

(852) 2529 0121

(852) 2527 0790

G4/19/1C III

16 January 2003

By Fax: 2121 0420

Clerk to Financial Affairs Panel
(Attn: Miss Connie Szeto)
Legislative Council,
8 Jackson Road,
Central, Hong Kong.

Dear Ms Szeto,

**Panel on Financial Affairs
Meeting on 2 December 2002
Agenda Item V: Briefing by the Administration on the proposed
amendments to the Bills of Exchange Ordinance**

We have briefed the Panel on the captioned subject on 2 December 2002. During the discussion, Members have raised questions on –

- 1) whether banks would pass on to customers the benefits of lower cost of cheque clearing as a result of the implementation of proposal; and
- 2) with the improved efficiency of the new system, whether banks can advance the cheque clearing and settlement time a little bit, say, in the morning of T+1 rather than at 3pm on T+1

In response to Members' concerns, the Hong Kong Monetary Authority agreed to convey Members' view to the Hong Kong Association of Banks (HKAB) for consideration. HKAB's reply is now **attached** for your reference. I should be grateful if you could circulate it to Members for information.

Yours sincerely,

(Edmond Lau)
for Secretary for Financial Services and the Treasury



G.P.O. Box 11391, Hong Kong
Room 525, 5/F., Prince's Building, Central, Hong Kong
Telephone: 2521 1160, 2521 1169 Facsimile: 2868 5035
Email: hkab@pacific.net.hk
Website: www.hkab.org.hk

香港郵政總局信箱11391號
香港中環太子大廈5樓525室
電話：2521 1160, 2521 1169 圖文傳真：2868 5035
電郵：hkab@pacific.net.hk
網址：www.hkab.org.hk

11th January 2003

Mr. James H. Lau Jr.
Executive Director (Monetary Policy and Markets)
Hong Kong Monetary Authority
30th Floor, 3 Garden Road
Hong Kong

Dear James

Bills of Exchange (Amendment) Bill

Thank you for your letter dated 24th December 2002.

Whilst endorsing the HKMA's comments, we would like to make a few additional points on the two issues raised by the LegCo Panel:

- (a) In Hong Kong's very competitive environment, banks have a strong incentive to contain their operating costs and to provide better customer service at more competitive pricing. Generally, banks do not charge customers for collecting/clearing Hong Kong dollar cheques.
- (b) The existing clearing timetable allows reasonable time for the banks to handle normal cheque processing through the Clearing House as well as exception handling (for example, reminding the customer to arrange funding in case of insufficient balance in the particular cheque account, or making enquiry with the customer in case of doubt). Banks need to strike a balance between the desire to provide an efficient clearing service and the need to protect bank customers. We support that it would be a prudent measure to keep the existing clearing timetable unchanged, at least in the initial period following the implementation of the cheque imaging and truncation project so that banks and the Clearing House can review their own situations and consider any further improvement to the benefit of both banks and their customers generally.

Yours sincerely

Rona Morgan
Secretary

Chairman The Hongkong and Shanghai Banking Corporation Limited
Vice Chairmen Bank of China (Hong Kong) Ltd
Standard Chartered Bank
Secretary Rona Morgan, A.C.I.B.

主席 香港上海滙豐銀行有限公司
副主席 中國銀行（香港）有限公司
渣打銀行
秘書 Rona Morgan, A.C.I.B.