

005
TON

1112

UNIVERSITY OF MACAU

FACULTY OF BUSINESS ADMINISTRATION

***PRELIMINARY STUDY ON
BANKING POLICIES AND PRACTICES
IN MACAU***

Thesis presented to Faculty of
Business Administration, the
University of Macau for the
granting of the MBA degree in
Banking and Finance

Tóng Sok Hán, Sylvia

1997

Contents

ABSTRACT	I
ACKNOWLEDGEMENTS	II
LIST OF TABLES	IX
LIST OF FIGURES	XIII
CHAPTER ONE: GENERAL INTRODUCTION	1
1.1 MOTIVATION AND OBJECTIVES.....	1
1.2 SCOPE OF THE STUDY	1
1.3 DEFINITIONS OF TERMINOLOGY.....	1
1.4 LIMITATIONS OF THE STUDY.....	2
1.5 ORGANISATION OF THE REPORT	2
CHAPTER TWO: REVIEW OF EXISTING LITERATURE	4
2.1 SUMMARY OF THE EXISTING RESEARCHES IN HONG KONG.....	5
2.1.1 <i>Tying of Mortgage and Fire Insurance</i>	5
2.1.2 <i>Analysis of Information Disclosure Practices by Banks in Hong Kong</i>	6
2.2 GENERAL CONCLUSIONS OF THE EXISTING RESEARCH	7
CHAPTER THREE: ECONOMIC ENVIRONMENT OF MACAU	8
3.1 STRUCTURE OF THE MACAU ECONOMY.....	9
3.2 CONSTRUCTION SECTOR.....	9
3.3 FINANCE & BANKING SECTOR.....	11
3.4 TOURISM SECTOR	12
3.5 MANUFACTURING SECTOR	14
CHAPTER FOUR: BANKING SYSTEM OF MACAU	15
4.1 DEFINITION OF A BANK	15
4.2 DEVELOPMENT OF BANKING SYSTEM OF MACAU	15
4.2.1 <i>Regulatory Framework</i>	15
4.2.2 <i>Banking and Monetary Control</i>	21
4.2.3 <i>Bank Crises</i>	26
4.2.4 <i>Clearing House</i>	27

4.2.5 <i>Macau Association of Banks</i>	28
4.2.6 <i>The Macau Financial Markets Association (formerly the Foreign Exchange Club of Macau)</i>	29
4.3 APPLICATION OF TECHNOLOGY.....	29
4.4 TYPES OF BANKS	33
4.5 SOURCE AND APPLICATION OF FUNDS	34
4.6 TRADING AND OPERATING COSTS AND INCOMES.....	37
4.7 HUMAN RESOURCES	41
4.8 FEATURES OF BANKING SYSTEM OF MACAU	42
CHAPTER FIVE: BANKING POLICIES AND PRACTICES	45
5.1 GENERAL INTRODUCTION.....	45
5.1.1 <i>Objectives</i>	45
5.1.2 <i>Hypotheses</i>	45
5.1.3 <i>Source and Methodology of Study</i>	46
5.1.4 <i>Source and Data Collection</i>	46
5.2 TYING MORTGAGE LOANS IN FIRE INSURANCE	48
5.2.1 <i>Introduction</i>	48
5.2.2 <i>Objectives</i>	48
5.2.3 <i>Hypotheses</i>	49
5.2.4 <i>Methodology</i>	49
5.2.5 <i>Sources and Data Collection</i>	49
5.2.6 <i>Possible Effects</i>	49
5.2.7 <i>Summary</i>	55
5.3 INFORMATION DISCLOSURE	56
5.3.1 <i>Introduction</i>	56
5.3.2 <i>Objectives</i>	56
5.3.3 <i>Methodology</i>	56
5.3.4 <i>Source and Data Collection</i>	57
5.3.5 <i>Financial Information Disclosure</i>	57
5.3.6 <i>Other Information: Interest Rate and Bank Charges</i>	62
5.3.7 <i>Summary</i>	64
5.4 EDUCATION AND TRAINING	66
5.4.1 <i>Introduction</i>	66
5.4.2 <i>Objectives</i>	68
5.4.3 <i>Research Result</i>	68
5.4.4 <i>Key Conclusion</i>	75

