



HONG KONG MONETARY AUTHORITY
香港金融管理局

Briefing to the Legislative Council Panel on Financial Affairs

6 May 2024

Discussion Topics



Updates on

- Financial and Economic Environment
- Currency Stability
- Banking Stability
- Financial Infrastructure
- Hong Kong as an International Financial Centre
- Investment Environment and Performance of the Exchange Fund
- The Hong Kong Mortgage Corporation Limited



Financial and Economic Environment

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Global economic growth forecasts



Real GDP Growth

(% year-on-year)

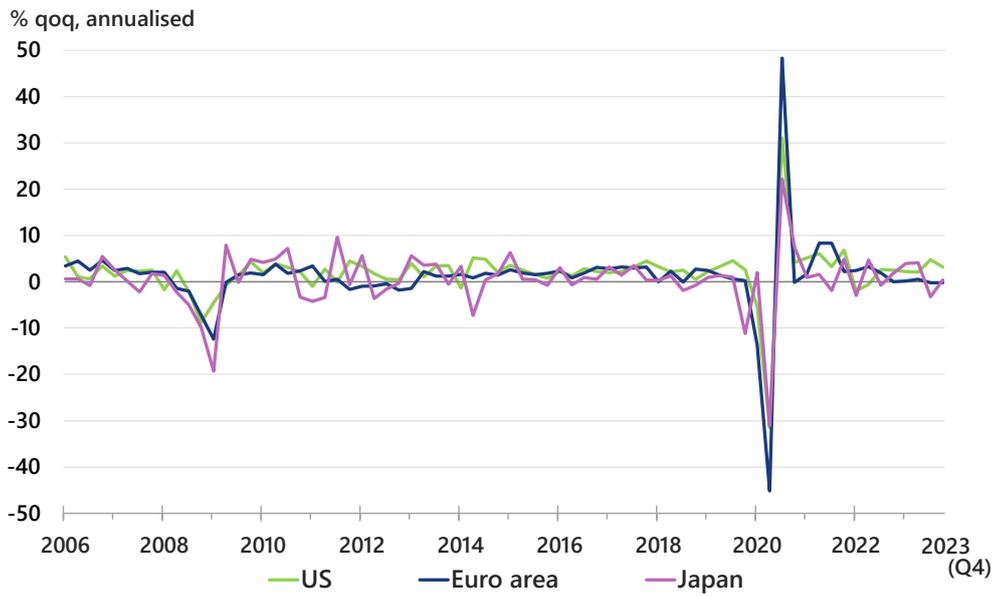
| | 2023 | 2024 Forecasts | 2025 Forecasts |
|-----------------|------|-------------------|-------------------|
| US | 2.5 | 2.3 | 1.7 |
| Euro area | 0.4 | 0.5 | 1.4 |
| Japan | 1.9 | 0.6 | 1.2 |
| Asia (ex-Japan) | 4.9 | 4.6 | 4.4 |
| Mainland China | 5.2 | 4.7 | 4.4 |
| Hong Kong | 3.2 | 2.5-3.5 (*) | N.A. |

(*) Latest forecast by the HKSAR Government on 28 Feb 2024.

Sources: Apr 2024 Consensus Forecasts and the Office of the Government Economist, HKSAR

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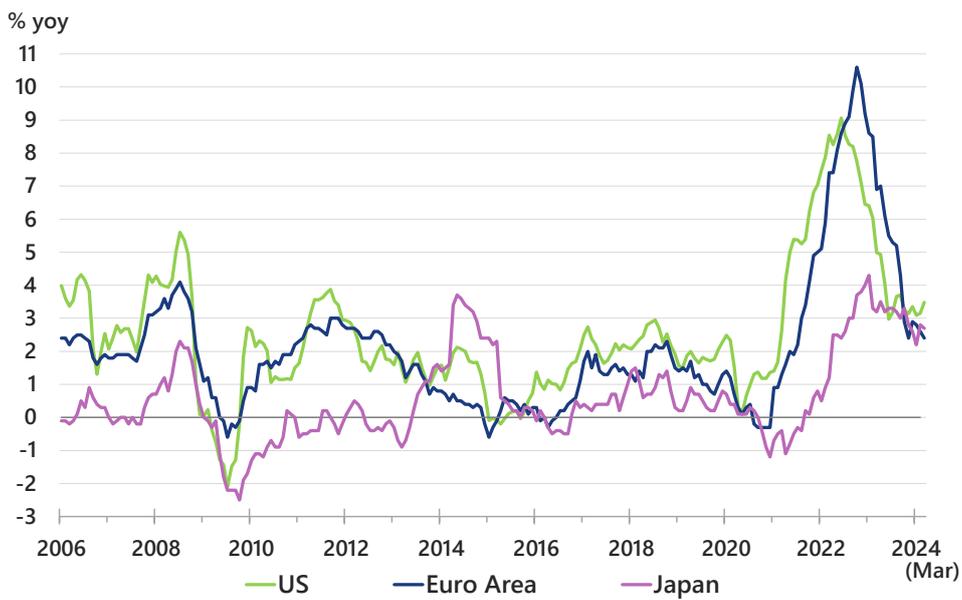
Real GDP growth in major economies



Source: CEIC

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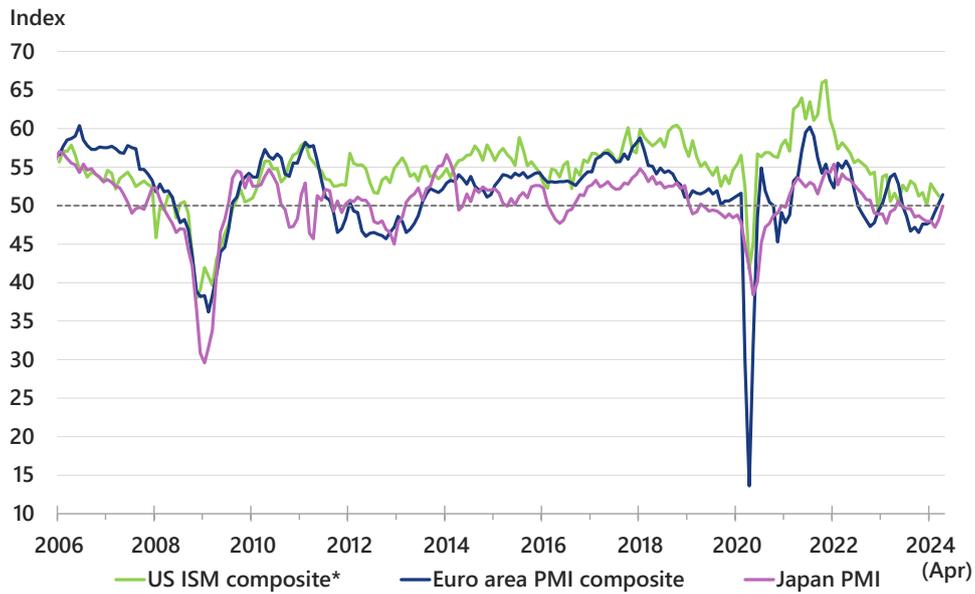
Headline inflation in major economies



Source: CEIC

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Purchasing Managers' Index in major economies



* Weighted average of the ISM Manufacturing and Services PMIs
Source: CEIC

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Nominal effective exchange rate index of major currencies



