

# The Hong Kong Bond Market in 2022

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## Part 1: Overview of Hong Kong's bond market

The performance of the three key segments of the Hong Kong bond market in 2022 – Hong Kong dollar (HKD), offshore renminbi (CNH) and G3<sup>1</sup> – is summarised in Box 1 below in equivalent US dollar terms<sup>2</sup>. Given the differences in scope and methodology, figures for the three segments are not directly comparable.

### Box 1 Hong Kong bond market at a glance

US\$ billion	HKD debt securities <sup>3</sup>	CNH debt securities <sup>4</sup>	G3 Asian international bond issuances <sup>5</sup>
Outstanding size at end-2022	169.9 (141.1)	137.6 (92.9)	716.9
Of which: corporate issuance <sup>6</sup>	139.1 (110.4)	111.8 (67.1)	700.9
New issuance in 2022	115.6 (66.3)	99.7 (46.0)	89.2
Of which: corporate issuance	104.5 (55.2)	76.8 (23.1)	88.5

Note: Figures may not add up to the corresponding totals due to rounding and may be subject to revisions. The G3 bond figures do not include certificates of deposit (CDs). For HKD and CNH, figures in brackets exclude CDs.

<sup>1</sup> Refers to bonds denominated in US dollars, euro or Japanese yen.

<sup>2</sup> In this article, unless otherwise specified, foreign exchange conversion is based on US dollar exchange rates at the end of December 2022 published by the Bank for International Settlements.

<sup>3</sup> Sources: Bloomberg, Central Moneymarkets Unit, Dealogic, Reuters and HKMA staff estimates. In this article, unless otherwise specified, all HKD debt securities figures exclude Exchange Fund Bills and Notes (EFBN). The classification of CDs/non-CDs is based on information from source.

<sup>4</sup> Sources: Bloomberg, Central Moneymarkets Unit, Dealogic, Reuters and HKMA staff estimates. The classification of CDs/non-CDs is based on information from source.

<sup>5</sup> Sources: Dealogic and HKMA staff estimates. See footnote 7 for more detail.

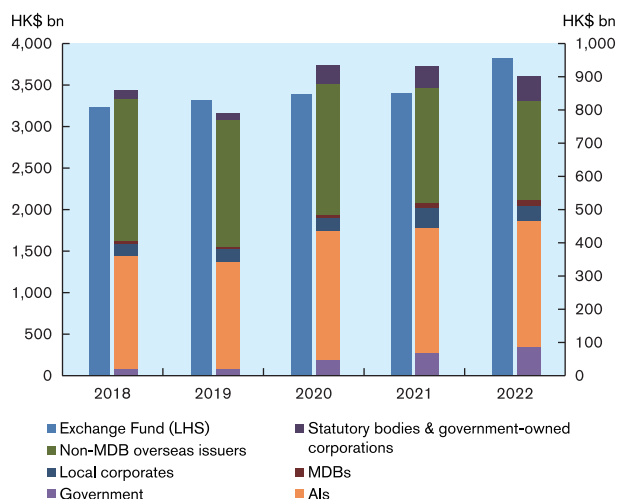
<sup>6</sup> In this article, unless otherwise specified, corporate issuance excludes those issued by sovereign, provincial and local governments.

## Hong Kong's local currency (HKD) market (detailed statistics at Appendix)

In 2022, total new issuance of HKD debt securities decreased by 3.1% year on year to HK\$901.7 billion (US\$115.6 billion) (Chart 1). Authorized Institutions (AIs) and non-multilateral development bank (MDB) overseas issuers continued to be the most active categories of issuers in volume terms, accounting for about 42% and 33% of new issuance in 2022 respectively. During the year, HKD Government bond issuance increased to HK\$86.8 billion (US\$11.1 billion), including HK\$20 billion (US\$2.6 billion) of retail green bonds. Statutory bodies and government-owned corporations expanded their issuance by around 17%.

