CHARACTERISTICS, LOCATIONAL AND OPERATIONAL REQUIREMENTS OF WHOLESALE ACTIVITIES AND ASSESSED THE IMPACTS GENERATED BY WHOLESALE ESTABLISHMENTS.

A SPOKESMAN FOR THE DEPARTMENT SAID THIS WAS A TERRITORY-WIDE STUDY COVERING WHOLESALE ESTABLISHMENTS IN INDUSTRIAL, RESIDENTIAL AND COMMERCIAL/OFFICE BUILDINGS.

ACCORDING TO THE EXTENSIVE FIELD SURVEY UNDERTAKEN, THE NUMBER OF WHOLESALE ESTABLISHMENTS WAS ESTIMATED TO BE 14,318 LAST YEAR.

/THE TOTAL .....

THE TOTAL FLOOR AREAS TAKEN UP WERE ESTIMATED TO BE 1.73 MILLION SQUARE METRES AT AN AVERAGE OF 121 SQUARE METRES PER ESTABLISHMENT; AND THE TOTAL WORKFORCE OF THE WHOLESALE INDUSTRY WAS ESTIMATED TO BE AROUND 96,000 AT AN AVERAGE OF 6.7 PERSONS ENGAGED PER ESTABLISHMENT.

THE FOUR LARGEST INDUSTRY GROUPS UNDER THE WHOLESALE BUSINESS SECTOR ARE CONSUMER GOODS; CLOTHING, FOOTWEAR AND ALLIED PRODUCTS; FOODSTUFFS; AND RAW MATERIALS AND SEMI-MANUFACTURES.

IT IS FOUND THAT WHOLESALE ESTABLISHMENTS ARE NOT CAUSING ANY MAJOR UNDESIRABLE IMPACTS ON THE NEIGHBOURHOOD.

THE MOST COMMON IMPACTS ARE OBSTRUCTION TO COMMON AREAS IN BUILDINGS AND INTERNAL CIRCULATION SPACE, OBSTRUCTION TO PEDWAY, POTENTIAL FIRE HAZARD AND SOLID WASTE ACCUMULATION.

HOWEVER, ONLY IN LESS THAN 20 PER CENT OF THE CASES ARE THESE IMPACTS CONSIDERED SEVERE OR MODERATE.

GENERALLY SPEAKING, THE WHOLESALE INDUSTRY IS OPERATING SATISFACTORILY IN THE PRESENT MANNER IN LOCATIONAL TERMS.

THERE APPEARS TO BE NO IMMINENT PLANNING NEED TO CONFINE WHOLESALERS TO ONE OR PARTICULAR DISTRICT EXCEPT FOR THE FRESH FOODSTUFFS GROUP WHICH IS OPERATING UNDER A DIFFERENT INSTITUTIONAL FRAMEWORK.

THE MULTI-FUNCTIONAL NATURE OF WHOLESALE OPERATIONS AND THE DIVERSITY OF ACTIVITIES UNDERTAKEN POINT TO THE FACT THAT WHOLESALING SHOULD NOT BE TREATED AS A SINGLE DISCRETE LAND USE PER SE BUT A RANGE OF BUSINESS ACTIVITIES.

A VARIETY OF ACCOMMODATION TYPES ARE, THEREFORE, REQUIRED TO MEET THE DEMANDS OF INDIVIDUAL SPECIFIC OPERATIONS.

WHOLESALE ESTABLISHMENTS ARE ALSO CATEGORISED INTO TWO BROAD TYPES, NAMELY WHOLESALE-INDUSTRIAL AND WHOLESALE-COMMERCIAL.

APPROPRIATE PARKING AND LOADING/UNLOADING REQUIREMENTS ARE RECOMMENDED TO HELP RELIEVE THE PROBLEMS OF ON-STREET PARKING AND LOADING/UNLOADING ACTIVITIES ASSOCIATED WITH WHOLESALE ESTABLISHMENTS.