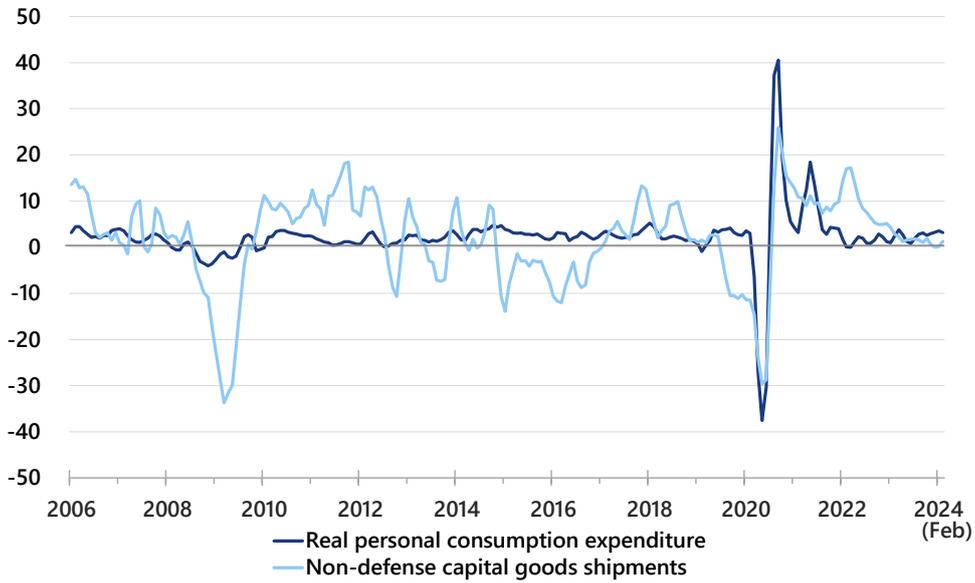
Source: CEIC

8

US: Consumption growth and business investment activity



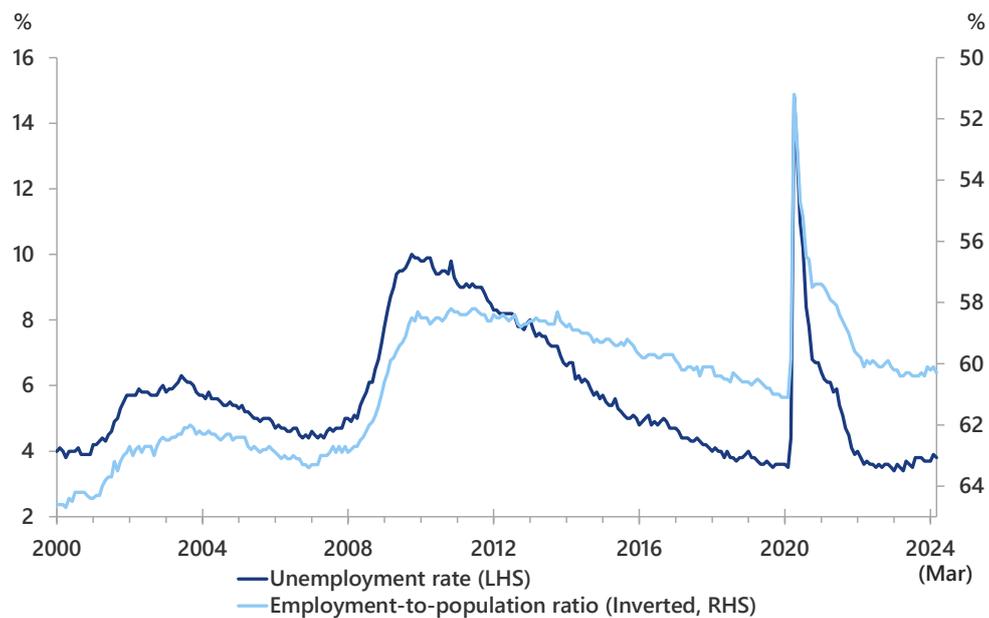
% 3m-on-3m, annualised



Source: CEIC

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US: Labour market situation



Source: CEIC

10

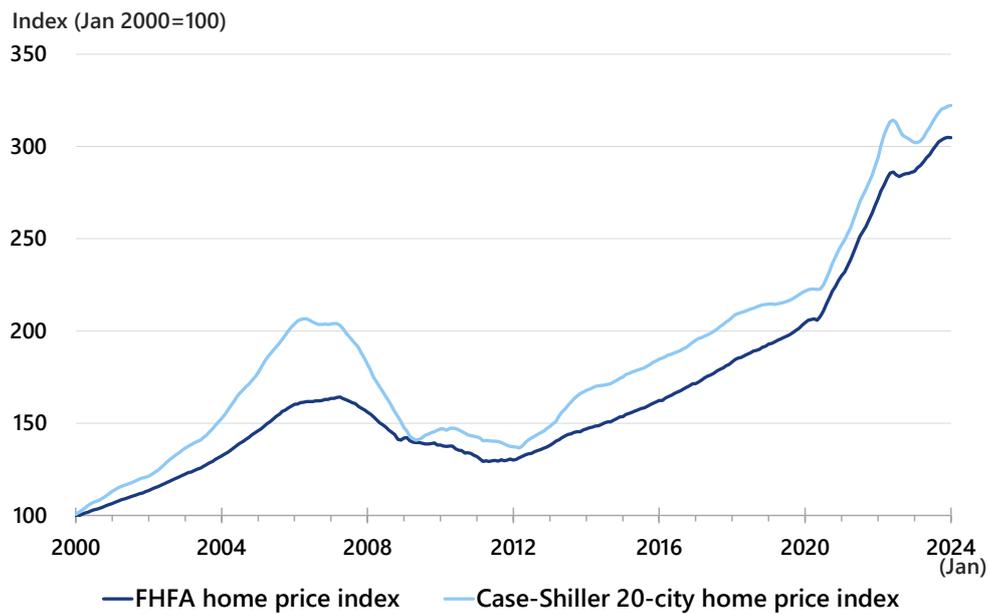
US: Labour force participation rate



Source: CEIC

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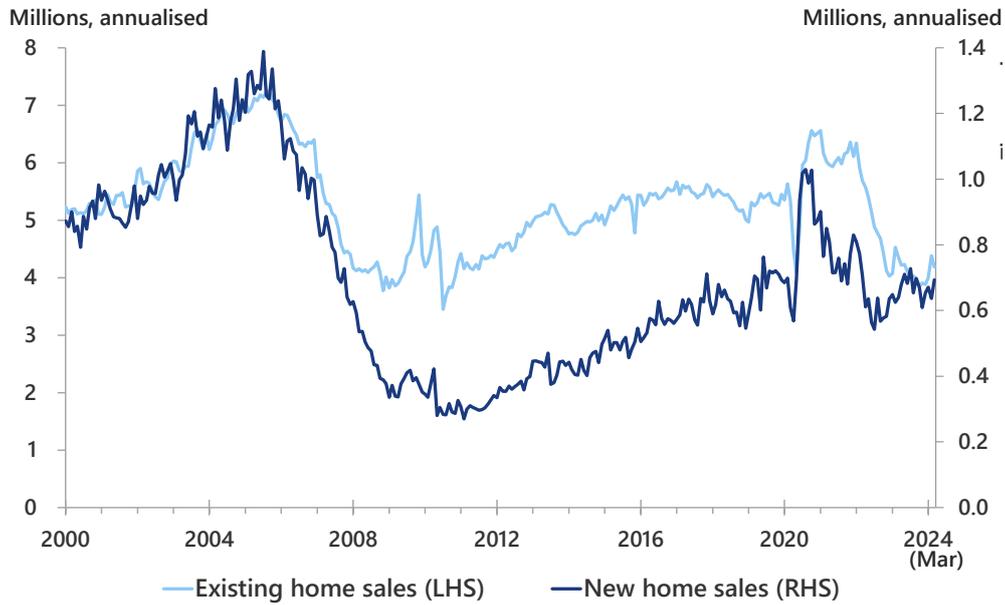
US: Home prices



Sources: CEIC and S&P

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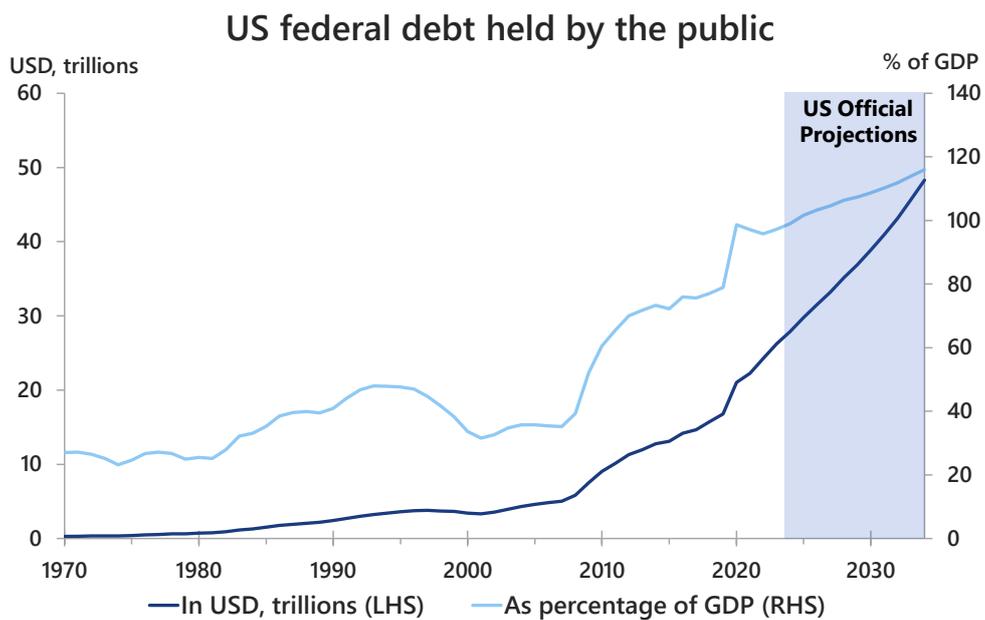
US: Home sales



Sources: CEIC and National Association of Realtors

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US: Federal government debt



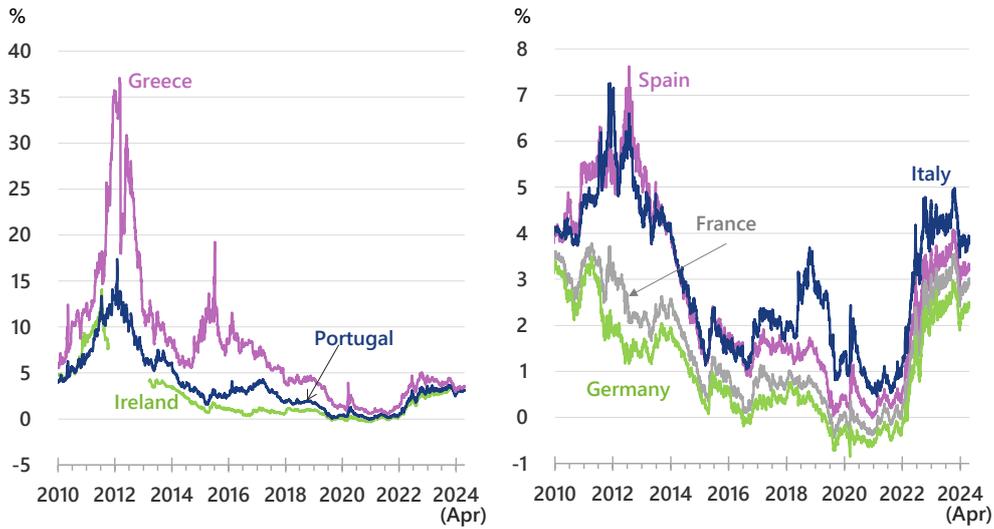
Sources: CEIC and Congressional Budget Office

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Euro area: Sovereign bond yields



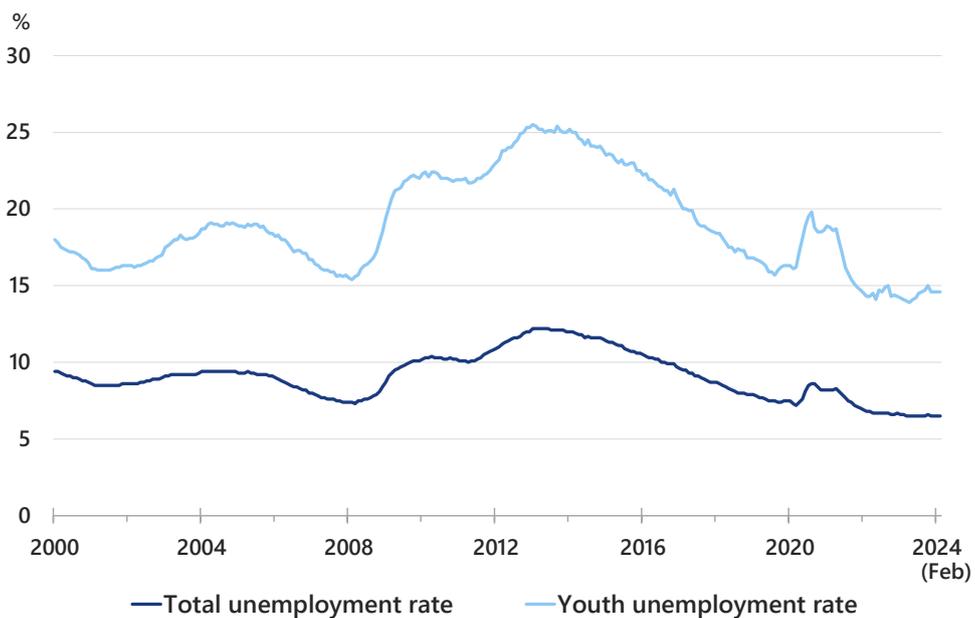
10-year sovereign bond yield



Note: 10-year Irish sovereign bond yield data is not available between 12 October 2011 and 14 March 2013.
Source: Bloomberg

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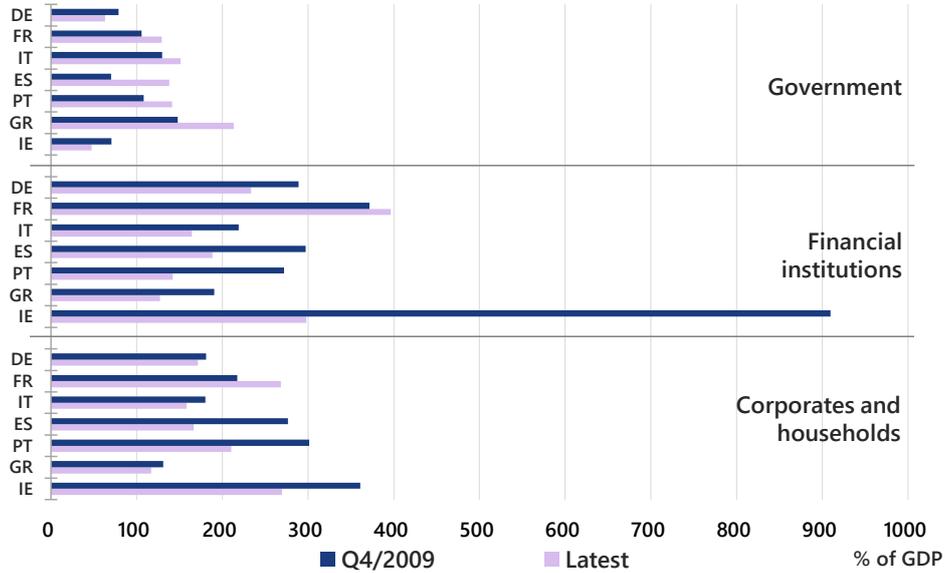
Euro area: Unemployment rate



