

LEGISLATIVE COUNCIL BRIEF

Coinage Ordinance (Chapter 454)

COINAGE (COMMEMORATIVE COINS) ORDER 2001

INTRODUCTION

At the meeting of the Executive Council on 16 October 2001, the Council ADVISED and the Chief Executive ORDERED that –

- (a) the design for each of the reverse sides of the five commemorative silver coins at Figures 1(a) to 1(e), together with the standard Bauhinia design for their obverse sides at Figures 2(a) to 2(e), respectively of **Annex A** should be authorized; and
- (b) the Coinage (Commemorative Coins) Order 2001 at **Annex B** should be made, pursuant to section 2 of the Coinage Ordinance.

BACKGROUND AND ARGUMENT

Background

2. It has been a tradition for Government, since 1975, to issue commemorative coins to mark significant events, such as the royal visits to Hong Kong in 1975 and 1986, and the establishment of the Hong Kong Special Administrative Region in 1997. Twelve gold coins depicting the respective animals associated with the 12-year Lunar New Year cycle were issued between 1976 and 1987. The last commemorative coin issue, for the inauguration of the Hong Kong International Airport at Chek Lap Kok, took place in 1998.

Present position

3. The Hong Kong Monetary Authority (HKMA) has advised that despite the adverse market conditions in the past three years, the numismatic market has recovered reasonably and recommended that Government should resume the issuing of numismatic coins having regard to the following considerations –

- (a) Hong Kong's last numismatic issue was launched three years ago, i.e. the 1998 Airport Gold Coin. Recently, the Royal Mint of the United Kingdom, the Royal Canadian Mint and the Perth Mint of Australia have been selling Lunar New Year gold medals / coins in Hong Kong. This indicates a sustained interest among local and international collectors;
- (b) the Special Coins Suspense Account has not received any substantial income since 1998. The existing balance of HK\$103 million could deplete rather quickly as and when the fund is applied to charitable projects selected by the Chief Executive. We should try to ensure that the account is topped up regularly so that the funding sources for these charitable projects do not dry up; and
- (c) there will be no financial risk and no cost to the Administration. The project, including design, manufacturing, marketing, sales and administration for both the local and international markets, is to be 100% financed and undertaken by the mint.

Selection of Mint

4. In March 2001, four mints, namely the Royal Mint of the United Kingdom, the Royal Canadian Mint, South African Mint and the Singapore Mint were invited to submit proposals for a numismatic coin issue. These four mints are known to have a good reputation in the design, production and marketing of high quality numismatic coins. All of them submitted proposals. The proposals were then adjudicated by a selection panel comprising senior staff of the HKMA.

5. The panel recommended the designs proposed by the Royal Canadian Mint as illustrated at **Annex A**, which stood out as the best amongst those submitted. Another factor favouring the selection of the

Royal Canadian Mint was that it also offered to carry out the entire project, including design, manufacturing, marketing, sales and administration for both the local and international markets at its own cost. The Royal Canadian Mint will pay a royalty (in addition to the backing for the face value of the silver coins which is required by law) to the HKMA on each commemorative coin set sold. There will therefore be no financial risk to the HKMA.

Proposed Designs of the Silver Coins

6. It is proposed to issue a set of five silver coins (being legal tender) together with a gold medallion (**not** being legal tender) to form a complete coin set. The coins will carry the date 2002 thereby marking the fifth year since the establishment of the Hong Kong Special Administrative Region. Each of the five coins will bear the standard Bauhinia design on the obverse side. On the reverse side (i.e. the numeral side) there will be special commemorative designs, depicting the following five fortunes –

- Coin 1: May your wish come true
(萬事如意)
- Coin 2: Surplus every year, accumulation of wealth
(年年有餘)
- Coin 3: Arrival of the horse i.e. success achieved
(馬到功成)
- Coin 4: Flower blooming for prosperity
(花開富貴)
- Coin 5: Turnover of goods to be as fast as the wheel
(貨如輪轉)

The proposed designs are illustrated in Figures 1(a) to 1(e) at Annex A. The five coins will each have a face value of \$50 and will be of sterling silver (i.e. an alloy in which 925 parts per thousand are pure silver) with a silver core plated with 24-carat gold on both sides.

