

HONG KONG

BANKING

SUMMARY

Since the 1994 National Treatment Study, Hong Kong has reverted from United Kingdom to Chinese sovereignty. Under guarantees provided by the Basic Law, promulgated by China in 1990, and the 1984 Sino-British Joint Declaration, Hong Kong's monetary and financial regulatory structure has remained autonomous following Hong Kong's reversion to Chinese sovereignty on July 1, 1997, after which it became a Special Administrative Region of China.

Until recently, sustained regional prosperity, the attendant accumulation of wealth, and China's rapidly expanding need for capital to finance its fast-growing economy contributed to the robust development of Hong Kong's financial sector during the 1990s. Hong Kong serves as a gateway to China and as a regional center for foreign financial institutions. As of January 1998, 55 percent of the assets and liabilities in the banking sector were derived from external sources.

Although the territory has no central bank, the Hong Kong Monetary Authority (HKMA) assumes many of the normal central banking functions. It is responsible for maintaining stability of the financial system and managing the Exchange Fund backing Hong Kong's currency, as well as ensuring the safety and soundness of the financial banking system, including regulating banks.

Hong Kong has a three-tier system of deposit-taking institutions, collectively known as authorized institutions. These include (full) licensed banks, restricted license banks, and deposit-taking companies. Only licensed banks can offer current (checking) or savings accounts. Restricted license banks are not permitted to conduct retail operations, and engage primarily in merchant banking and capital market activities. Deposit taking companies are restricted to taking large deposits with an original maturity of at least three months. Along with banks, they are increasingly diversifying into other financial services, including securities, fund management and providing investment advice. The Hongkong and Shanghai Banking Corporation (HSBC) is the territory's largest banking group. It is estimated that the group, with its majority-owned subsidiary Hang Seng Bank and 365 branches, controls more than 40 percent of Hong Kong dollar deposits.

At year-end 1997, there were 361 authorized institutions (32 U.S.) and 159 local representative offices (11 U.S.) in Hong Kong. The U.S. authorized institutions included 14 of 180 licensed banks, 13 of 66 restricted license banks, and 5 of 115 deposit-taking companies. U.S. authorized institutions held 6.2 percent of total assets of US\$1,077 billion, 4.8 percent of total loans of US\$528 billion, and 5.8 percent of total deposits of US\$342 billion. Foreign banks granted banking licenses in Hong Kong after 1978 may maintain offices in only one building. In September 1994, this limitation was modified to permit foreign banks to set up a regional office and back office operation at buildings separate from the branch office. Automated teller machines for banks granted licenses

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after 1978 also are subject to the regulation. In addition, foreign banks that want to establish a fully licensed bank are subject to a requirement that the banking group must have US\$16 billion in assets. Full licensed banks can establish only in branch form. They cannot establish as wholly owned bank subsidiaries due to the licensing criteria that the applicant should be closely associated and identified with Hong Kong. They can, however, establish bank subsidiaries as restricted license banks or deposit-taking subsidiaries. Foreign banks may acquire a controlling interest in a local bank which has unlimited branching rights. U.S. banks indicate they generally view Hong Kong as one of the most open, transparent, and fair markets in which to do business in Asia, and have not identified any national treatment concerns beyond the inconvenience posed by the bank branch limitation.

DESCRIPTION OF THE MARKET

Hong Kong is the world's ninth largest merchandise exporter and the principal conduit for trade and capital flows to and from China. As of 1996, services account for 84 percent of GDP. Laissez-faire economic policies, complete freedom of capital movement, low taxes, modern infrastructure, and a well-understood regulatory and legal environment have propelled Hong Kong's entrepot economy. Eighty-two of the world's top 100 banks operate in the territory. There were also 159 local representative offices of overseas banks at year-end 1997. Foreign exchange turnover was the fifth largest in the world, with daily turnover exceeding US\$90 billion.