Source: CEIC

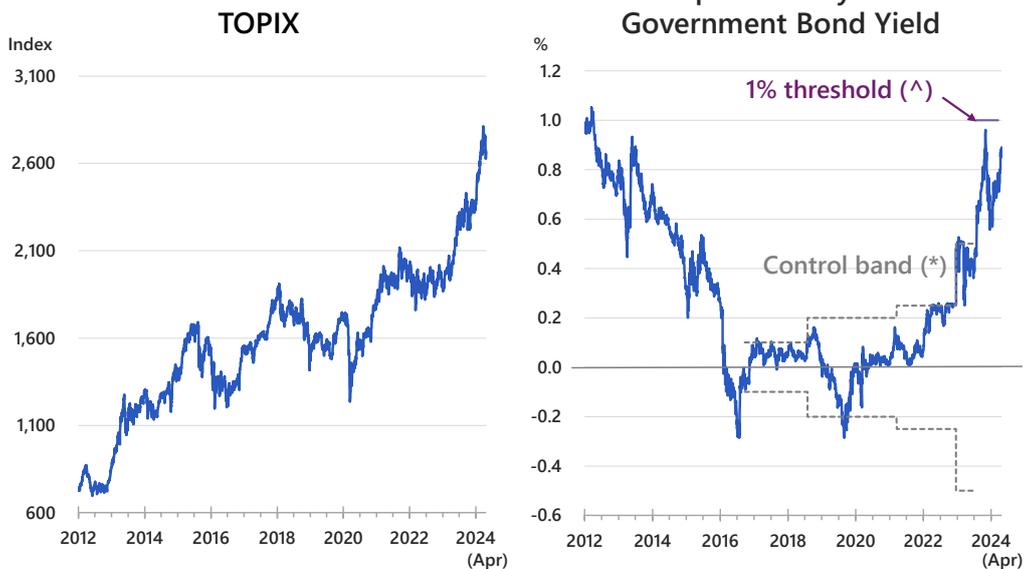
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Euro area: Overall indebtedness



Note: DE – Germany, FR – France, IT – Italy, ES – Spain, PT – Portugal, GR – Greece, IE – Ireland
 The latest figures are up to Q3/2023 for government, whilst the rest are up to Q4/2023.
 Source: European Central Bank

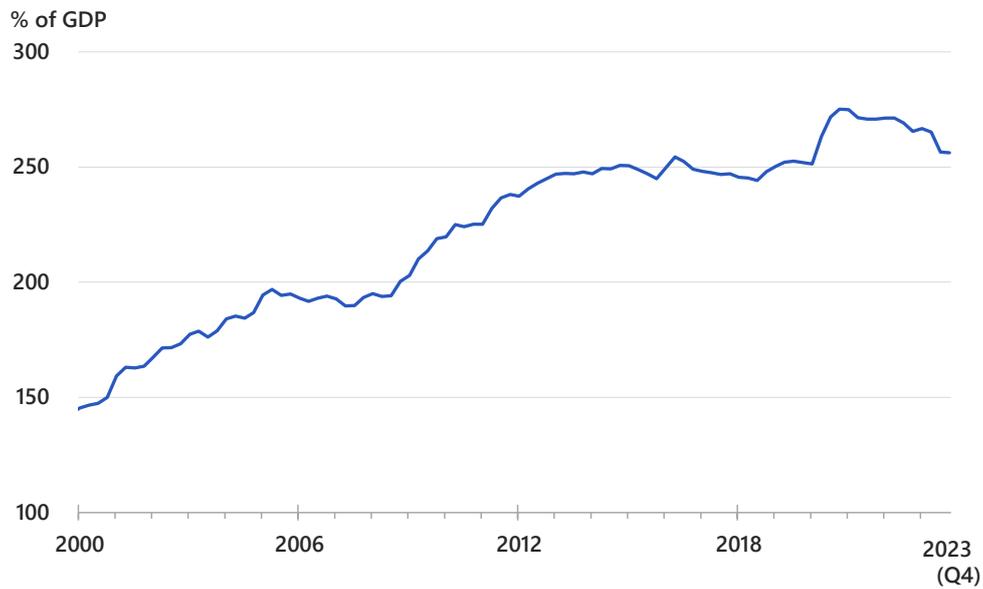
Japan: Financial markets



(*) The control band for Japanese 10-year government bond yield was -0.5% to 0.5% until 28 July 2023
 (^) As a cap between end-July and end-October 2023; as a reference upper bound between November 2023 and 18 March 2024; abandoned on 19 March 2024

Source: Bloomberg

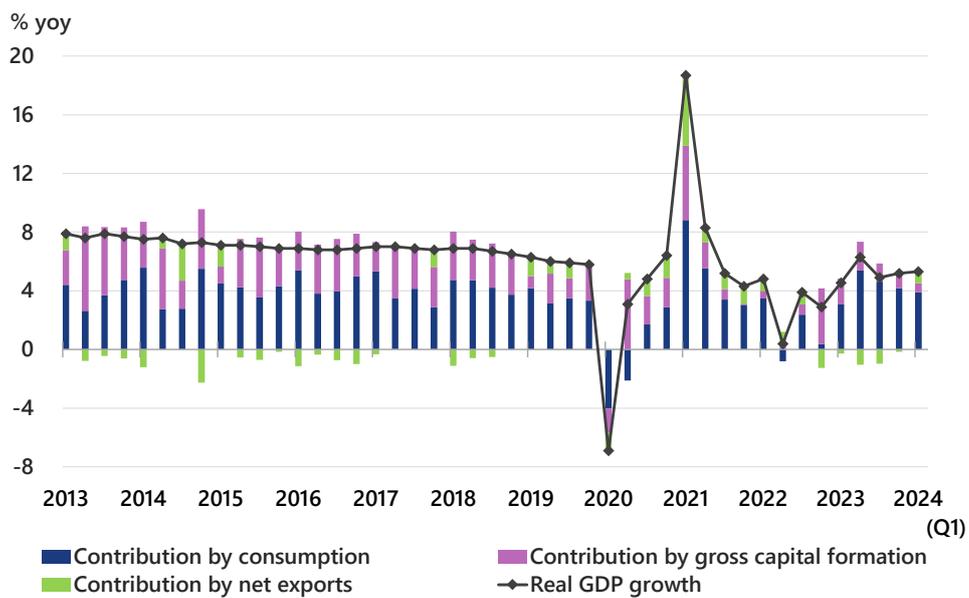
Japan: Public debt



Sources: Bank of Japan and CEIC

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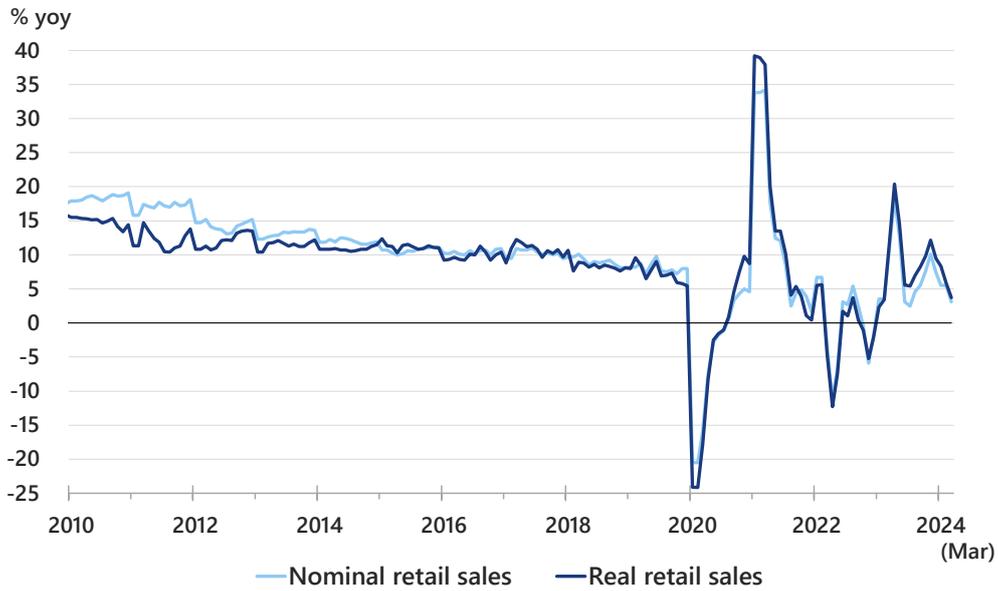
Mainland China: Real GDP growth



Source: CEIC

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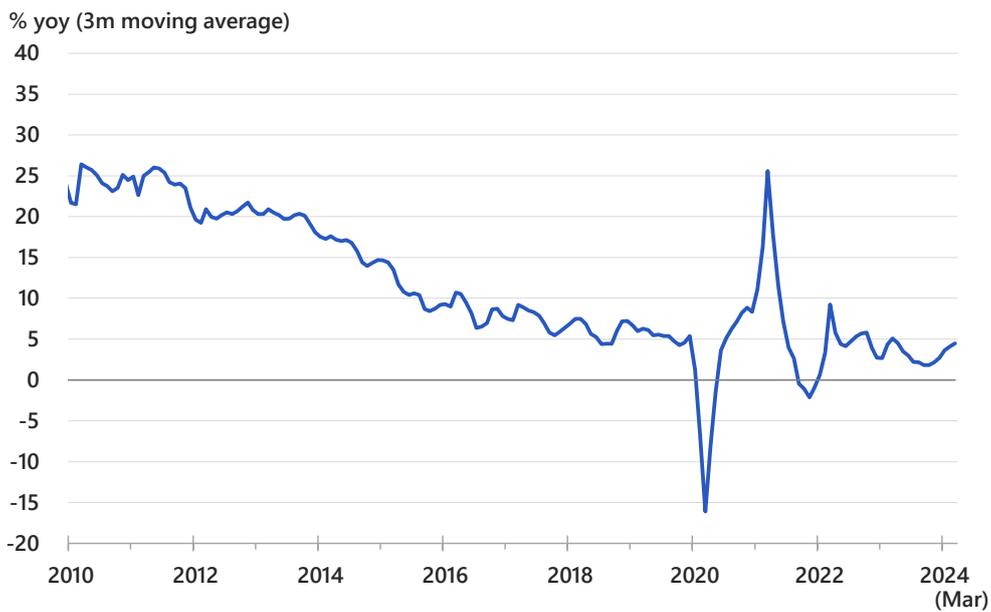
Mainland China: Retail sales



Note: January and February figures are the average annual growth rate for the first two months of the year.
Sources: WIND and HKMA staff estimates

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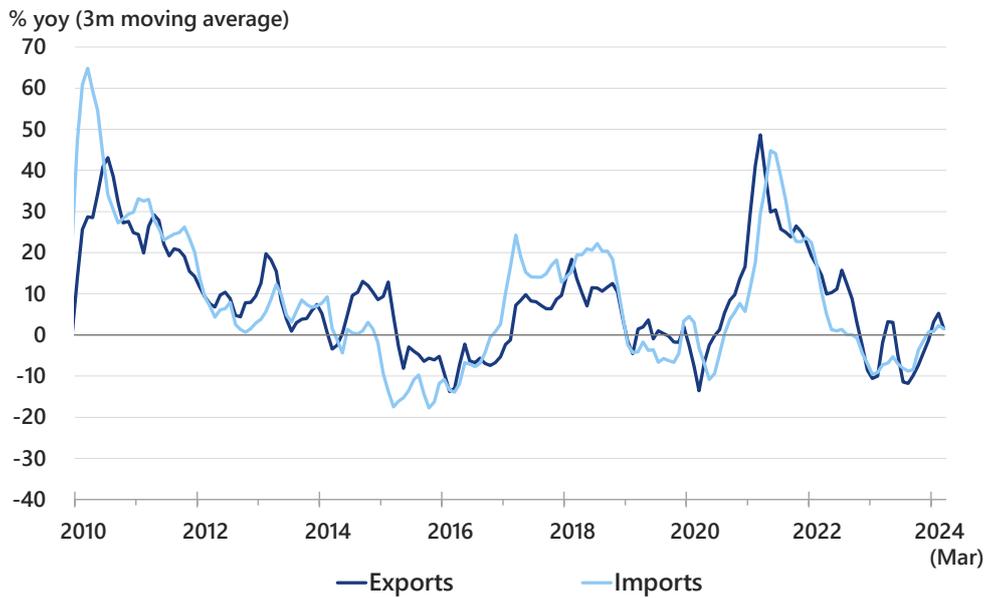
Mainland China: Fixed asset investment



