The Foundations of Hong Kong’s Banking Regulation and Supervision: Challenges of Internationalisation in the 1970s and 1980s

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Hong Kong’s banking system has historically been prone to repeated crises that prompted slow and piecemeal regulatory responses. Hong Kong’s unusual institutional framework, without a central bank and with a financial secretariat reluctant to take consistent responsibility for the banking system, created opportunities for regulatory capture by incumbent banks. Importantly, the emergence of the 3-tiered system of financial institutions in the 1970s created supervisory vulnerabilities that culminated in the expensive and prolonged banking crises from 1982-86. Drawing on archival records from Hong Kong, USA, UK and Switzerland, this paper explores the turning points in the development of the regulatory framework, identifying evidence of regulatory capture and regulatory competition during a period of rapid internationalisation of financial markets.

Catherine Schenk AcSS, FRHS is Professor of International Economic History at the University of Glasgow and is currently visiting Research Fellow at the Hong Kong Institute for Monetary Research. She is Associate Fellow of Chatham House, London, and has been visiting researcher at the International Monetary Fund. Her research focuses on international monetary and banking relations since 1945 including International Economic Relations since 1945 (Routledge, 2011), The Decline of Sterling (Cambridge, 2010), Hong Kong SAR’s Monetary and Exchange Rate Challenges (Palgrave, 2009). Her current project funded by the UK Economic and Social Research Council, is on the development of international banking regulation 1961-82 (www.bank-reg.co.uk).

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