Hong Kong is a primary gateway to China. Geographic proximity, plus cultural and linguistic ties, particularly with neighboring Guangdong Province, have a synergistic effect on the development of the two economies. Hong Kong is China's "front-office" service center, supplying PRC enterprises with financial resources and expertise, shipping services and marketing. The territory is the most important source of external direct investment in China, accounting for an estimated 56 percent of the total. According to Chinese sources, Hong Kong-based businesspeople invested US\$97 billion in China during 1979-96. Hong Kong manufacturers have taken full advantage of China's lower cost of land and labor resources in shifting their manufacturing operations to China.

The Hong Kong Stock Exchange's role in raising equity capital for China's enterprises has attracted a large foreign investment banking presence, and the territory has become an important center for loan syndications and international fund management. Over the 14-year period from 1982 to 1995, the gross output and value added of the financial sector at current prices grew from US\$2.4 billion and US\$1.7 billion, respectively, to US\$17.3 billion and US\$12.2 billion in 1995. More recent figures are not available.

Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at a rate of HK\$7.8 = US\$1. Bank notes are issued by the HSBC, Standard Chartered Bank and, beginning May 1, 1994, the Bank of China. Note-issuing banks are required to deposit U.S. dollars at the fixed exchange rate in an

amount equivalent to the value of Hong Kong currency notes issued, receiving non-interest-bearing certificates of indebtedness from the Exchange Fund in return.

China's Basic Law on Hong Kong guarantees continuation of the rights and freedoms that Hong Kong long enjoyed, including the continuation of the rule of law and the maintenance of Hong Kong's capitalist system for 50 years. Defense and foreign affairs are now under the direct control of Beijing, but the free flow of capital is retained. Hong Kong continues to formulate its own monetary and financial policies, and has independent finances using revenues exclusively for its own purposes. The Hong Kong dollar continues to circulate as the legal tender of the region and remains freely convertible. Markets for foreign exchange, gold, securities, futures, and the like continue to operate, along with related regulatory and supervisory structures.

Structure of the Market

Hong Kong maintains a three-tier system of deposit-taking institutions, collectively known as authorized institutions. These include licensed banks, restricted licensed banks, and deposit taking companies. Total deposit liabilities of all authorized institutions at the end of 1997 were HK\$2,666 billion (US\$342 billion), total assets were HK\$8,401 billion (US\$1,077 billion), and total loans for use in Hong Kong were HK\$1,743 billion (US\$224 billion). All banks are required to become members of the Hong Kong Association of Banks and observe rules made by the association.

According to Hong Kong's Banking Ordinance, licensed banks can perform all banking services, and have the exclusive right to offer current (checking) accounts and savings accounts. At the end of 1997, Hong Kong had 180 licensed banks (including banks incorporated both in Hong Kong and overseas) operating 1,511 branches, for a total of 1,691 offices. Thirty-one were locally incorporated, operating roughly two-thirds of the total branches. Deposit liabilities of licensed banks to customers at year-end 1997 totaled HK\$2,599 billion (US\$333 million).

Restricted license banks engage primarily in merchant banking and capital market activities. They are not permitted to conduct retail operations. Restricted license banks may use the word "bank" to describe their business, but this must be qualified by adjectives such as "restricted license," "merchant," or "investment." The minimum paid-up capital requirement is HK\$100 million (US\$12.8 million). These institutions also must meet criteria regarding ownership, general standing, and quality of management. They can accept deposits of any maturity of sums not less than HK\$500,000 (US\$64,100). At the end of 1997, there were 66 restricted license banks with total deposit liabilities to customers of HK\$52 billion (US\$6.7 billion).

Deposit taking companies have a minimum capital requirement of HK\$25 million (US\$3.2 million). They are restricted to taking deposits of HK\$100,000 (US\$12,800) or more with an original maturity of at least three months. At the end of 1997, there were 115 deposit taking corporations with total liabilities to customers of HK\$15 billion (US\$1.9 billion). Along with banks, they are increasingly

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diversifying into other financial services, including securities, fund management and providing investment advice.