Sources: CEIC and HKMA staff estimates

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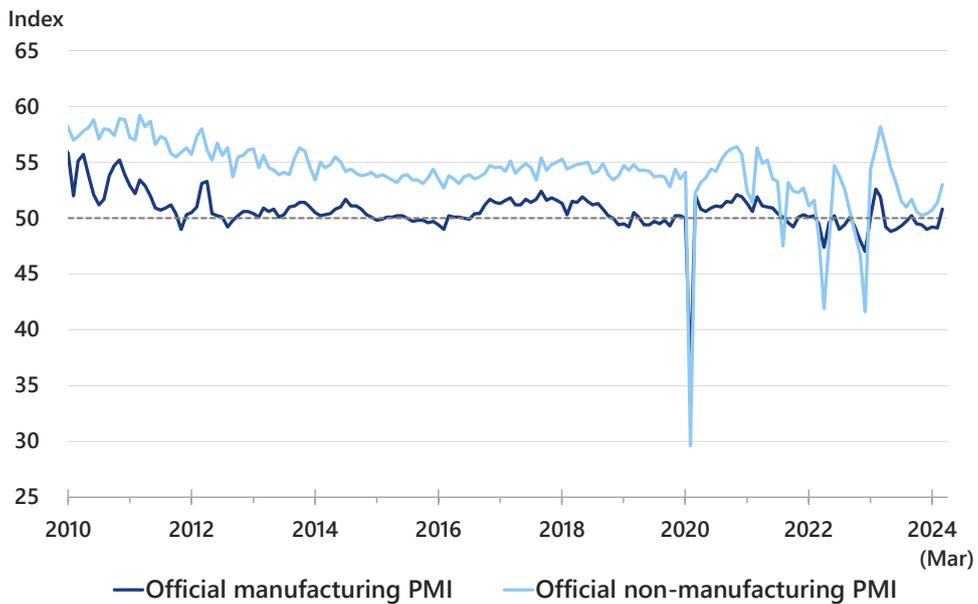
Mainland China: Import and export growth



Sources: CEIC and HKMA staff estimates

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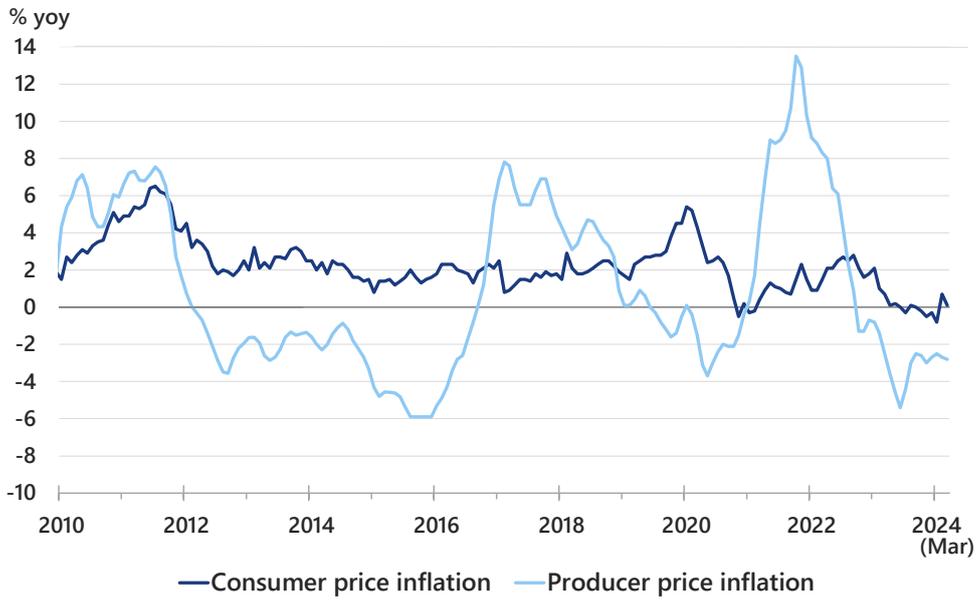
Mainland China: Purchasing Managers' Index



Source: CEIC

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Mainland China: Inflation



Source: CEIC

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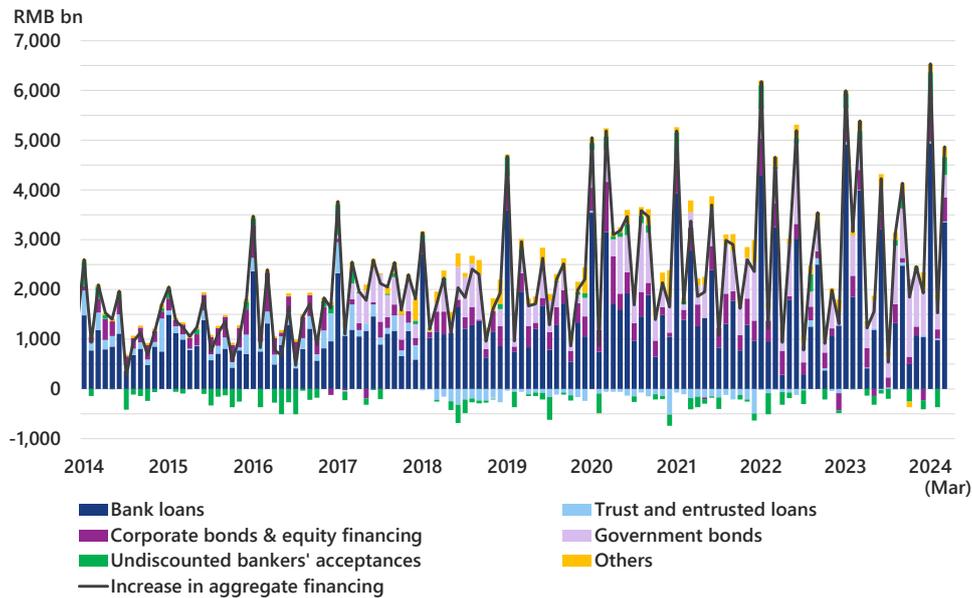
Mainland China: Money and loan growth



Source: CEIC

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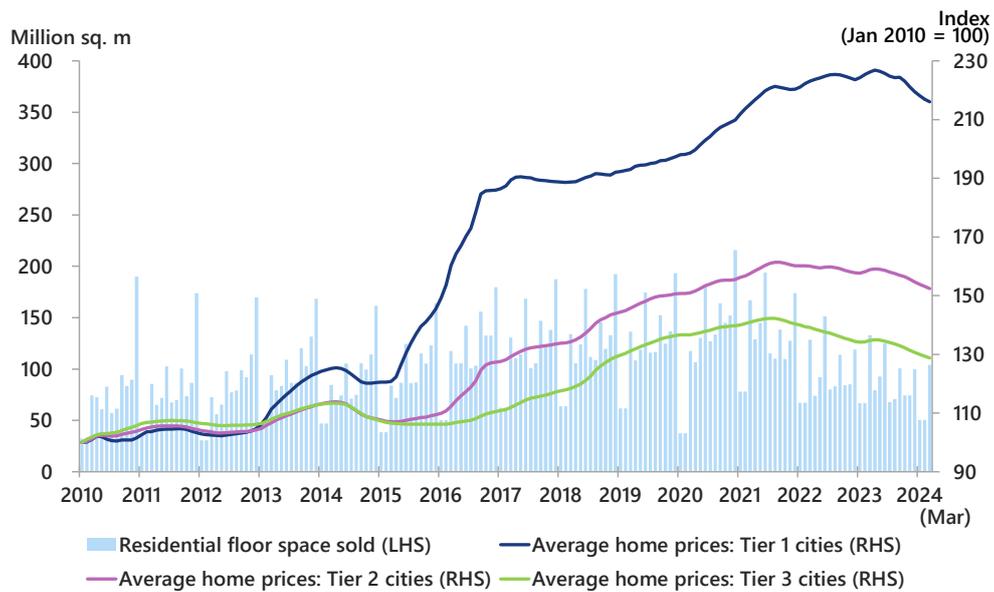
Mainland China: Aggregate financing flow



Note: "Others" primarily include loans written off and asset-backed securities of depository financial institutions.
Sources: CEIC and HKMA staff estimates

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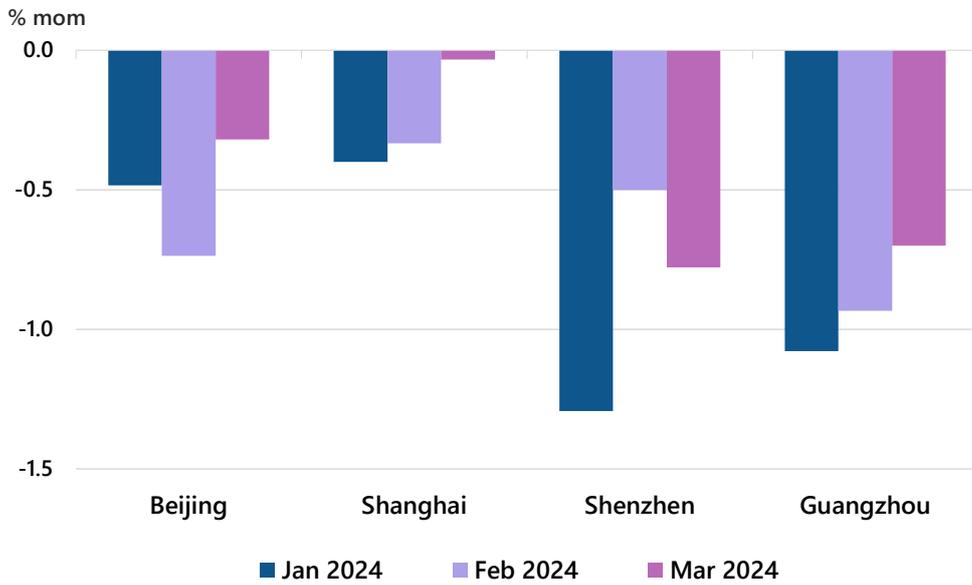
Mainland China: Property price and transaction volume