HAVING REVIEWED THE EXISTING STATUTORY ZONINGS AND POLICIES, IT IS CONCLUDED THAT WHOLESALE ESTABLISHMENTS ARE QUITE WELL CATERED FOR UNDER THE EXISTING PLANNING FRAMEWORK.

THE CURRENT LAND USE ZONINGS HAVE CLEARLY ALLOWED FOR A HIGH DEGREE OF FLEXIBILITY IN TERMS OF ACCOMMODATING THE VARIOUS FORMS OF WHOLESALE ESTABLISHMENTS.

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HK AND CANADA:  
EXTENDED BILATERAL AGREEMENT TO COMBAT DRUG TRAFFICKING  
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THE HONG KONG AND CANADIAN GOVERNMENTS TODAY (MONDAY) EXCHANGED LETTERS FOR THE EXTENSION OF THEIR BILATERAL AGREEMENT TO CONTINUE MUTUAL CO-OPERATION IN THE SUPPRESSION OF DRUG TRAFFICKING.

THE SECRETARY FOR SECURITY, MR ALISTAIR ASPREY, AND THE MINISTER OF FOREIGN AFFAIRS OF CANADA, MR ANDRE OUELLET, SIGNED AND EXCHANGED LETTERS AT A BRIEF CEREMONY HELD AT THE GOVERNMENT SECRETARIAT.

MR ASPREY SAID AT THE CEREMONY THAT THE EXTENSION OF THE AGREEMENT WAS A FURTHER EXAMPLE OF THE SUPPORT WHICH CANADA HAD GIVEN TO HONG KONG.

"THE AGREEMENT WILL BE OF BENEFIT TO THE LAW ENFORCEMENT AGENCIES OF BOTH CANADA AND HONG KONG. AND WILL ENABLE US TO CONTINUE CO-OPERATION IN THE COMMON FIGHT AGAINST DRUGS," HE SAID.

"THE AGREEMENT, FIRST SIGNED IN 1990 AND ENTERED INTO FORCE IN 1991, PROVIDES FOR MUTUAL ASSISTANCE IN THE INVESTIGATION AND PROSECUTION OF DRUG TRAFFICKING OFFENCES," A SPOKESMAN FOR THE NARCOTICS DIVISION SAID.

"IT IS VALID FOR AN INITIAL DURATION OF THREE YEARS, THEREAFTER EXTENDABLE ANNUALLY BY MUTUAL CONSENT. THE LATEST EXTENSION ENABLED THE AGREEMENT TO CONTINUE FOR A FURTHER YEAR FROM FEBRUARY 17, 1995."

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TIES BETWEEN HK AND CANADA REINFORCED  
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THE SIGNING OF THE MEMORANDUM OF UNDERSTANDING (MOU) ON CULTURAL CO-OPERATION BY THE GOVERNMENTS OF HONG KONG AND CANADA WILL REINFORCE THE ALREADY VERY SPECIAL AND STRONG TIES BETWEEN THE TWO PLACES, THE SECRETARY FOR RECREATION AND CULTURE, MR JAMES SO, SAID TODAY (MONDAY).

MR SO WAS SPEAKING BEFORE HE SIGNED THE MOU ON BEHALF OF THE HONG KONG GOVERNMENT WITH THE CANADIAN MINISTER OF FOREIGN AFFAIRS, MR ANDRE OUELLET, IN THE SECRETARIAT CONFERENCE HALL.

MR SO SAID: "BUSINESS AND MIGRATION HAVE FORGED LINKS BETWEEN HONG KONG AND CANADA FOR OVER A CENTURY.

"CANADIAN TRADERS HELPED HONG KONG INDUSTRIES EXPAND THEIR ACTIVITIES INTO NORTH AMERICA.

"MANY PEOPLE IN HONG KONG, ESPECIALLY DURING THE PAST DECADE, HAVE MADE CANADA THEIR HOME.