CHART 1

### New issuance of HKD debt securities in Hong Kong (by type of issuer)

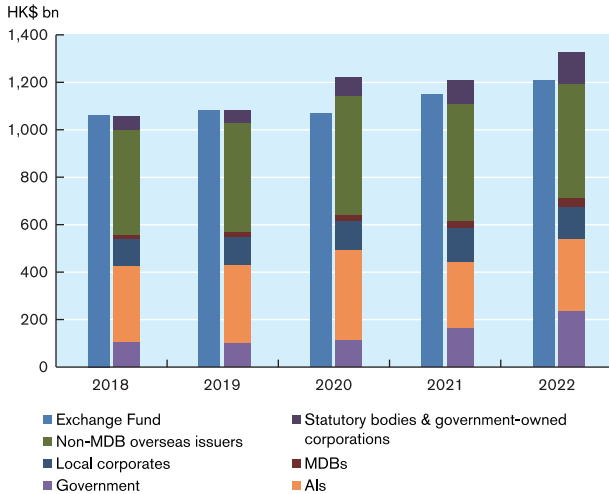


Sources: Bloomberg, Central Moneymarkets Unit, Dealogic, Reuters and HKMA staff estimates.

Total outstanding HKD debt securities increased by 9.6% to HK\$1,324.4 billion (US\$169.9 billion) at end-2022 (Chart 2).

**CHART 2**

**Outstanding size of HKD debt securities in Hong Kong (by type of issuer)**



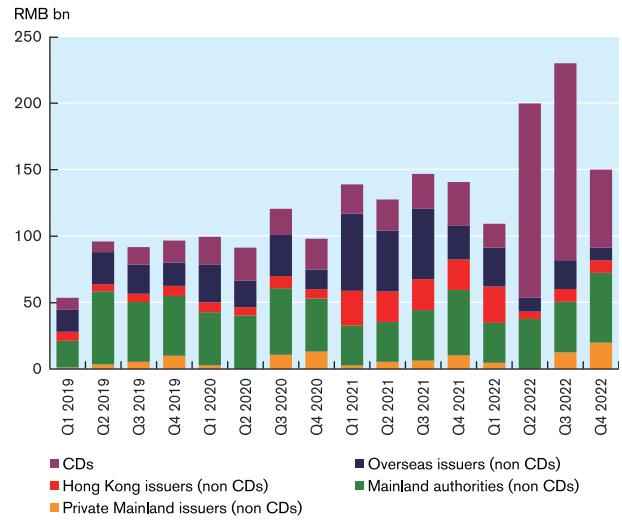
Sources: Bloomberg, Central Moneymarkets Unit, Dealogic, Reuters and HKMA staff estimates.

**Hong Kong's CNH market**

The CNH debt market in Hong Kong continued to expand in 2022. Total new issuance increased 24% year on year to RMB688.0 billion (US\$99.7 billion). The rise was mainly driven by a surge in the issuance of certificates of deposit (CDs) (by 255%), which more than offset the reduction in non-CD issuance (Chart 3).

**CHART 3**

**New issuance of CNH debt securities in Hong Kong (by type of issuer)**

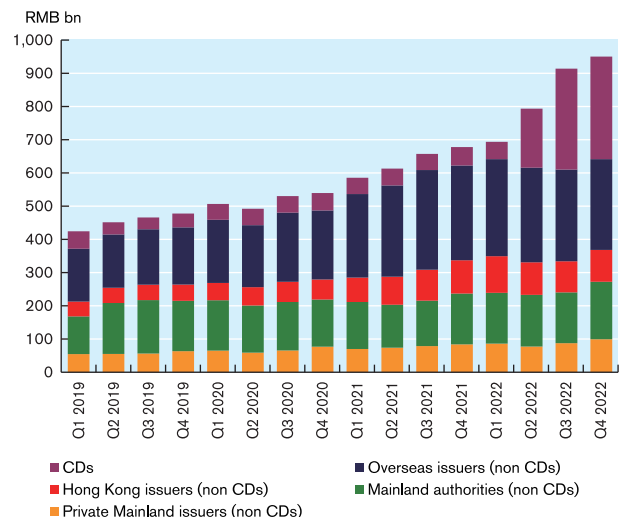


Sources: Bloomberg, Central Moneymarkets Unit, Dealogic, Reuters and HKMA staff estimates.