The Hongkong and Shanghai Banking Corporation (HSBC), including its 62 percent-owned subsidiary Hang Seng Bank, remains the largest bank group in Hong Kong, with a combined network of 365 branches. It controls an approximately 40 percent of Hong Kong dollar deposits. The Bank of China Group is the second-largest bank group. At the end of 1997, the group's 13 member banks had a network of 386 branches in Hong Kong and controlled an estimated 23 percent of Hong Kong dollar deposits. Standard Chartered Bank is also active in Hong Kong's retail market, with 84 branches at year-end 1997. The Bank of Communications separated from the Bank of China Group on April 14, 1998. The Bank is now operating on its own as an independent bank under the direction of its Head Office in Shanghai.

Bank loans for use in Hong Kong have been expanding at an average rate of 17.5 percent per year over the past five years from 1993-97. Offshore lending to customers represented 45 percent of loans to customers and totaled HK\$1,843 billion (US\$236 billion) in 1997. Foreign currency lending totaled US\$305 billion or 58 percent of total loans to all customers. The share of HK\$ deposits in total deposits increased from 52.2 percent in 1994 to 57.7 percent in 1997. Industry analysts indicate that during this period, good opportunities for investment gains resulting from strong growth in the local economy encouraged the holding of liquidity in HK dollar deposits for investments in HK dollar-based assets, in particular, investments in the stock and property markets. In 1997, foreign currency interbank borrowing accounted for 72 percent of total foreign currency liabilities of HK\$5,476 billion (US\$702 billion). Interbank borrowing, including both foreign currency and Hong Kong dollars, represented 57 percent of total liabilities of the banking system of HK\$8,401 billion (US\$1,077 billion).

Regulatory Structure

Hong Kong has made steady progress in strengthening its banking regulatory framework. After a series of bank failures in the early 1980s, the Hong Kong government enacted the Banking Ordinance of 1986. It updated the previous bank legislation and gave the then-Commissioner of Banking enhanced regulatory powers, set minimum capital standards, and placed limitations on loans to individual customers, directors, and employees. Since year-end 1989, Hong Kong's banking sector has been required to conform to Basle Committee standards on capital adequacy.

At year-end 1997, the consolidated capital adequacy for all locally incorporated institutions remained stable at 17.5 percent, compared to 17.8 percent in 1996. Supervisory responsibility for branches of foreign banks is shared with overseas banking supervisory authorities in accordance with guidelines of the Basle Committee on Banking Supervision.

Although the territory has no central bank, the HKMA has statutory responsibility for the stability and integrity of Hong Kong's financial system and for management of reserves backing Hong Kong's currency, which has been linked since 1983 to the U.S. dollar at HK\$7.8 = US\$1. The HKMA also insures the safety and soundness of the financial system, including exercising prudential supervision and regulation of the banking system. The HKMA was formed in April 1993 by merging the Office of the Exchange Fund and the Commissioner of Banking. The *de facto* management board of the HKMA is the Exchange Fund Advisory Committee. Members of this committee are appointed in their personal capacity. One of its members is the Chief Executive of the Hong Kong branch of the Chase Manhattan Bank.

The Banking Advisory Committee (BAC) advises the Chief Executive of the Hong Kong Special Administrative region on matters relating to the Banking Ordinance and banking business generally. The Financial Secretary chairs the Advisory Committee; its members appointed by the Chief Executive. The Chief Executive of the Hong Kong Branch of Bank of America NT & SA is a member of the committee. The Bank of China, HSBC, and Standard Chartered are members of the Banking Advisory Committee and officials from all three institutions are on the Exchange Fund Advisory Committee.

Hong Kong does not have deposit insurance, though financial turmoil in late 1997 and early 1998 has increased discussion of this issue. A scheme giving priority to claims of small depositors was enacted under the Hong Kong Companies Ordinance, effective in August 1995. It was modeled on a scheme of arrangement approved by creditors in the Bank of Credit and Commerce (BCCHK, which is related to BCCI) liquidation. In 1996, an amendment of the Hong Kong Companies Ordinance gave priority to small depositors up to HK\$100,000 each in the event of a bank liquidation. Specifically, the scheme provides that in the event of bank liquidation eligible depositors (i.e., all depositors except persons connected with the bank being liquidated, the HKMA, and other authorized institutions) will receive payment in priority over other unsecured debts except employees' compensation for the first HK\$100,000 of their deposits. The scheme applies to all licensed banks, including branches of foreign banks.