"AS A RESULT, THE BONDS BETWEEN OUR TWO COMMUNITIES HAVE EXTENDED BEYOND COMMERCE INTO OTHER AREAS SUCH AS FAMILY, EDUCATION AND CULTURE."

/THE MOU .....

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THE MOU FOLLOWS AN EARLIER ONE SIGNED IN 1991, BETWEEN THE TWO GOVERNMENTS ON FILM AND TELEVISION CO-OPERATION.

UNDER THE MOU THE THINGS THAT HONG KONG AND CANADA WILL ENDEAVOUR TO DO WILL INCLUDE:

- \* FACILITATION OF EXCHANGES OF ARTISTS AND SPORTSMEN IN CULTURAL AND SPORTS ACTIVITIES;
- \* ENCOURAGEMENT OF ORGANISATION OF CULTURAL AND SPORTS PROGRAMMES TO STRENGTHEN RELATIONS IN THESE FIELDS BETWEEN THE TWO SIDES;
- \* ENCOURAGEMENT OF EXCHANGES AND CO-OPERATION BETWEEN ARTS AND SPORTS ORGANISATIONS;
- \* PROMOTION OF THE PROVISION OF SPONSORSHIPS AND SCHOLARSHIPS FOR THE PERFORMANCE, STUDY, TRAINING AND RESEARCH OF ARTS AND SPORTS;
- \* ENCOURAGEMENT OF TEACHING, RESEARCH AND PUBLICATION IN ARTS, CULTURE AND SPORTS;
- \* PROVISION OF EASY ACCESS TO EACH OTHER'S CULTURAL VENUES AND FACILITIES;
- \* FACILITATION OF CULTURAL AND INTELLECTUAL EXCHANGES BETWEEN THE APPROPRIATE ORGANISATIONS OF BOTH SIDES THROUGH VARIOUS MEANS;
- \* PROMOTION OF THE TRANSLATION AND DISSEMINATION OF LITERARY WORKS BUT COPYRIGHTS PROTECTED;
- \* FACILITATION OF EXCHANGES IN CINEMATOGRAPHY, BROADCASTING AND BOOK PUBLISHING; AND
- \* ENCOURAGEMENT OF EXCHANGES AND VISITS OF PERSONS ENGAGED IN VARIOUS FORMS OF ARTS AND CULTURAL WORK.

TO CELEBRATE THE SIGNING OF THE MOU, AND TO BID FAREWELL TO THE HONG KONG DELEGATION TO THE XV COMMONWEALTH GAMES, A RECEPTION WILL BE HELD TOMORROW (TUESDAY) IN THE EXHIBITION HALL OF CITY HALL.

AT THE RECEPTION, THE HONG KONG AMATEUR GYMNASTIC ASSOCIATION WILL GIVE A RHYTHMIC GYMNASTIC PERFORMANCE.

THIS WILL BE FOLLOWED BY MUSIC TO BE PERFORMED BY STUDENTS OF THE HONG KONG ACADEMY FOR PERFORMING ARTS WHO WILL ALSO PERFORM AT THE COMMONWEALTH GAMES TO BE HELD IN VICTORIA, CANADA LATER THIS MONTH.

TRADERS FINED FOR SUPPLYING UNSAFE BABIES' DUMMIES

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THREE TRADERS WERE FINED A TOTAL OF \$53,000 TODAY (MONDAY) FOR SUPPLYING 15,432 BABIES DUMMIES WHICH FAILED TO MEET THE SAFETY STANDARDS SET OUT IN THE TOY'S AND CHILDREN'S PRODUCTS SAFETY ORDINANCE.

THREE DEFENDANTS, PROPRIETORS OF SUNWAY COMPANY, WINSOME COME LIMITED AND WELFORE COMPANY LIMITED, PLEADED GUILTY IN SHA TIN MAGISTRACY TODAY (MONDAY). ONE DEFENDANT WAS FINED \$33,000 WHILE THE OTHER TWO WERE FINED \$10,000 EACH.