As a result, the total outstanding amount of CNH debt securities recorded a 40% year-on-year increase to RMB949.3 billion (US\$137.6 billion) at the end of 2022 (Chart 4).

**CHART 4**

**Outstanding size of CNH debt securities in Hong Kong (by type of issuer)**



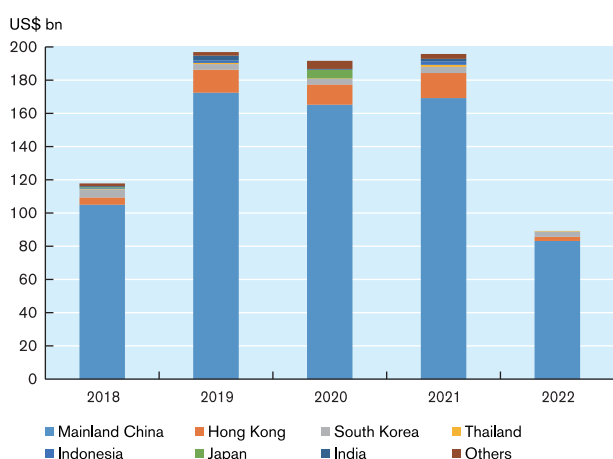
Sources: Bloomberg, Central Moneymarkets Unit, Dealogic, Reuters and HKMA staff estimates.

## Hong Kong's G3 bond market

Unprecedented interest rate hikes by major central banks in 2022 resulted in a substantial contraction of the G3 bond market globally. G3 bonds issued in Hong Kong<sup>7</sup> decreased in tandem with the broader regional market, by 54% year on year to US\$89.2 billion in 2022. Nonetheless, Hong Kong continued to capture the largest share (over 30%) of total G3 issuances from Asia. Total outstanding G3 bonds in Hong Kong stood at US\$716.9 billion at end-2022 (Chart 5), with Mainland issuers accounting for the vast majority (93%) of the G3 issuance in Hong Kong.

CHART 5

### New issuance of G3 bonds in Hong Kong (by issuer nationality)



Sources: Dealogic and HKMA staff estimates.

## Part 2: Key trends and developments in 2022

### Breakthroughs in Government bond issuances

The HKMA continued to implement the Government Bond Programme and Government Green Bond Programme (GGBP) to further promote the sustainable development of Hong Kong's bond market. Major breakthroughs in the past year included:

- Among 14 tenders of institutional government bonds (GBs) with total nominal value of HK\$21.8 billion, the HKMA arranged the inaugural issuance of HK\$0.5 billion 20-year GBs to further extend the local yield curve, and two switch tenders to re-open the HK\$2.0 billion three-year GBs in exchange for the early redemption of 15-year GBs to enhance market liquidity. At the end of 2022, the total nominal amount of outstanding institutional GBs was HK\$95.3 billion.
- On the retail front, the HKMA arranged the issuance in September of HK\$45 billion in Silver Bond with a tenor of three years to Hong Kong senior residents. The Silver Bond issuance attracted more than 289,600 applications with a subscription amount of over HK\$62.4 billion. The HKMA also arranged the inaugural HK\$20 billion retail green bond issuance in May 2022, which attracted more than 488,300 applications with a subscription amount of over HK\$32.5 billion. At the end of 2022, the total nominal amount of retail GBs outstanding was HK\$143.3 billion.

<sup>7</sup> This comprises G3 bonds by Asian issuers whose main location of arrangement is Hong Kong, excluding CDs. In line with the methodology adopted by the International Capital Market Association, the main location of arrangement is the jurisdiction where more than 50% of the lead managers of a deal come from. If two jurisdictions tie for a deal, the averaged nominal amount of the bond is calculated.