Sources: CEIC and HKMA staff estimates

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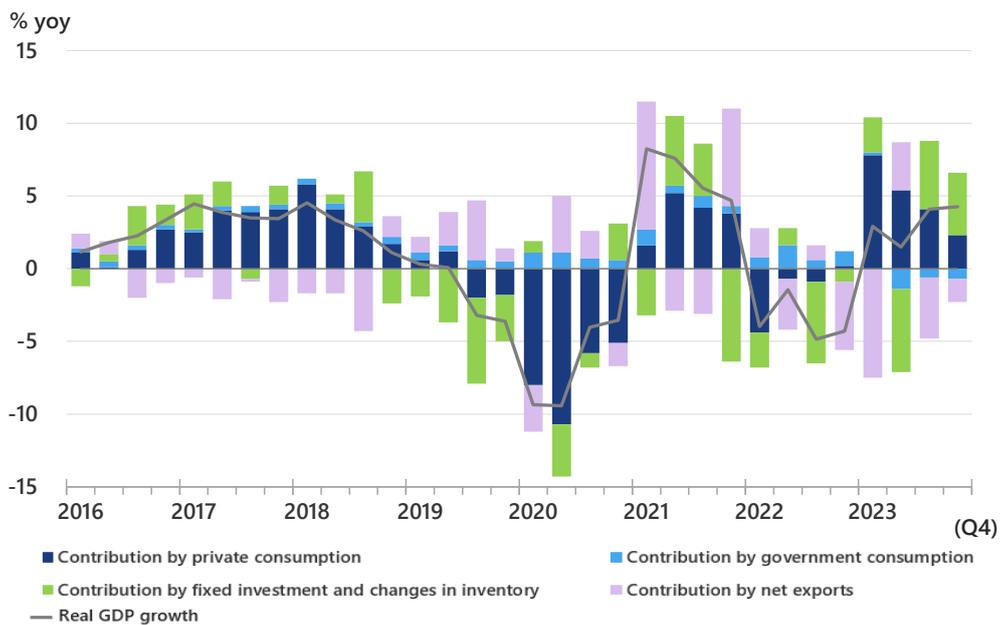
Mainland China: Housing price changes in major cities



Sources: CEIC, WIND and HKMA staff estimates

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Hong Kong: Real GDP growth



Source: C&SD

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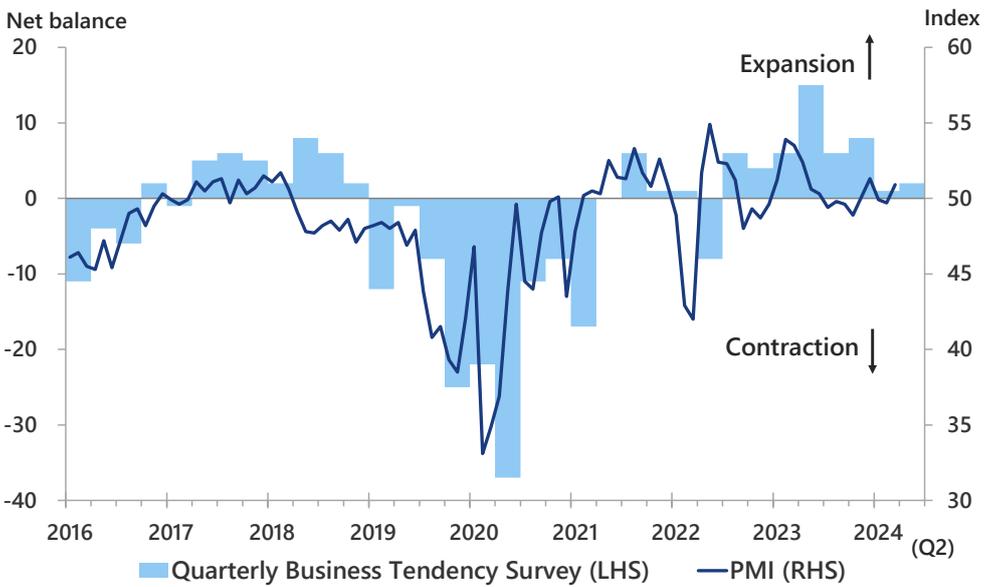
Hong Kong: Economic activity



Source: C&SD

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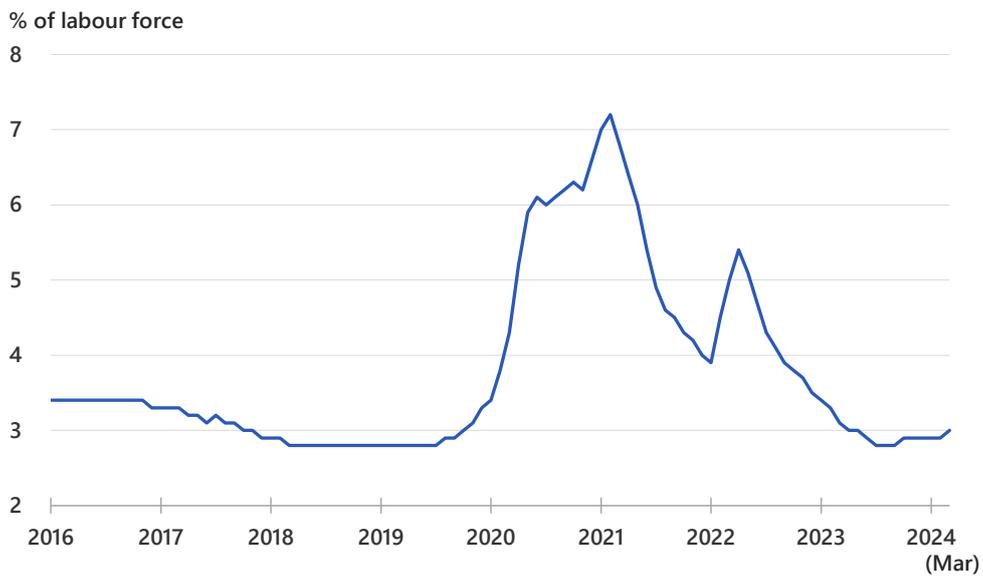
Hong Kong: Business outlook



Sources: C&SD and S&P Global

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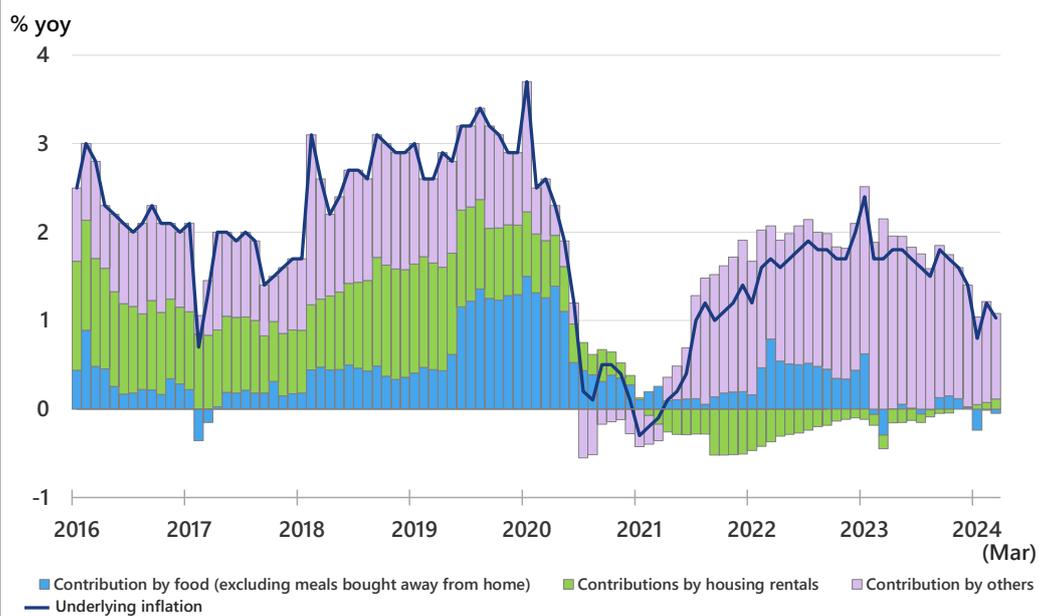
Hong Kong: Unemployment rate



Source: C&SD

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Hong Kong: Inflation



Sources: C&SD and HKMA staff estimates

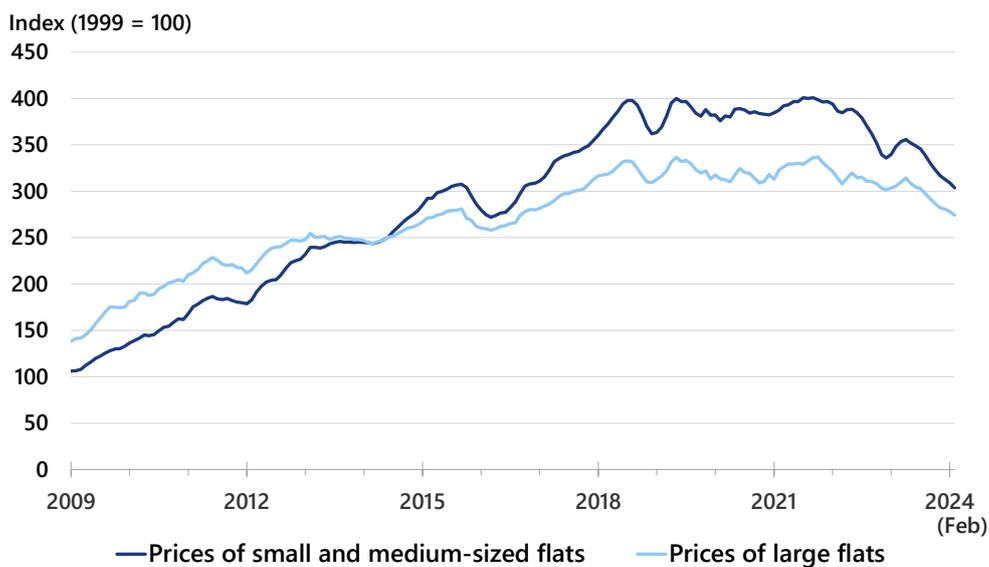
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Hong Kong: Equity market



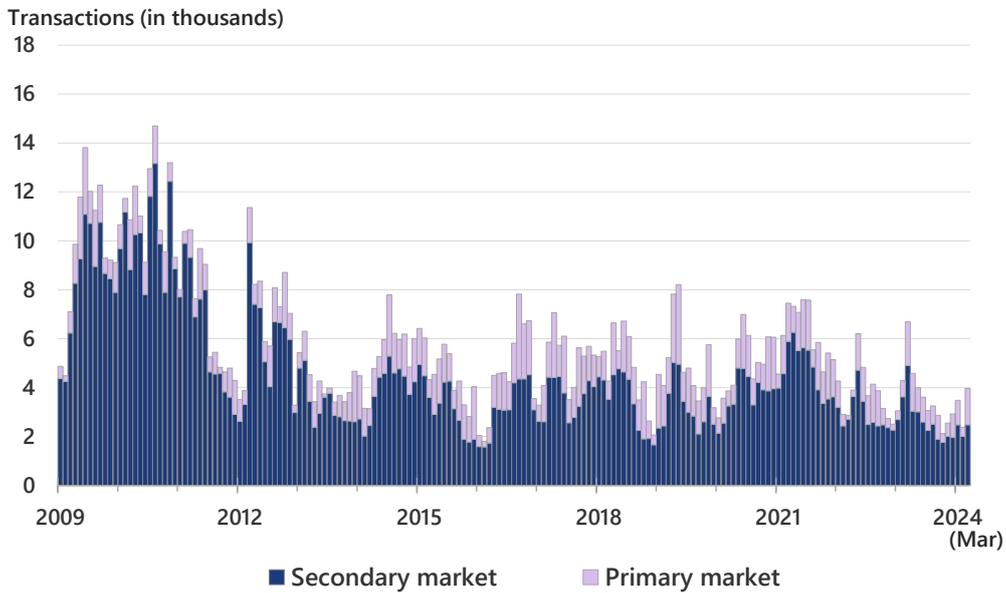
Source: Bloomberg

Hong Kong: Residential property prices



Source: Rating and Valuation Department

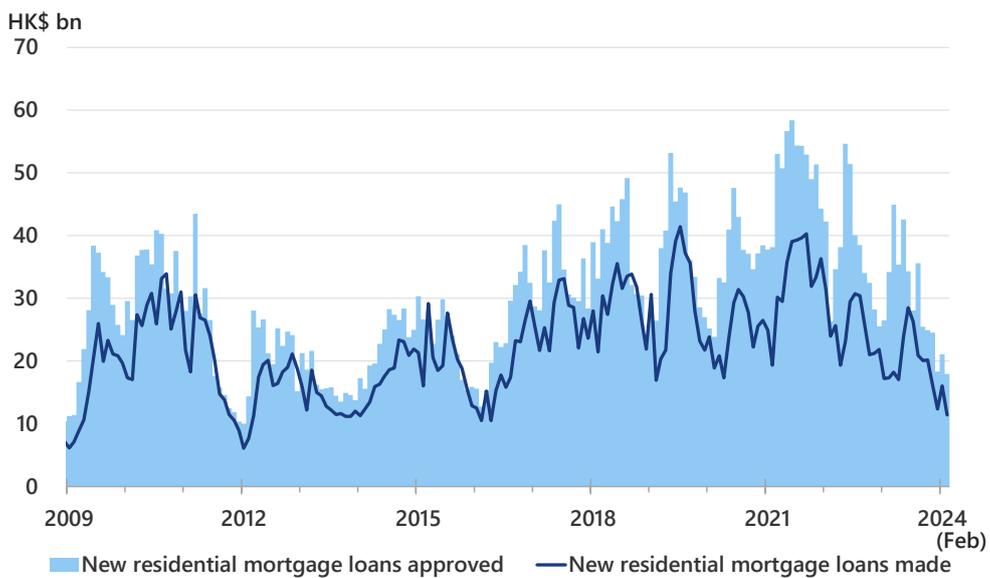
Hong Kong: Transaction volume in the primary and secondary residential property markets



