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FS' opening statement at press conference to announce measures to safeguard banking stability in HK

Following is the opening statement by the Financial Secretary, Mr John C Tsang, at a press conference to announce measures to safeguard banking stability in Hong Kong today (October 14):

Following consultation with the Exchange Fund Advisory Committee, I have today decided to introduce, with immediate effect, two measures to further safeguard banking stability in Hong Kong. The two measures are precautionary and pre-emptive in nature. I must stress that there are no serious issues in the banking sector.

The first measure is to use the Exchange Fund to guarantee the repayment of all customer deposits held in Authorised Institutions in Hong Kong, following the principles of the existing Deposit Protection Scheme. This is to provide assurance to depositors that their money is fully protected. This is in line with measures taken in a number of jurisdictions throughout the world to reinforce confidence in banks.

The second measure is the establishment of a Contingent Bank Capital Facility for the purpose of making available additional capital to locally incorporated licensed banks on request and subject to supervisory scrutiny.

These two measures will remain in force until the end of 2010 when a decision will be taken on whether they should be extended or not, based on an assessment of prevailing circumstances at the time.

These arrangements, as I have said before, are precautionary. I do not expect that the measures need to be triggered. Our banking system is healthy and robust, with capitalisation well above international requirements, and public confidence in our banking system remains high.

As we all know the banking sector plays a pivotal role in our financial activities, and confidence is the cornerstone in preserving banking stability. The decision that I have made today is to shore up people's faith in our system and to ensure that our banks continue to operate normally.

I am aware of the different views in the community on deposit protection and concerns about possible moral hazards. I have set a time limit for these measures in order to allay such concerns. Moreover, the measures are not just about protecting banks, they are also about protecting the people in our community.

Since the onset of the financial crisis, I have been working closely with colleagues in Government and the Monetary Authority to thrash out various measures and implement them at the appropriate time so that we can steer a steady course through this gathering storm.

We will continue to be vigilant in our monitoring and we shall implement further measures if and when necessary.

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I will now invite Joseph to give you further details of our two measures.

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