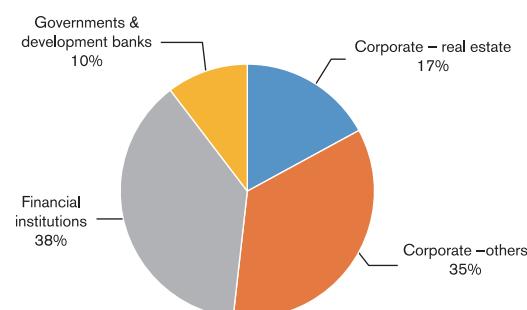
- The HKMA continued with regular institutional government green bond issuances in the 2022-23 financial year, issuing US\$5.75 billion equivalent of green bonds in early January 2023, the largest ESG bond issuance in Asia. The triple-currency issuance covered US dollar, euro and renminbi tranches in multiple tenors ranging from two to 30 years, thus continuing to provide important benchmarks for potential issuers in Hong Kong and the region. It is particularly noteworthy that the renminbi tranches were doubled in size to a total of RMB10 billion to cater for investor demand, and attracted increased participation from international and Mainland investors through the Southbound Bond Connect, demonstrating Hong Kong's position as the leading offshore renminbi hub, and further consolidating its leading role as an international finance centre.
- An innovative issuance format, the tokenised bond issuance, was also successfully tested under the GGBP. Built on the HKMA's Project Genesis, a proof-of-concept study completed in collaboration with the Bank for International Settlements Innovation Hub Hong Kong Centre in 2021, the bond was successfully issued in February 2023, making it the world's first tokenised government green bond. The use of distributed ledger technology was applied to the primary issuance and settlement processes shortening the settlement cycle to T+1, and will be trialled in the settlement of secondary trading, asset servicing, and redemption during the one-year bond tenor. A whitepaper will be issued to summarise the experience learnt from the issuance, set out the next steps and provide a blueprint for issuing tokenised bonds in Hong Kong.

## Resilience of green and sustainable market

Green and sustainable finance (GSF) proved to be a resilient segment of Hong Kong's debt market. According to the International Capital Market Association (ICMA)<sup>8</sup>, the volume of green and sustainable bonds arranged in Hong Kong amounted to US\$27.8 billion in 2022, accounting for 35% of the Asian green and sustainable bond market. Year on year, while the overall volume of bonds arranged in Hong Kong almost halved, the green and sustainable segment remained relatively stable with a modest 11% decrease in issuance. Around 90% of the issuance in Hong Kong was by private sector issuers, with corporates other than real-estate developers and financial institutions each taking up more than one third of the market (Chart 6). Mainland entities issued 84% of the bonds by issuance size.

CHART 6

### Industry composition of green and sustainable bonds arranged in Hong Kong



Sources: Dealogic and HKMA staff estimates.

Alongside bonds, green and sustainable loans are another important and fast-growing form of green financing. Total green and sustainable debt (including both bonds and loans) issued in Hong Kong increased by over 40% to reach US\$80.5 billion in 2022 (Box 2).

<sup>8</sup> <https://www.icmagroup.org/assets/documents/About-ICMA/APAC/ICMA-The-Asia-International-Bond-Markets-Developments-and-Trends-March-2023-ENG-290323v2.pdf>

## Box 2 Green and sustainable debt issued in Hong Kong in 2022

Type of green and sustainable debt	2022 volume (US\$ billion)	2021 volume (US\$ billion)	Year-on-year change (%)
Bonds <sup>9</sup>	27.8	31.3	-11.2%
Loans <sup>10</sup>	52.7	25.2	+109.1%
<b>Total</b>	<b>80.5</b>	<b>56.5</b>	<b>+42.5%</b>

Note: Figures may not add up to the corresponding totals due to rounding and may be subject to revisions.

Sources: ICMA (for bonds), LoanConnector and HKMA staff estimates (for loans).

During the year, the HKMA continued to work on strengthening the resilience of the financial system against climate risks, as well as enhancing the GSF ecosystem with a particular focus on filling the gaps in knowledge, talent and data.

- By the end of 2022, a total of close to US\$10 billion equivalent of green bonds, comprising institutional and retail bonds with different currencies and tenors, was issued under the GGBP, helping to set benchmarks and create demonstration effect. The proceeds have been allocated to over 40 green projects in Hong Kong, including green buildings, waste management and resource recovery, energy efficiency and conservation.
- In particular, retail green bonds were issued for the first time in May 2022 to enable residents to participate in, and share the benefits of, Hong Kong's sustainable development through investment. The HK\$20 billion inaugural retail green bond was well received by the public and was the world's largest retail green bond at issuance. This has broadened the variety of

green and sustainable financial products in Hong Kong, reinforcing the city's position as a premier green finance hub both regionally and internationally.