Source: The Land Registry

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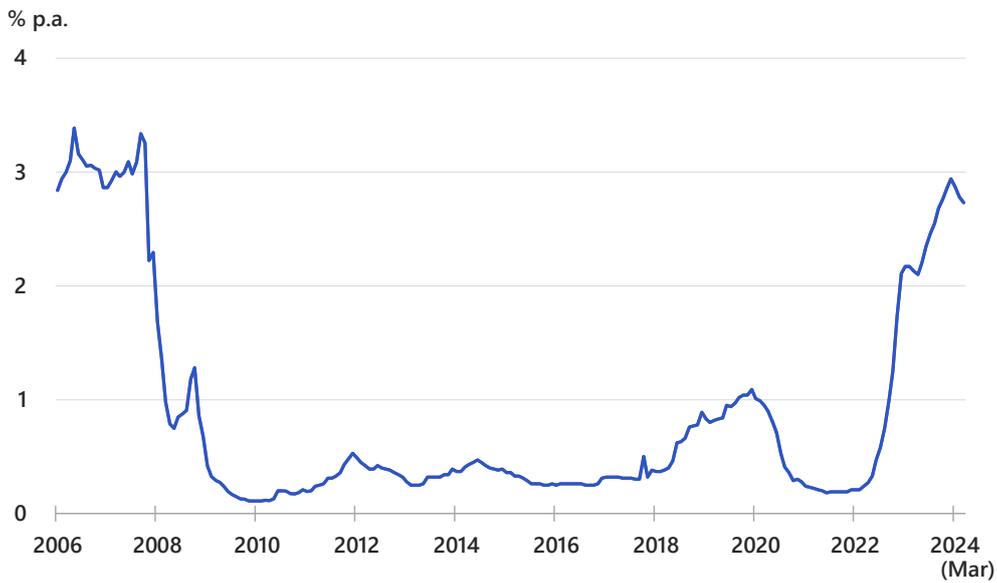
Hong Kong: New residential mortgage loans



Source: HKMA

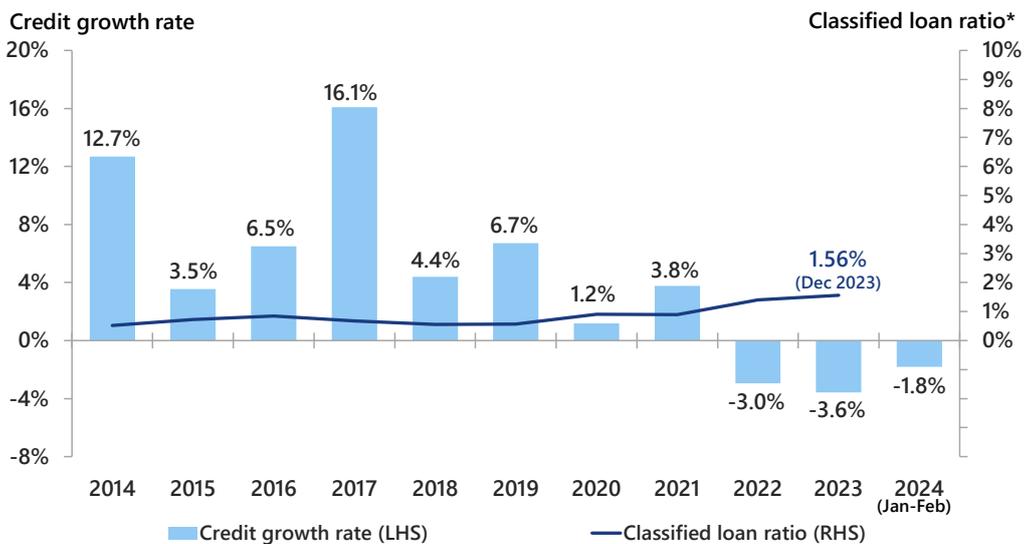
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Hong Kong: Composite interest rate



Source: HKMA

Hong Kong: Loan growth and asset quality

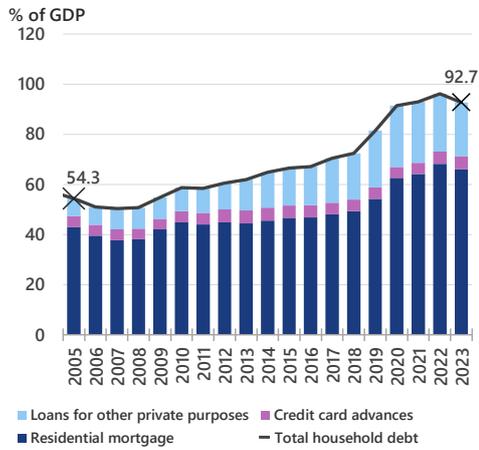


* Classified loan ratio of all authorized institutions
Source: HKMA

Hong Kong: Household debt

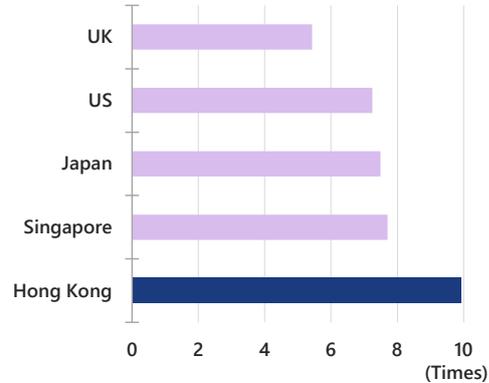


Gross household debt



Note: The majority of the household debts are residential mortgage loans, which are governed by the macroprudential policy framework, as well as collateralised loans to wealth management customers against financial assets.
Source: HKMA

Household net worth-to-liabilities ratio



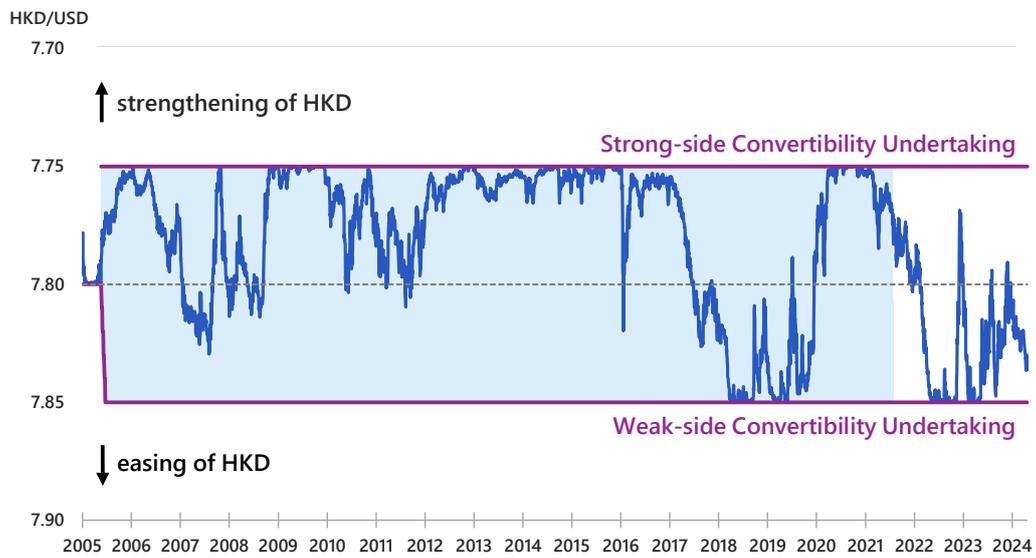
Notes: (1) Household net worth (or net household assets) is the difference between gross household assets and gross household liabilities. (2) Taking Hong Kong as an example, the above number means that Hong Kong household net worth is around 10 times its gross household liabilities. (3) Figure for Singapore refer to those at end-2023, while figures for other economies (including Hong Kong) refer to those at end-2022.

Sources: HKMA staff estimates and statistical agencies or central banks of selected economies

Currency Stability

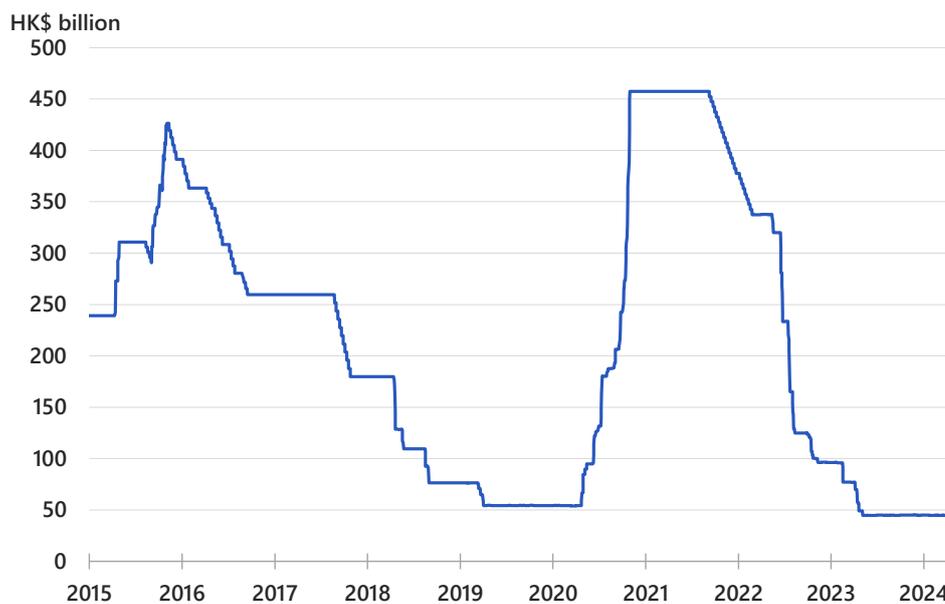


Hong Kong dollar spot exchange rate



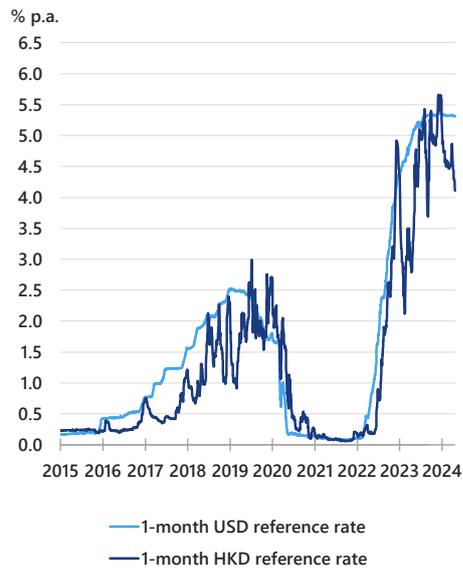
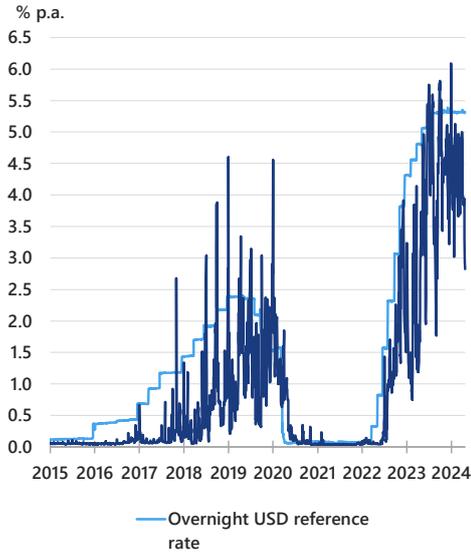
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Aggregate Balance