7. In addition, one 24-carat gold medallion, design at **Annex C**, will be included in the coin set, symbolizing on the reverse side the above five fortunes coming to one's door (五福臨門). On its obverse side the centre of the medallion will have an inner ring design of the Hong Kong Region Emblem, i.e. the Bauhinia. The medallion will not be legal tender and hence does not require authorization under the Coinage Ordinance.

Arrangements for Issue

8. The five proposed silver coins will be issued by the HKMA on behalf of Government and will be sold together with the gold medallion as one complete coin set. The five proposed silver coins will be legal tender as provided for in section 2 of the Coinage Ordinance. As with other commemorative coins previously issued by Government, it is anticipated that the market value of the proposed coins will exceed their face value. The proposed coins are thus not expected to be circulated generally or used by the public in the settlement of transactions. However, the act of making such coins legal tender adds appreciably to their desirability and value in the eyes of collectors or members of the public in general.

9. The coin set will be sold in Hong Kong by inviting applications from the public and, if necessary, a ballot will be held, as in the case of earlier sales of commemorative coins. According to past experience in the numismatic market in Hong Kong, Lunar New Year is the best time for launching commemorative coins when people are more willing to buy gifts for friends or relatives or for themselves. The five fortunes depicted on the five proposed silver coins are commonly used in the Lunar New Year period when people greet each other. Applications will be invited in December 2001/January 2002, with the issue scheduled from January 2002 onwards. The coin sets will not be made available to international collectors until after they have been offered for sale in Hong Kong. Any remaining unsold coin sets will be relaunched in June 2002.

THE ORDER

10. Under section 2(1) of the Coinage Ordinance, the Chief Executive in Council may, by order, authorize the issue of coins with the design and of the denomination, composition, standard weight and remedy allowance specified in the Order. The coins so authorized shall be legal tender as specified in section 2 of the Coinage Ordinance.

11. The Order, at Annex B, sets out the design, denomination, composition, standard weight and remedy allowance of each of the proposed five silver coins.

LEGISLATIVE TIMETABLE

12. The legislative timetable for the Order will be –

Publication in the Gazette	19 October 2001
Tabling at the Legislative Council	24 October 2001
Commencement of operation	19 October 2001

BASIC LAW IMPLICATIONS

13. The Department of Justice advises that the proposed Order is consistent with the Basic Law.

HUMAN RIGHTS IMPLICATIONS

14. The Department of Justice advises that the proposed Order has no human rights implications.

FINANCIAL AND STAFFING IMPLICATIONS

15. As stated in paragraph 5 above, the Royal Canadian Mint will undertake all design, manufacturing, marketing, sales and administration in respect of the coin sets at its own cost and the issue will pose no financial risk to the HKMA. Proceeds equivalent to the full face value of the silver coins issued will be paid by the Royal Canadian Mint to, and be held in, the Exchange Fund as backing for the issue; while the royalty will, in line with established practice, be credited to the Special Coins Suspense Account of the General Revenue and will be used to fund selected projects for the benefit of the community. It is difficult to estimate at present the amount of royalty to be received as it will be affected by a number of parameters including the number of sets to be issued and the unit selling price. These parameters will be set nearer the issue date.

16. There are no staffing implications for Government.

BINDING EFFECT OF THE LEGISLATION

17. The Order will not affect the current binding effect of the Coinage Ordinance.

PUBLIC CONSULTATION

18. As the sale of the commemorative coin set is not expected to be controversial, no public consultation has been conducted.

PUBLICITY

19. A press release will be issued on 19 October 2001.

OTHERS

20. For enquiry on the content of this brief, please contact Ms Kinnie Wong, Assistant Secretary (Banking and Monetary) of the Financial Services Bureau, at 2527 3974.

Financial Services Bureau
19 October 2001