- The HKMA continued to administer the Green and Sustainable Finance Grant Scheme to support corporates looking to issue green and sustainable debt instruments in Hong Kong and support the development of green advisors and external reviewers in Hong Kong. By March 2023, over 220 green and sustainable debt instruments totalling over US\$70 billion had benefited from the scheme. The scheme was also enhanced during the year to facilitate small and medium-sized enterprises in various sectors to obtain green financing.

## Issuance of bonds in Hong Kong by Mainland local governments and corporates

Throughout the year, Hong Kong continued to perform well as the premier fund-raising platform for Mainland local governments and corporates. Following its inaugural issuance in 2021, the Shenzhen Municipal People's Government issued another RMB5 billion of offshore municipal government bonds in Hong Kong in November 2022, including RMB2.6 billion of green and blue bonds<sup>11</sup>. In the same month, the People's Government of Hainan Province also conducted its inaugural issuance of RMB5 billion offshore bonds in Hong Kong, comprising blue and sustainable bonds. These issuances utilised the issuance services of the Central Moneymarkets Unit (CMU) and reaffirmed Hong Kong's unique role in facilitating green and sustainable capital flows between the Mainland and the rest of the world.

<sup>9</sup> Refers to green and sustainable bonds arranged in Hong Kong. The main location of arrangement is the jurisdiction in which more than 50% of the lead managers of a deal come from; if two jurisdictions tie for a deal, the averaged nominal amount of the bond is calculated.

<sup>10</sup> Refers to green and sustainable loans issued in Hong Kong. The issuing location is the location of the bank branches which represent the majority of the lender commitments.

<sup>11</sup> The proceeds of the blue bonds will mainly be used for maritime economy and marine protection projects.

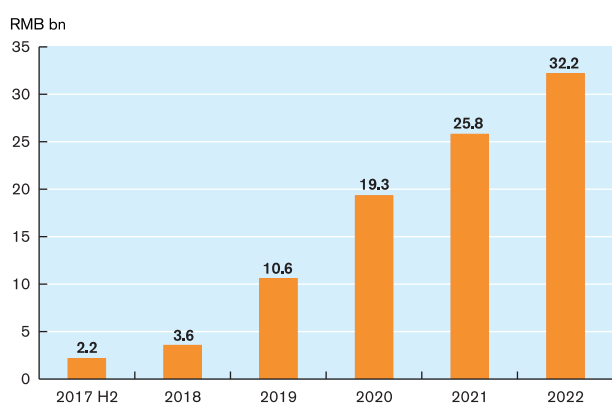
The HKMA and other local regulators and market players have also collaborated with relevant Mainland authorities on various initiatives to promote Hong Kong's bond platform. For example, in September 2022, the HKMA jointly organised a seminar with the Development and Reform Commission of Guangdong Province to examine the role of bond financing in supporting the development of the Greater Bay Area, as well as the future development direction of the dim sum bond market in Hong Kong. In June 2022, the HKMA and the Hong Kong Exchanges and Clearing Limited collaborated with the Guangzhou Branch of the People's Bank of China (PBoC) to launch the "Guide for Mainland corporates to issue green bonds in Hong Kong", which provides operational guidance for Mainland corporates seeking to issue green bonds in Hong Kong.

### Bond Connect strengthening Hong Kong's gateway function

Northbound Trading under Bond Connect continued to serve as a major channel for foreign investors to invest in the onshore bond market, accounting for 61% of foreign investors' annual total turnover in the China Interbank Bond Market. During the year, Northbound Trading recorded significant growth, with average daily turnover increasing by 25% from 2021 to over RMB32 billion (Chart 7).

CHART 7

#### Northbound trading average daily turnover



Source: HKMA.

Taking into account market feedback and operational needs, various technical enhancements were introduced to Northbound Trading in July 2022, including digitalisation of investors' participation in onshore primary issuance and a reduction in service fees. These market-oriented enhancements raised operational efficiency and lowered trading costs for investors under Northbound Trading.