Prior to 1994, banks in Kong Hong disclosed very little financial information. Since 1994, with the establishment of a working party on financial disclosure by the HKMA, the amount of financial information disclosed by banks in Hong Kong has steadily increased. Banks now disclose their full profit and loss accounts and detailed analysis of all on and off-balance sheet items in their annual financial statements. Locally incorporated Hong Kong banks are required to publish information relating to loan quality, level of bad debt provisions, the amount of nonperforming loans, and inner reserves. The previous practice of maintaining undisclosed "inner reserves" has been abolished. Inner reserves provide a pool of funds that a bank can draw from in order to smooth out performance.

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Each year, the HKMA reviews and recommends additional requirements to ensure that the level of financial disclosure is maintained at a high standard which they believe is comparable with major international financial centers. Financial disclosure standards of banks in Hong Kong are now among the best in Asia. For 1998, the HKMA is considering proposals to standardize banks' policy on interest recognition, increase the amount of disclosure made on non-performing loans, require foreign banks to make disclosure on their activities in Hong Kong, and require listed authorized institutions to disclose more information in their interim reports.

All licensed banks are required to be members of the Hong Kong Association of Banks (HKAB). Two U.S. banks (Morgan Guaranty Trust and Chase Manhattan) sit on the Association's main committee and, in turn, represent constituent North American banks. HSBC alternates the chair of the HKAB with Standard Chartered Bank, and the Bank of China Group (since 1995). The Association can discipline members to the point of expulsion for breaching its rules. The Association suggests the maximum rates of interest payable on deposits or the minimum deposit charge that must be levied by its members on Hong Kong dollar deposits. Until 1995, this "interest rate agreement" covered deposits of up to HK\$500,000 with maturities of less than 15 months, though the government has since relaxed this rule to cover deposits of seven days or less. The remaining interest rate rules continue to govern interest rates offered by licensed banks on deposits less than HK\$500,000 with maturities of less than seven days, including 24-hour deposits, savings and current/or checking accounts. Since 1995, over 99 percent of the previously regulated deposits had become unregulated in terms of interest rates. As of June 30, 1998, the amount of HK\$ deposits still governed by the interest rate rules totaled HK\$1,041 million.

In December 1996, Hong Kong's interbank payment system moved to Real Time Gross Settlement under which settlement risks in the banking system have been considerably reduced. The Hong Kong Interbank Clearing Limited, jointly and equally owned by the HKMA and the Hong Kong Association of Banks (HKAB), was set up in May 1995 to take over in phases the Hong Kong dollar clearing facilities from HSBC as management bank of the HKAB Clearing House.

U.S. PRESENCE IN THE MARKET

Foreign banks, including U.S. banks, may establish a banking presence in Hong Kong as a "licensed bank," "restricted licensed bank," or a "deposit-taking company." A foreign applicant seeking a full banking license can establish only in branch form. A restricted licensed bank can be in the form of either a branch or bank subsidiary. Since 1977, the practice is not to grant a "deposit taking" license in branch form to a locally incorporated or foreign bank. U.S. banks that have established branches since 1978 have tended to concentrate in wholesale banking, money market operations, trade finance, and the securities business.

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As of the end of 1997, U.S. financial institutions operated a total of 32 authorized institutions, i.e., licensed banks, restricted license banks, or deposit-taking companies - and eleven local representative offices. There were 14 full licensed banks, 13 restricted license banks, and 5 deposit taking companies. Restricted license banks engage mainly in merchant banking and trade finance. Activities of five U.S. deposit-taking companies, span deposit-taking, vehicle finance, trade finance, and securities and brokerage operations. Eight U.S. banks maintained 11 representative offices.

