

J. C. W. P.

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Blye criticises surfeit of DTCs

By CECILIA KO

There is no need to change the three-tier structure under which financial institutions are classified into banks, licensed and registered deposit-taking companies, said Mr Douglas Blye, the Secretary for Monetary Affairs.

In an interview with Business News, Mr Blye said he does not see any weakness in the structure except the fact there are too many deposit-taking institutions in Hongkong, the result of historical factors.

If any change is necessary, he said, perhaps it is the definition of the two types of DTCs to make it more reflective of their nature of business.

But he sees no reason to complicate the system by creating another tier.

"The government approach is not to force anything on the industry, but let

changes evolve gradually," he said.

Mr Blye, a veteran government official who has witnessed almost all the major financial crises and monetary changes during his 27 years service in Hongkong, will retire next month.

In the face of strong public criticism of the banking supervisory system following the failure of Hang Lung Bank and Overseas Trust Bank, Mr Blye said he does not agree there are fundamental weaknesses in the system.

He attributed the collapse of the banks to excessive lending during the boom period before 1982 coupled with irregularities in the banks.

"If we had had the sort of legislation that we are looking at now, we might have been able to detect these problems a bit earlier, but there is no way the supervisory system can look behind every transaction in a bank," he said.

But Mr Blye conceded the

Hang Lung and OTB debacles have given rise to a climate of opinion for tighter supervision.

"The time is ripe to re-draft the banking and DTC ordinances as a whole and change the approach and method in supervision.

"Certainly lessons have been learnt from the Hang Lung Bank event, but many of them just confirmed what we already knew.

"What we are trying to draft is a modern ordinance to take into account a large number of changes that have happened since the current legislation was introduced more than 10 years ago," he said.

Mr Blye agrees a single ordinance supervising both banks and DTCs can "simplify things and make the job of the Commissioner of Banking easier".

He also agrees there are more weaknesses in the DTC
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