Alongside the expansion of foreign investments in the Mainland bond market, the demand for a wider range of risk management tools is also growing. Swap Connect, which establishes mutual access between interest rate swap markets in Hong Kong and the Mainland, was announced in July 2022. With Northbound Trading commencing first in the initial phase, Swap Connect will complement Bond Connect and provide a convenient and secure channel for international investors to trade interest rate swap products in the Mainland via a connection between infrastructure institutions in the two places, thereby facilitating investors' management of interest rate risks for their onshore bond investments. The HKMA is liaising closely with Mainland authorities on the provision of more diversified risk management tools, including the introduction of offshore Mainland government bond futures, with a view to facilitating the deeper opening-up of the Mainland bond market and strengthening Hong Kong's status as a risk management centre.

Southbound Trading under Bond Connect has received positive response and operations have been smooth since its launch in September 2021, with transactions covering major bond products tradeable in the Hong Kong market and denominated in multiple currencies. Southbound Trading has also contributed to the growth of the offshore renminbi market, in particular the pickup in renminbi-denominated debt securities issuance, strengthening Hong Kong's lead as the largest centre for offshore renminbi financing activities. The HKMA is working closely with relevant Mainland authorities to explore possible enhancements under Southbound Trading, to further enrich the Hong Kong bond market.

## Strengthened central securities depository (CSD) services to support Hong Kong's bond market development

The CMU provides vital financial market infrastructure to support the bond market in Hong Kong, particularly Bond Connect. Each year, the Ministry of Finance of the People's Republic of China and the PBoC issue sovereign bonds and bills in Hong Kong and adopt the tendering and issuance services provided by the CMU. Various local, overseas and international financial institutions, corporates and government bodies also utilised the issuance service of the CMU to issue bonds in Hong Kong last year. Over the years, the CMU has been the CSD for offshore renminbi issuances, and has also seen more bond activities in other major currencies using its CSD services through the efficient linkages with international CSDs and other local CSDs.

To further facilitate the bond market development in Hong Kong, the CMU introduced last year another liquidity management tool, the collateralised lending service, to offer free intra-day liquidity during primary bond issuance to CMU participants. This does not only help financial institutions take part in primary issuance to ease their liquidity management pressure; it also assists in boosting the primary issuance in Hong Kong. In turn, this offers Mainland institutional investors more bond products to invest into. By the end of 2022, the service had assisted offshore renminbi bond issuance in Hong Kong with a total aggregate amount of RMB16.6 billion. Together with other service enhancements to facilitate issuers and investors to participate in the Hong Kong bond market, in 2022, the number of new offshore renminbi bond issuance in the CMU increased by 288% year on year to reach 742 and the number of US dollar bond issuance doubled that in 2021 to 352.

In addition, the CMU has been implementing a series of system enhancements and service upgrades to better serve market participants. In the short term, streamlined and automated operational processes and a new front-end interface will be introduced to improve operational efficiency. In the long term, the CMU platform will be modernised to increase its capabilities and flexibility to support multi-currency clearing and settlement as well as strengthened collateral management. The modernised platform will be able to support 24-hour operation. As the CMU continues to develop its capacity and linkages with more jurisdictions, it will further consolidate Hong Kong's gateway function to secure greater connectivity between the Mainland and international financial markets.