THIS IS THE FIRST PROSECUTION INSTITUTED BY THE CUSTOMS AND EXCISE DEPARTMENT AGAINST SUPPLIERS OF BABIES' DUMMIES UNDER THE TOY'S AND CHILDREN'S PRODUCTS SAFETY ORDINANCE SINCE IT HAS COME INTO OPERATION FROM JULY 1, 1993.

THE COURT HEARD TODAY (MONDAY) THAT ACTING ON INFORMATION, CUSTOMS OFFICERS RAIDED THE BUSINESS PREMISES OF THE THREE DEFENDANTS IN FO TAN IN NOVEMBER AND DECEMBER LAST YEAR AND SEIZED THE GOODS IN QUESTION.

THE BABIES DUMMIES WERE LATER CONFIRMED BY THE GOVERNMENT LABORATORY AS NOT MEETING THE SAFETY STANDARDS SET OUT IN THE TOY'S AND CHILDREN'S PRODUCTS SAFETY ORDINANCE.

THE MAJOR NON-COMPLIANCE OF THE GOODS WAS THAT THE FLANGES WERE TOO SMALL WHICH ALLOWED THE DUMMIES TO BE PULLED THROUGH THE TEMPLATE WHEN TESTED. THE DIAMETER OF THE VENTILATION HOLES IN THE FLANGES WAS ALSO LESS THAN THE STANDARD FIVE MILLIMETRES. THESE WOULD POSE POTENTIAL HAZARDS TO CONSUMERS.

UNDER THE TOY'S AND CHILDREN'S PRODUCTS ORDINANCE, THE MAXIMUM PENALTY FOR FIRST CONVICTION OF OFFENCES RELATING TO MANUFACTURE, IMPORT OR SUPPLY OF UNSAFE TOYS AND CHILDREN'S PRODUCTS IS A FINE OF \$100,000 AND IMPRISONMENT FOR ONE YEAR, AND THAT FOR SUBSEQUENT CONVICTION IS A FINE OF \$500,000 AND IMPRISONMENT FOR TWO YEARS.

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WATER STORAGE FIGURE

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STORAGE IN HONG KONG'S RESERVOIRS AT 9 AM TODAY (MONDAY) STOOD AT 90 PER CENT OF CAPACITY OR 527.488 MILLION CUBIC METRES.

THIS TIME LAST YEAR THE RESERVOIRS CONTAINED 438.540 MILLION CUBIC METRES OF WATER, REPRESENTING 74.8 PER CENT OF CAPACITY.

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HONG KONG MONETARY AUTHORITY  
MONEY MARKET OPERATIONS

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	\$ MILLION	TIME (HOURS)	CUMULATIVE CHANGE (\$ MILLION)
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OPENING BALANCE IN THE ACCOUNT	2,482	0930	-609
CLOSING BALANCE IN THE ACCOUNT	3,030	1000	-709
CHANGE ATTRIBUTABLE TO :		1100	-694
MONEY MARKET ACTIVITY	-607	1200	-707
LAF TODAY	+1,155	1500	-607
		1600	-607

LAF RATE 2.50 BID/4.50 OFFER      TWI 122.7 \*-0.3\*      1.8.94

HONG KONG MONETARY AUTHORITY

EF BILLS

EF NOTES/HONG KONG GOVERNMENT BONDS

TERMS	YIELD	TERM	ISSUE	COUPON	PRICE	YIELD
1 WEEK	3.46	16 MONTHS	2511	4.15	98.29	5.60
1 MONTH	3.79	22 MONTHS	2605	6.35	100.67	6.03
3 MONTHS	4.13	30 MONTHS	3701	4.60	95.84	6.54
6 MONTHS	4.55	33 MONTHS	3704	6.15	98.96	6.67
12 MONTHS	5.21	36 MONTHS	3707	6.95	100.64	6.82

TOTAL TURNOVER OF BILLS AND BONDS - 33,015 MN

CLOSED 1 AUGUST 1994

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