

***Message from the Chairman, Anselmo Teng, on the  
20<sup>th</sup> Anniversary of the Monetary Authority of Macao  
Development and Review of Financial Sector of the Macao SAR***

*2009 marks the 10<sup>th</sup> anniversary of the return of Macao to the Motherland and the 20<sup>th</sup> anniversary of the Monetary Authority of Macao (AMCM). In the past 20 years, especially after the founding of the Macao Special Administrative Region (MSAR), the economy has emerged from recession to recovery and proceeded to rapid growth. Under the leadership of the MSAR Government and support of the financial sector and other sectors of the community, AMCM has maintained the stability of the Macao financial system, reinforced the foundation for Macao financial industry for continuing to develop in a sustainable and stable manner.*

*The financial industry has made full use of the opportunity rendered by economic development to sprout and grow. In 1999, there were 23 banks operating in Macao with aggregate assets of MOP 139 billion, deposits of MOP 100.6 billion and loans of MOP 53 billion in addition to 25 insurance companies earning annual premiums of MOP 1 billion. As at the end of May 2009, banks operating in Macao increased to 28 with aggregate assets of MOP 399.8 billion, deposits of MOP 281.9 billion and loans of MOP 151 billion. Insurance companies numbered 24 earning annual premiums of MOP 3.46 billion. At the same time, there has been an increase in the variety of financial products offered. Personal RMB business started to become available in November 2004. We have witnessed continued enhancement in the network, channel and quality of services, risk management, control and resistance which has been vindicated by the fact that our financial system remained intact in the recent unprecedented global financial crisis while its overall operating results remained buoyant.*

*In the course of financial development, the bedrock is financial stability. Regular, appropriate and timely supervision is the key to maintaining financial stability. In the past 10 years, financial supervision has been enhanced and reinforced. AMCM has been keeping an watchful eye on the development and morph of Macao financial industry. Based on international standards and the practical local market conditions, AMCM relentlessly perfects all supervisory regulations and directives, continues to improve supervisory practices, proactively open channel of dialogue with market participants, guard market entrance sternly, bash money-laundering, actively enhance comprehensive supervision and assiduously develop cooperation between external and internal supervision. As a result, Macao financial supervision secured a positive assessment on its ability to align with international standards and best practices in the 2008 appraisal conducted by the IMF.*

*Besides, AMCM has along been bashing illicit financial activities. It cooperates with neighboring and the regional financial supervisory authorities in this respect*

*and has scored expected results which have suppressed illicit financial activities. Order of financial markets has further improved.*

*A stable macro-economic scenario is secured by an orderly circulation of currency and a stable exchange rate. All along, AMCM implements strictly a currency board system, guards the policy of linking the Pataca with Hong Kong Dollar. It actively promotes the circulation of the Pataca in peripheral regions, especially the Guangdong Province. In 2004, the State Council sanctioned the conduction of RMB business in Macao while the Pataca was allowed to be quoted in forex transaction centre in the PRC which no doubt has promoted the circulation and reputation of the Pataca. Past experience has vindicated that maintaining a pegged rate between the Pataca and Hong Kong Dollar facilitates economic development of Macao and is beneficial to stability of the Macao financial system, economy and community.*

*The perfection of fundamental financial facilities will promote capital flow which stimulates economic activities. The cross border clearing systems of Hong Kong and Macao in respect of cheques denominated in HKD and USD started to become functional in 2007 and 2008. At the moment, the Macao real time payment system under construction is expected to interface with the real time clearing systems of the Mainland and Hong Kong, which will facilitate cross border cash clearing efficiency between Guangdong, Hong Kong and Macao. It will further promote cooperation and integration of economic and financial scenario of the three regions.*

*Financial statistics are of help in facilitating appraisal of performance of financial industry and formulation of relevant policies. High quality research can further enhance credibility of policy, as well as capability in risks supervision. To further perfect financial research and statistics, AMCM, in coordination with the Financial Services Bureau and Statistics and Census Bureau, joined the “General Data Dissemination System” of the IMF in the name of the MSAR. The move not only raises the quality of financial market information of Macao, it also increases its degree of transparency, steering Macao financial research and statistics to converge with international standards.*

*Benefitting from continued economic growth and exports of services, foreign exchange reserves of the MSAR Government increased from MOP 22.9 billion when Macao reverted to China in 1999 to MOP 140.6 billion as the end of May 2009. All along, AMCM has been formulating an investment strategy based on the principle of prudence and stability and in accordance with the change in international financial markets. To a certain degree, returns realized over the years have contributed to the enlargement of the foreign exchange reserves.*

*The expansion and deepening of cross border financial communication and cooperation will promote economic diversification. AMCM has been endeavoring in promoting regional financial communication and cooperation, with special*

*emphasis on the function as platform for cooperation between the Mainland and Portuguese speaking countries. 10 years since the return of Macao, AMCM has been organizing representatives of financial sector to visit Portuguese speaking countries and the Mainland, hosting conferences of financial regulators of Portuguese speaking countries. These moves have greatly promoted regional financial cooperation and integration. It has signed memoranda of understanding with the regulatory authorities of the Mainland, Hong Kong, Portugal and major Portuguese speaking countries, established regular meeting and communication mechanisms and staff training programmes. On the other hand, Macao has joined a number of authoritative international and regional organizations which helps to promote the international status of Macao and imparts a better understanding of Macao to international community.*

*The financial system has had a smooth transition in the process of the return of Macao and grasped new development opportunity during the initial stage of the formation of the SAR. The supervisory authority has played a part in coordinating market expansion, as well as market practice and order. AMCM will continue to build up experience, identify deficiencies, and make the necessary supplement in a timely manner. In this way, it is able to facilitate the sustainable growth and enhancement of the financial system which is conducive to achieving better results in the future.*

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