## APPENDIX

**Table A1: Issuance of Hong Kong dollar debt instruments in the past ten years (in HK\$ million)**

	(A)	(B)	(A) + (B)	(C)	(D)	(E)	(F)	(G)	(C) to (G)	
	Exchange Fund	Government	Public Segment (year-on-year rate of change)	Als	Local corporates	MDBs	Non-MDB overseas issuers	Statutory bodies & government-owned corporations	Non-public Segment (year-on-year rate of change)	Total (year-on-year rate of change)
<b>2013</b>	2,123,448	30,000	2,153,448 (14.7%)	143,978	19,638	940	28,105	10,665	203,326 (-19.6%)	<b>2,356,774 (10.6%)</b>
<b>2014</b>	2,177,293	30,800	2,208,093 (2.5%)	124,248	28,871	1,337	57,818	9,647	221,921 (9.1%)	<b>2,430,015 (3.1%)</b>
<b>2015</b>	2,242,206	30,400	2,272,606 (2.9%)	136,350	12,481	0	60,564	12,015	221,410 (-0.2%)	<b>2,494,017 (2.6%)</b>
<b>2016</b>	2,729,092	29,400	2,758,492 (21.4%)	180,346	15,431	5,529	111,339	20,898	333,543 (50.6%)	<b>3,092,034 (24.0%)</b>
<b>2017</b>	3,000,429	19,600	3,020,029 (9.5%)	185,892	9,316	3,230	95,292	21,542	315,271 (-5.5%)	<b>3,335,300 (7.9%)</b>
<b>2018</b>	3,232,955	19,600	3,252,555	342,541	34,618	9,048	430,313	23,702	840,221	<b>4,092,776</b>
<b>2019</b>	3,319,339	20,400	3,339,739 (2.7%)	323,152	39,380	6,295	379,889	20,910	769,625 (-8.4%)	<b>4,109,364 (0.4%)</b>
<b>2020</b>	3,392,689	48,200	3,440,889 (3.0%)	390,218	36,522	11,335	392,191	54,726	884,991 (15.0%)	<b>4,325,880 (5.3%)</b>
<b>2021</b>	3,403,874	69,400	3,473,274 (0.9%)	376,505	59,145	17,055	343,609	64,379	860,693 (-2.7%)	<b>4,333,967 (0.2%)</b>
<b>2022</b>	3,818,738	86,800	3,905,538 (12.4%)	379,794	45,976	16,938	296,902	75,255	814,866 (-5.3%)	<b>4,720,404 (8.9%)</b>
<b>2022 (US\$ billion)</b>	489.8	11.1	500.9	48.7	5.9	2.2	38.1	9.7	104.5	<b>605.4 (excluding EFBN: 115.6)</b>



**Table A2: Outstanding size of Hong Kong dollar debt instruments in the past ten years (in HK\$ million)**

	(A)	(B)	(A) + (B)	(C)	(D)	(E)	(F)	(G)	(C) to (G)	
	Exchange Fund	Government	Public Segment (year-on-year rate of change)	Als	Local corporates	MDBs	Non-MDB overseas issuers	Statutory bodies & government-owned corporations	Non-public Segment (year-on-year rate of change)	Total (year-on-year rate of change)
<b>2013</b>	751,151	91,500	842,651 (16.1%)	252,053	88,896	10,214	185,790	39,816	576,769 (-1.0%)	<b>1,419,420 (8.5%)</b>
<b>2014</b>	752,630	98,000	850,630 (0.9%)	233,444	96,486	6,101	182,161	40,990	559,181 (-3.0%)	<b>1,409,812 (-0.7%)</b>
<b>2015</b>	828,421	100,400	928,821 (9.2%)	239,870	95,581	5,301	204,114	43,351	588,216 (5.2%)	<b>1,517,037 (7.6%)</b>
<b>2016</b>	963,098	102,791	1,065,889 (14.8%)	271,352	99,424	10,550	233,342	50,010	664,677 (13.0%)	<b>1,730,566 (14.1%)</b>
<b>2017</b>	1,048,479	106,320	1,154,799 (8.3%)	241,071	99,020	9,854	243,697	53,647	647,290 (-2.6%)	<b>1,802,089 (4.1%)</b>
<b>2018</b>	1,062,715	107,368	1,170,083	319,663	113,856	17,917	442,763	54,787	948,986	<b>2,119,069</b>
<b>2019</b>	1,082,062	100,135	1,182,197 (1.0%)	331,269	116,806	21,222	462,141	52,229	983,666 (3.7%)	<b>2,165,863 (2.2%)</b>
<b>2020</b>	1,068,130	116,501	1,184,631 (0.2%)	376,644	124,985	26,514	497,526	77,909	1,103,578 (12.2%)	<b>2,288,209 (5.6%)</b>
<b>2021</b>	1,148,617	168,183	1,316,800 (11.2%)	274,592	144,714	29,282	493,436	97,971	1,039,995 (-5.8%)	<b>2,356,795 (3.0%)</b>
<b>2022</b>	1,207,498	238,594	1,446,092 (9.8%)	303,509	134,828	36,700	480,164	130,612	1,085,813 (4.4%)	<b>2,531,905 (7.4%)</b>
<b>2022 (US\$ billion)</b>	154.9	30.6	185.5	38.9	17.3	4.7	61.6	16.8	139.3	<b>324.7 (excluding EFBN: 169.9)</b>

Note to the tables:

Figures may not add up to the corresponding totals due to rounding and may be subject to revisions.