U.S. authorized institutions accounted for 6.2 percent of total assets, 4.8 percent of total loans, and 5.8 percent of total deposits in the Hong Kong Banking sector at year-end 1997. The market share of U.S. authorized institutions total assets, loans, and deposits remained stable since 1994. In contrast, Japanese institutions, while accounting for only 3.1 percent of HK\$ deposits in 1997, held 39 percent of total assets, down from 53 percent in 1994. Although Japanese institutions were the largest players in offshore lending, their market share of loans for use in Hong Kong declined 14 percent in 1997 from 21 percent in 1994. Chinese institutions accounted for 28 percent of Hong Kong dollar deposits, 11 percent of total assets, and 18 percent of loans for use in Hong Kong in 1997. European institutions accounted for 12 percent of Hong Kong dollar deposits, 17 percent of total assets, and 18 percent of loans for use in Hong Kong.

According to Hong Kong government records, three U.S. banks held stakes in excess of 10 percent in two local banks. Bank of New York International Financing Corporation, a subsidiary of the Bank of New York Company, Inc., held a 25 percent stake in Wing Hang Bank. Wells Fargo Bank, N.A., held a 20 percent stake in Shanghai Commercial Bank Ltd. Bank of America's stake in Bank of America Asia Limited (formerly the Bank of Canton) effectively approaches 100 percent.

Market Share of U.S. Authorized Institutions as of December 31, 1997
(HK\$ billions)

	Total Assets	Total Loans	Loans in HK\$	Total Deposits	Deposits in HK\$ (a)
All	8401	4122	1743	2666	1495
U.S.	524	197	123	154	38
Percent of Total	6.2	4.8	7.1	5.8	2.5
U.S. Banks	444	160	89	146	37
Percent of Total	5.3	3.9	5.1	5.5	2.5

HK\$7.8 = US\$1

(a) Excludes swap deposits

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TREATMENT OF U.S. FINANCIAL INSTITUTIONS

Banks incorporated outside Hong Kong that wish to establish a licensed bank branch in Hong Kong generally must satisfy the following major criteria: (1) have assets of US\$16 billion (net of contra items); (2) be incorporated in countries in which the home supervisor can meet the minimum standards of supervision of international banks recommended by the Basle Committee on Banking Supervision, and the home supervisor has given its consent for the establishment of a branch in Hong Kong; (3) the bank's country of incorporation must provide an acceptable form of reciprocity to Hong Kong banks (this requirement does not apply to banking applications from companies incorporated in a place which is, or is part of the territory of, a member of the WTO); (4) senior management of the branch is fit and proper; and (5) the branch has adequate financial resources to support its business, adequate accounting systems, and adequate systems of internal control. Foreign banks are expected to first establish a representative office prior to upgrading to a licensed branch. Foreign branches are also subject to a one-building condition. Foreign banks that want to establish a “restricted license” branch are not subject to the requirement that the banking group must have US\$16 billion in assets.

A foreign bank applying for a full banking license cannot, in practice, establish in bank subsidiary form, due to the licensing criterion that the applicant should be closely associated and identified with Hong Kong. This criterion takes into account such factors as the historical association of the institution with Hong Kong, and the extent to which its shares are locally held. Additionally, there is a licensing requirement that the subsidiary bank must have been authorized as a restricted licensed bank or deposit taking company for not less than 10 years in order to obtain a full banking license.

Foreign banks may acquire an interest, including a controlling interest (more than 50 percent of the voting shares) in a locally-incorporated bank, which has unlimited branching rights. Both foreign and locally-incorporated banks must obtain central bank approval to acquire a 10 percent or greater interest in the voting share capital of a locally-incorporated bank.

Foreign banks granted licenses after 1978 may maintain offices that conduct banking business in only one building. The word "office" includes any automated teller machine or similar terminal device that provides facilities to the customers of the bank. This restriction took effect when the Hong Kong government lifted a moratorium on new banking licenses that had been in place since 1965. The government argued that it was concerned about overcrowding in the retail banking market and that unrestrained entry might undermine the stability of the banking system. On September 30, 1994, this rule was modified to permit foreign banks to establish a regional office and one back office in a building or buildings separate from its branch office in Hong Kong.