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Interest rates



Note: USD reference rates refer to SOFR and 1-month CME Term SOFR since 1 July 2023, following the USD LIBOR transition. Before that, HKD and USD reference rates refer to the respective HKD HIBOR and USD LIBOR fixings.

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12-month Hong Kong dollar forward points



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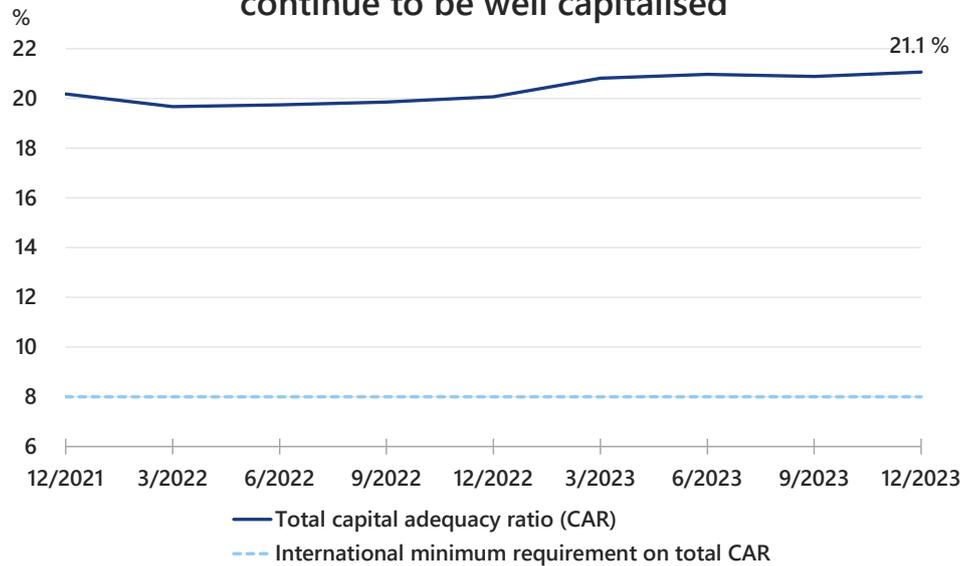


Banking Stability

Banking sector performance



Locally incorporated authorized institutions (AIs) continue to be well capitalised



Source: HKMA

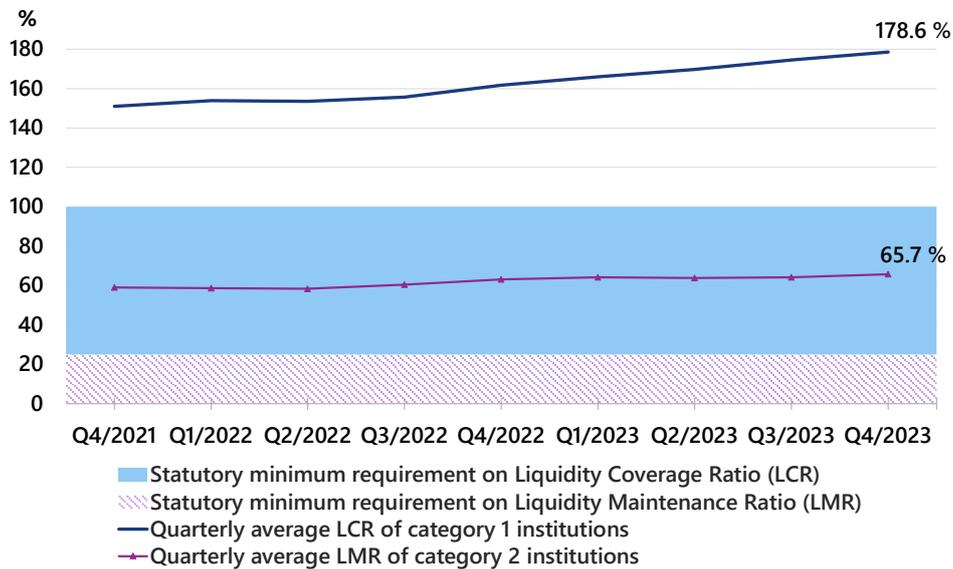
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- The banking sector continues to be well capitalised. The consolidated total CAR of locally incorporated AIs stood at 21.1% at end-December 2023, well above the international minimum requirement of 8%.

Banking sector performance



Liquidity position remains strong



Source: HKMA

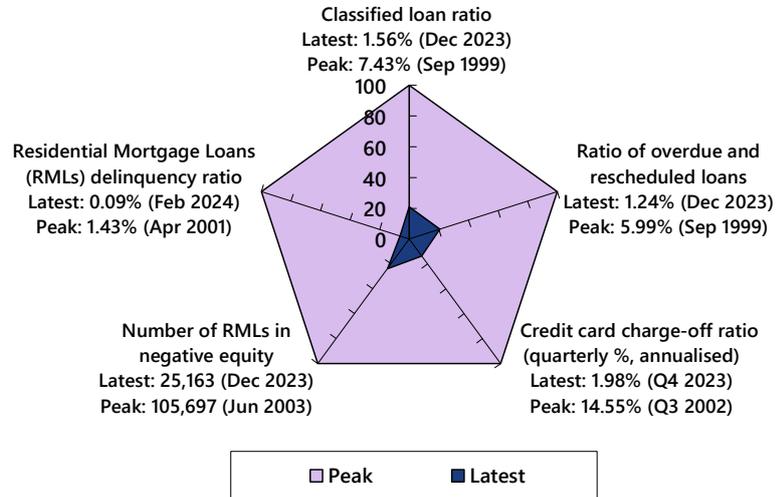
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- In the fourth quarter of 2023, the quarterly average LCR of category 1 institutions was 178.6%, well above the statutory minimum requirement of 100%. For category 2 institutions, their quarterly average LMR was 65.7% during the same period, also well above the statutory minimum requirement of 25%.

Banking sector performance



Asset quality stays healthy



Source: HKMA

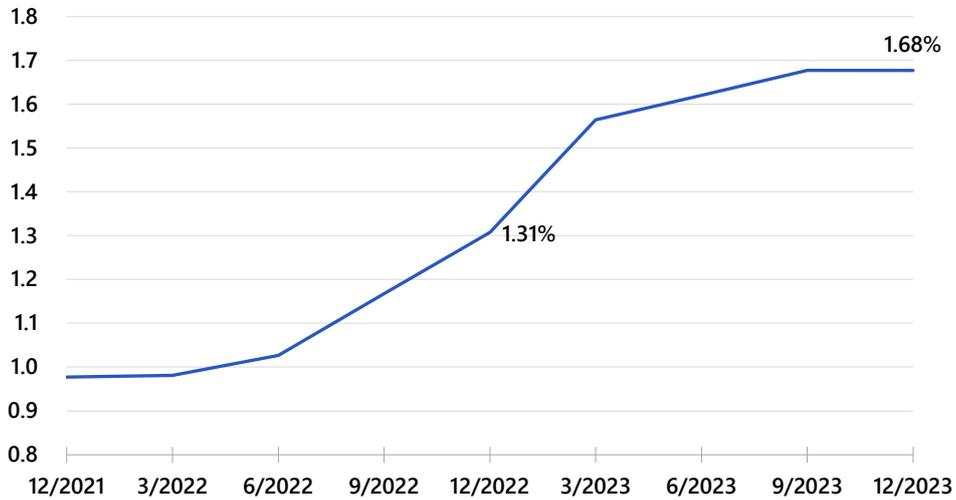
- The classified loan ratio of the banking sector fell to 1.56% at end-December 2023 from 1.61% at end-September 2023. The overall asset quality of banks remains healthy.

Banking sector performance



Net interest margin (NIM) widened

% (year-to-date annualised)



Source: HKMA

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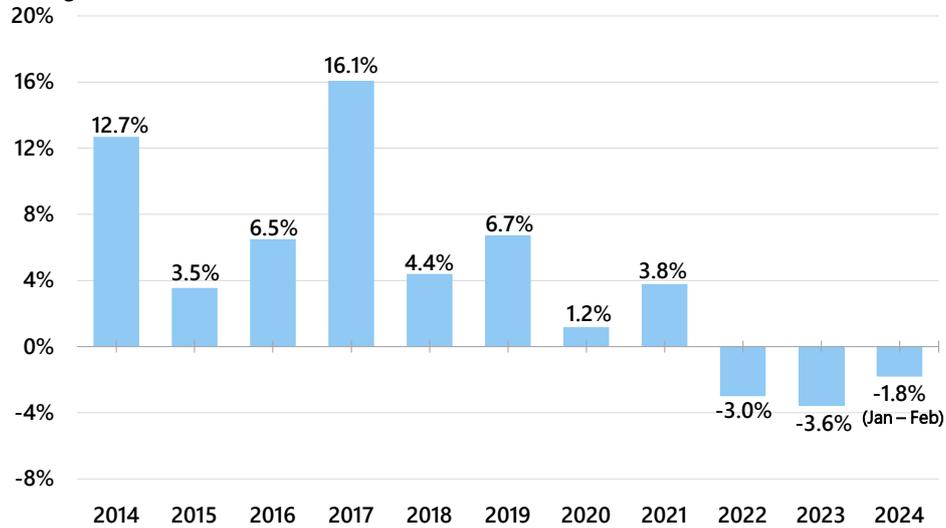
- The NIM of retail banks' Hong Kong businesses widened to 1.68% in 2023 compared with 1.31% in the previous year, slightly higher than the average level since 2000 (1.6%).