Sources: HKMA staff estimates based on data from Bloomberg, Central Moneymarkets Unit, Dealogic, and Reuters. The debt securities statistics from 2018 are reclassified in accordance with the latest international statistical standards set out in the Handbook of Securities Statistics published by the Bank for International Settlements, the International Monetary Fund and the European Central Bank. They may not be comparable with statistics previously published in this report.

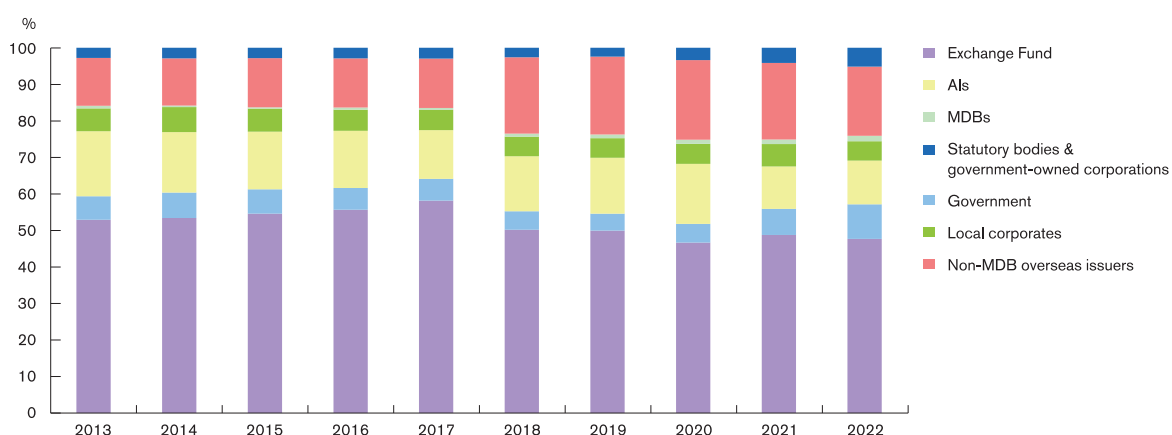
CHART A1

## Proportions of Hong Kong dollar debt issuance activities in the past 10 years (by type of issuers)



CHART A2

## Proportions of outstanding Hong Kong dollar debt instruments in the past 10 years (by type of issuers)



## Notes:

1. Authorized institutions (AIs) include licensed banks, restricted licence banks and deposit-taking companies.
2. Multilateral Development Banks (MDBs) refer to the Asian Development Bank, the Council of Europe Development Bank (formerly known as the Council of Europe Social Development Fund), the European Company for the Financing of Railroad Rolling Stock, the European Investment Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, the African Development Bank, the Nordic Investment Bank, and the CAF - Development Bank of Latin America. Income earned on Hong Kong dollar debt securities issued by the MDBs is exempt from profits tax.
3. Statutory bodies and government-owned corporations include Bauhinia Mortgage-backed Securities Limited, The Hong Kong Mortgage Corporation, Airport Authority Hong Kong, Hong Kong Link 2004 Limited, Kowloon-Canton Railway Corporation, MTR Corporation Limited, Hong Kong Interbank Clearing Limited, Urban Renewal Authority, Hong Kong Housing Society, and the Hong Kong Science and Technology Parks Corporation. It should be noted that while the issuers are public bodies in the legal sense, they are typically considered as non-public issuers by the market. Hence, they are categorised under the "non-public" segment in the tables above.
4. Figures may not add up to the corresponding totals due to rounding and may be subject to revisions.
5. The debt securities statistics from 2018 are reclassified in accordance with the latest international statistical standards set out in the Handbook of Securities Statistics published by the Bank for International Settlements, International Monetary Fund and European Central Bank. They may not be comparable with statistics previously published in this report.