U.S. financial institutions generally give authorities high marks for fairness and transparency, and generally express the view that Hong Kong does not discriminate in terms of competitive opportunities. They have a voice in the policies that affect their industry, though some U.S. banks

have called for consideration of rotating the chair of the Hong Kong Banking Association among a wider group of banks.

In the financial services sector, in general, Hong Kong has relatively few limitations on market access or on national treatment, but Hong Kong's existing regime is more liberal than its binding GATS commitments. However, Hong Kong's revised offer on financial services in December 1997 did include additional commitments in financial leasing, guarantees and commitments, and cross border supply of advisory and auxiliary financial services. An informal survey of U.S. financial firms already in the market and a handful of firms "passing through or visiting" Hong Kong suggests minor irritants remain, such as the branch limitation, as opposed to major barriers.

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Exhibit 1 - 1997 Balance Sheet of All Authorized Institutions

Assets (HK\$ billions)

	HK\$	Foreign Currency	Total
Loans to Customers	1,743	2,379	4,122
Inside HK	1,702	508	2,210
Outside HK	30	1,813	1,843
Others	11	57	68
Interbank Lending	713	2,368	3,081
Inside HK	517	254	771
Outside HK	196	2,114	2,310
Negotiable CDS	122	50	172
Bank Acceptances and Bills of Exchange	4	98	102
FRN and Commercial Paper	26	167	193
Securities and Investments	236	187	423
Other Assets	96	213	309
TOTAL ASSETS	2,939	5,462	8,401

Liabilities

	HK\$	Foreign Currency	Total
Deposits from Customers	1,538	1,128	2,666
Interbank Borrowing	881	3,942	4,753
Inside HK	521	251	772
Outside HK	290	3,691	3,981
Negotiable CDS	172	48	220
Other Liabilities	404	358	762
TOTAL LIABILITIES	2,925	5,476	8,401

Source: HKMA Annual Report 1997

Exhibit 2 - Loans and Deposits in 1997 by Category of Authorized Institution**Loans and Advance**
(HK\$ billions)

	HK\$	Foreign Currency	Total
Licensed Banks	1,557	2,319	3,876
Restricted License Banks	127	36	163
Deposit-Taking Companies	59	24	83
TOTAL	1,743	2,379	4,122

Deposits from Customers

	HK\$	Foreign Currency	Total
Licensed Banks	1,522	1,077	2,599
Restricted License Banks	9	43	52
Deposit Taking Companies	7	8	15
TOTAL	1,538	1,128	2,666

Source: HKMA Annual Report 1997

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Exhibit 3 - U.S. Authorized Institutions and Local Representative Offices in Hong Kong Licensed Banks

Name/Year Licensed	Offices	Major Activities
Citibank, N.A. (1965)	18	Wholesale/Retail/Private Banking, Money Market Operations
Chase Manhattan Bank (1965)	7	Consumer Banking/Mortgage, Corporate Finance/Private Banking
Bank of America NT & SA (1965)	1	Wholesale/Retail Bank, Commercial Loan Syndication
Bank of America (Asia) Ltd. (1965)	17	Retail Banking, Property & Consumer Lending, Trade Finance
American Express Bank Ltd. (1965)	3	Private Banking, Corporate Finance
Morgan Guaranty Trust Co. of NY (1978)	1	Corporate Finance, Capital Markets, Debt/Equity Finance, Direct Investment, Project Finance, Underwriting, Private Banking
First National Bank of Chicago (1979)	1	Treasury Operations, Capital Markets and Derivatives
Bankers Trust Co. (1981)	1	Corporate Finance, Capital Markets
Republic National Bank of NY (1979)	1	Banknotes Trading, Treasury Operations, and Private Banking
State Street Bank and Trust Co. (1994)	1	Trade Finance and Custodian Services
The Bank of NY (1983)	1	Trade Finance
Bank of Boston, N.A. (1978)	1	Trade Finance
Norwest Bank Minnesota (1989)	1	Trade Finance
NationsBank, N.A. (1995)	1	Trade Finance