5.4.5 Summary.....	77
CHAPTER SIX : GENERAL CONCLUSIONS.....	78
6.1 CONCLUSION	78
6.2 SUGGESTED AREAS FOR FURTHER RESEARCH	78
6.2.1 Suggested Improvement.....	79
6.2.2 Suggested Study Areas.....	80
REFERENCES	R - 1
APPENDIXES	A - 1
APPENDIX 3.3.1: LIST OF AUTHORISED CREDIT INSTITUTIONS AT THE BEGINNING OF 1997	A - 1
APPENDIX 3.3.2: LIST OF AUTHORISED INSURANCE COMPANIES AT THE BEGINNING OF 1997.....	A - 3
APPENDIX 5.1.1: INITIAL QUESTIONNAIRES FOR AMCM (SENT IN OCTOBER 1996).....	A - 4
APPENDIX 5.1.2: INITIAL QUESTIONNAIRES FOR SELECTED BANKS (SENT IN OCTOBER 1996).....	A - 8
APPENDIX 5.1.3: FINALIZED QUESTIONNAIRES FOR AMCM (SENT IN JANUARY 1997)	A - 14
APPENDIX 5.1.4: FINALIZED QUESTIONNAIRES FOR BANKS (SENT IN MARCH 1997).....	A - 17
APPENDIX 5.2.1: DIFFERENCES BETWEEN THE REFERENCE BOOK AND THIS SURVEY.....	A - 30
APPENDIX 5.2.2: GENERAL INFORMATION OF THE FOLLOWING APPENDIXES	A - 31
APPENDIX 5.2.3: THE PENALTIES.....	A - 32
APPENDIX 5.2.4: MORTGAGE LOAN COST	A - 39
APPENDIX 5.2.5: THE INSURANCE COST.....	A - 45
APPENDIX 5.2.6: TOTAL LENDING COST	A - 49
APPENDIX 5.3.1: THE DIFFERENCE OF METHODOLOGY BETWEEN THE REFERENCE BOOK AND THIS SURVEY	A - 52
APPENDIX 5.3.2: REGULATION OF DISCLOSURE OF INFORMATION IN MACAU.....	A - 53
APPENDIX 5.3.3: REGULATION OF PUBLICATION OF FINANCIAL INFORMATION IN HONG KONG	A - 55
APPENDIX 5.3.4: FINANCIAL RATIOS FOR EVALUATING BANK PERFORMANCE.....	A - 56
APPENDIX 5.3.5: SUMMARY OF OPINION TOWARDS DISCLOSED FINANCIAL INFORMATION	A - 59
APPENDIX 5.3.6: CROSS-COUNTRY COMPARISONS OF INFORMATION DISCLOSURE PRACTICES BY BANKS IN UNITED STATES (US), UNITED KINGDOM (UK), JAPAN (JAP), SINGAPORE (SG), HONG KONG (HK) AND MACAU (MO).....	A - 61
APPENDIX 5.3.7: CROSS-COUNTRY COMPARISONS OF INFORMATION DISCLOSURE PRACTICES BY BANKS IN UNITED STATES (US), UNITED KINGDOM (UK), JAPAN (JAP), SINGAPORE (SG), HONG KONG (HK)	

AND MACAU (MO).....	A - 62
APPENDIX 5.3.8: DISCLOSURE PRACTICES OF INTEREST RATES AND BANK CHARGES IN MACAU.....	A - 64
APPENDIX 5.3.9: DISCLOSURE PRACTICES OF INTEREST RATES AND BANK CHARGES IN HONG KONG.....	A - 66
APPENDIX 5.3.10: SUMMARY OF OPINION ON DISCLOSURE OF OTHER INFORMATION.....	A - 67
APPENDIX 5.3.11: THE PRO AND CON OF SIX DELIVERY METHODS.	A - 69
APPENDIX 5.4.1: THE EXPECTED AND ACTUAL DATA FOR THE KNOWLEDGE AND QUALIFICATION OF THE EMPLOYEE	A - 73
APPENDIX 5.4.2. TRAINING METHODS	A - 74
APPENDIX 5.4.3: TRAINING DURATION	A - 75
 TABLES	 T - 1