Restricted License Banks		
Name/Year Licensed	Offices	Major Activities
Citicorp Commercial Finance (HK) Ltd. (1994)	1	Vehicle Finance, Leasing, and Machinery Finance
Chase Manhattan Asia Ltd. (1984)	1	Merchant Banking
Manhattan Card Co. Ltd. (1993)	1	Credit Card Business
BA Asia Ltd. (1982)	1	Merchant Banking and Underwriting of Capital Market Instruments
Lehman Brothers Finance Ltd. (1983)	1	Share Margin Financing
Corestates Bank, N.A. (1990)	1	Trade Finance
Pacific Bank, N.A. (1990)	1	Trade Finance
Citibank International (1997)	1	Credit Card Business
Bank of Hawaii (1994)	1	Trade Finance
SPC Credit Ltd. (1997)	12	Personal Loans, Auto Finance, Mortgage
Bankers Trust Australia Ltd. (1994)	1	Treasury, Capital Markets
GE Capital Finance Ltd. (1982)	16	Personal Lending, Auto/Equipment Loans, Mortgages
Citicorp International Ltd. (1978)	1	Merchant Banking

Deposit Taking Companies		
Name/Year Licensed	Offices	Major Activities
BA Finance (HK) Ltd. (1976)	1	Deposit Taking
Inchroy Credit Corporation Ltd. (1976)	4	Auto Financing, Leasing
BT Asia Ltd. (1987)	1	Securities Trading and Financial Advisory Services
Avco Financial Services (Asia) Ltd. (1994)	7	Auto Finance
Orient First Capital Ltd. (1981)	1	Personal Loan, Trade Finance

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Local Representative Offices		
Name/Year Licensed	Offices	Major Activities
Cathay Bank (1984)	1	Research and Liaison
Republic National Bank of NY (Suisse) S.A. (1992)	1	Research and Liaison
Republic National Bank of NY (Luxembourg) (1992)	1	Research and Liaison
Wells Fargo Bank N.A.	1	Research and Liaison
Offitbank (1994)	1	Research and Liaison
Fiduciary Trust Co. International (1989)	1	Research and Liaison
Merrill Lynch Bank (Suisse) S.A. (1990)	1	Research and Liaison
Merrill Lynch International Bank Ltd. (1989)	1	Research and Liaison
Morgan Stanley Trust Company (1995)	1	Research and Liaison
First Union National Bank (1996)	1	Research and Liaison
Comercia Bank (1997)	1	Research and Liaison

Source: Hong Kong Government Financial Services Branch, Authorized Institutions.

Note: Business activities of several listed U.S. institutions pre-date granting of license. e.g., Citibank established in Hong Kong in 1902, Chase Manhattan in 1930.

Exhibit 4 - Market Share of Total Assets for Institutions by Origin of Ownership (percent)				
Region	1994	1995	1996	1997
China	10	10	11	11
Europe	13	13	15	17
Japan	53	51	44	39
USA	5	5	5	6
Other	19	21	25	27
TOTAL	100	100	100	100

Source: Hong Kong Monetary Authority Annual Report 1997

Exhibit 5 - Market Share of Loans for Use in Hong Kong by Origin of Ownership (percent)

Region	1994	1995	1996	1997
China	16	17	17	18
Europe	16	17	17	18
Japan	21	19	17	14
USA	8	8	8	8
Other (1)	39	39	41	42
TOTAL	100	100	100	100

(1) Includes trade finance loans but excludes loans to finance trade not touching Hong Kong.

Source: Hong Kong Monetary Authority Annual Report 1997

Exhibit 6 - Market Share of HK Dollar Deposits by Origin of Ownership (percent)

Region	1994	1995	1996	1997
China	28	28	28	28
Europe	10	11	11	12
Japan	4	4	3	3
USA	4	4	4	4
Other (1)	53	53	54	54
Total	100	100	100	100

(1) Adjusted to include swap deposits.

Source: Hong Kong Monetary Authority Annual Report 1997