Banking sector performance



Loan demand reduced

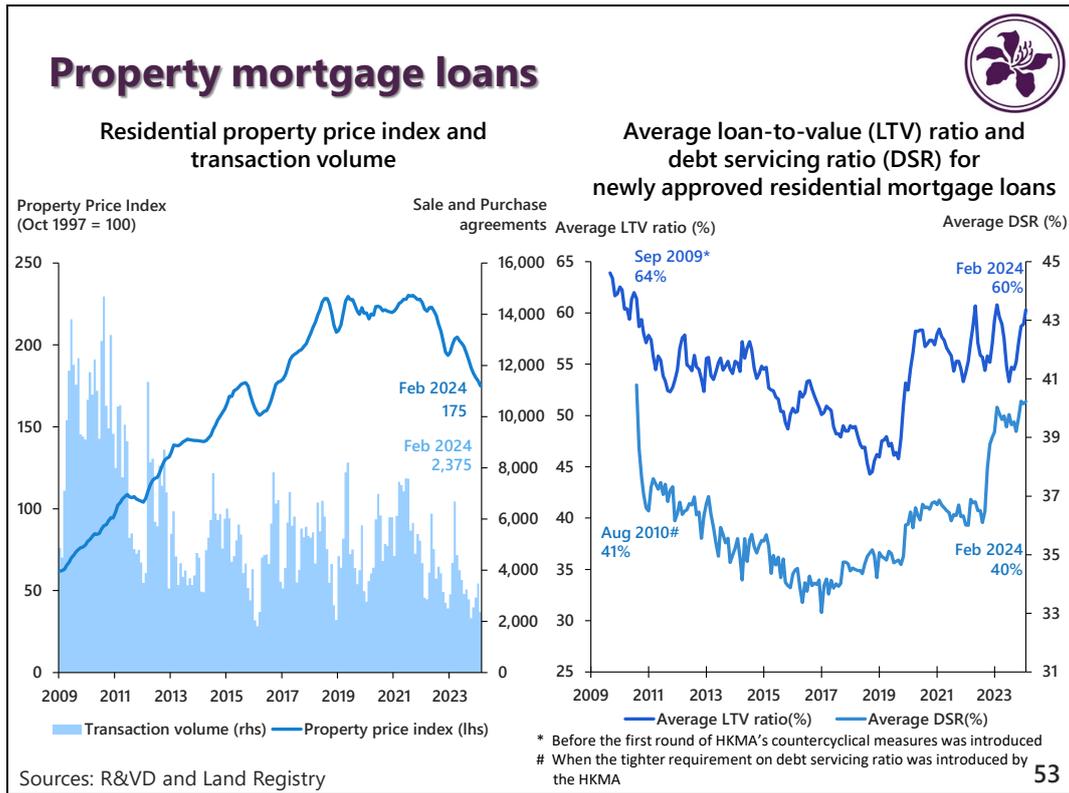
Credit growth rate



Source: HKMA

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- Total loans decreased by 1.8% in the first two months of 2024, mainly reflecting weaker loan demand amid higher borrowing costs.



Latest statistics on residential mortgage loans (RMLs)

| | Monthly average in 2022 | Monthly average in 2023 | Sep 2023 | Oct 2023 | Nov 2023 | Dec 2023 | Jan 2024 | Feb 2024 |
|----------------------------------------|-------------------------|-------------------------|----------|----------|----------|----------|----------|----------|
| Number of sale and purchase agreements | 3,754 | 3,584 | 2,862 | 2,123 | 2,554 | 2,929 | 3,477 | 2,375 |
| Number of new RML applications | 9,524 | 8,032 | 8,787 | 5,359 | 6,000 | 4,768 | 6,523 | 5,070 |
| Number of new RMLs approved | 7,413 | 6,396 | 5,130 | 5,016 | 5,124 | 3,997 | 4,869 | 3,916 |

Latest statistics on residential property prices

| Property price index | | Period | Property price index |
|-----------------------------------------------|-----------------|------------|----------------------|
| Rating and Valuation Department (10/1997=100) | Latest position | 3/2024 | 176.8 |
| | Recent peak | 9/2021 | 230.2 |
| | Peak in 1997 | 10/1997 | 100.0 |
| Centaline (6/7/1997=100) | Latest position | 21/4/2024 | 146.9 |
| | Recent peak | 8/8/2021 | 191.3 |
| | Peak in 1997 | 19/10/1997 | 103.5 |

Supporting SMEs



- The HKMA and the Banking Sector SME Lending Coordination Mechanism introduced nine measures in March 2024:
 - Support financing needs, including not demand early repayments from mortgagors repaying on schedule, provide a transition period for credit limit adjustments, and apply the principles under the Pre-approved Principal Payment Holiday Scheme to support customers facing difficulties
 - Offer more credit products through the use of fintech such as unsecured loans with fast approval
 - Enhance the bargaining power of SMEs to facilitate switching of lending banks

International standards implementation



Basel III final reforms

- Amendments to Banking (Capital) Rules and Banking (Disclosure) Rules

Consequential and other updates

- Amendments to Banking (Exposure Limits) Rules and Banking (Liquidity) Rules

Progress

- Amendments passed negative vetting by the LegCo in January 2024
- Commencement notice expected to be tabled to the LegCo around mid-2024

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Basel III final reforms

- The amendments to the Banking (Capital) Rules and the Banking (Disclosure) Rules for implementing the revised Basel standards passed negative vetting by the LegCo in January 2024. The current implementation schedule of the amendments is:
 - those on credit risk, operational risk as well as on the output floor (for the use of internal models) will take effect on 1 January 2025;
 - those on market risk and credit valuation adjustment risk will take effect on 1 July 2024 initially for reporting purposes only, and on 1 January 2025 for the actual capital requirements; and
 - the corresponding disclosure requirements will also take effect on 1 January 2025.
- The above schedule should provide banks with sufficient time to prepare their systems for implementation.
- A commencement notice for the rules to take effect on 1 January 2025 will be submitted to the LegCo for negative vetting around mid-2024.

Consequential and other updates

- Some consequential amendments have been made to the Banking (Exposure Limits) Rules and the Banking (Liquidity) Rules, together with certain technical refinements to enhance clarity and better reflect the policy intent of some existing provisions.

Review of the Banking Ordinance (BO)



- Amendments to the Banking Ordinance
- Target submission to the LegCo: H2 2024

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- The HKMA embarked on a review of the BO in 2023 that seeks to:
 - reflect developments in banking industry practices and supervisory approaches,
 - address specific issues identified from the HKMA’s supervisory experience, and
 - continue the process of aligning Hong Kong’s system of regulation with that of other major financial centres.
- The review aims to focus on a number of priority areas where amendments (and enhancements) to the BO are timely and necessary.
- The HKMA is planning to consult on the proposed amendments before submitting a Banking Amendment Bill to the LegCo in the second half of 2024.

Anti-money laundering and counter-financing of terrorism (AML/CFT)



- Public consultation on bank-to-bank information sharing completed and consultation conclusion being prepared
- Strengthened the response to fraud through publicity initiatives with the banking industry and the Hong Kong Police Force (Police), including the latest fraud modus operandi
- Issued practical guidance to assist banks' effective execution of risk-based approach for customer due diligence
- Shared regulatory expectations on the use of artificial intelligence in AML work, based on industry engagement and observations from the latest thematic review on transaction monitoring systems

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- The public consultation on proposals for bank-to-bank information sharing, including legislative amendments to provide legal protection to banks and safeguards to protect data privacy and customer confidentiality, was conducted by the HKMA between January and March 2024. There was general support of the initiative from the public and the consultation conclusion is under preparation.
- The HKMA has enhanced public awareness of anti-fraud messages jointly with the banking industry and the Police through different channels, including the Bank Staff Recognition Ceremony and social media posts between January and May 2024 on the latest fraud modus operandi and protection of key personal information.
- The HKMA has provided considerable guidance, feedback and training materials on balanced and effective AML/CFT measures, and has shared in February 2024 observations from ongoing supervisory engagements with banks regarding the execution of the risk-based approach (RBA) for customer due diligence. The circular reiterates the key principles of RBA and the importance of effective execution, especially in the context of establishing the source of wealth and source of funds for politically exposed persons. Banks are expected to review existing HKMA guidance to ensure that the execution of the RBA is aligned with the balanced regulatory framework and customer-centric practices. The HKMA will continue to maintain close engagement with the industry and provide further guidance where appropriate.
- The HKMA shared regulatory expectations on the use of artificial intelligence in AML work. Practical guidance has also been issued by the HKMA to share good practices observed from a thematic review on selected banks' transaction monitoring (TM) systems, to help banks optimise their TM systems.

Resolution regime



- Finalised Code of Practice chapter on continuity of access (CoA) to Financial Market Infrastructure (FMI) services
- Published the Report on Loss-Absorbing Capacity (LAC) Requirements Implementation in Hong Kong
- Set out and communicated 2024 resolution planning priorities for individual systemic / large banks
- Second initial period for compliance with the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights—Banking Sector) Rules (“Stay Rules”) concluded in February 2024

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- The HKMA continues to develop resolution standards which relevant banks need to comply with in order to remove impediments to resolvability. Following industry consultation, the HKMA issued on 15 February 2024 a Code of Practice chapter on CoA to FMI services. The chapter sets out the Monetary Authority’s expectations regarding the ex-ante capabilities and arrangements to be put in place by banks for maintaining CoA to critical FMI services in a resolution scenario.
- The HKMA published on 8 February 2024 the Report on LAC Requirements Implementation in Hong Kong, which provides an overview of the LAC requirements implementation programme in Hong Kong, outlines the progress made and summarises the HKMA’s observations and related policy expectations. LAC is a key aspect of bilateral resolution planning programme between the HKMA Resolution Office and AIs. Over the past five years, the HKMA has been working closely with relevant AIs, including all domestic systemically important AIs, to build up a layer of LAC resources as part of the resolution planning process.
- The HKMA continues to advance bilateral resolution planning programme with individual systemic / large banks in Hong Kong to enhance their resolvability. As part of the HKMA’s bilateral resolution planning programme, 2024 resolution planning priorities were set out and communicated to the accountable executives of these banks in early 2024. Priorities are mainly in the areas of: (i) LAC; (ii) operational continuity in resolution; (iii) early termination risk in resolution; (iv) liquidity and funding in resolution; (v) continuity of access in resolution to FMIs; and (vi) resolution information submission.
- Specifically regarding mitigating the risks arising from disorderly early termination of financial contracts in resolution, the HKMA has been assessing the work by banks for meeting the Stay Rules requirements. The second initial period for compliance under the Stay Rules has been concluded on 27 February 2024. Covered contracts entered into by a covered entity should meet the relevant contractual recognition of suspension of termination rights requirements.

Green and sustainable banking



- Will soon issue Hong Kong Taxonomy for Sustainable Finance, followed by phase 2 development (with transition and other activities)
- Will enhance disclosures based on the Pillar 3 framework of the Basel Committee on Banking Supervision (BCBS) on climate-related financial risks
- Conducted a survey on banks' transition planning practices. Analysing the results with a view to issuing a range of practices to assist banks in maintaining safety and soundness in the transition to a net-zero economy

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- The HKMA will issue the Hong Kong Taxonomy for Sustainable Finance soon, followed by phase 2 development. In phase 2, the HKMA will expand the coverage of sectors and activities to make the Taxonomy more complete and usable, and transition activities will be covered.
- In November 2023, the BCBS issued a consultative document on its proposed Pillar 3 disclosure framework for climate-related financial risks that would complement the work of the International Sustainability Standards Board (ISSB). The HKMA will leverage on such Pillar 3 framework to enhance banks' disclosures about risks associated with climate issues.
- In August 2023, the HKMA issued a circular on planning for the net-zero transition, which set out high-level principles to assist banks in maintaining safety and soundness in the transition to a net-zero economy. To facilitate banks' transition planning, a survey was conducted in the fourth quarter of 2023 and we are currently analysing the responses collected, with a view to sharing with the industry a range of bank practices.

Talent development in banking sector



Drive momentum in efforts to reskill and upskill banking practitioners

- Updated the supervisory requirements on talent management for the banking industry's implementation within 2024

Raise the capacity of directors, management and practitioners in the banking industry

- Conducted Regulator's Dialogue in March 2024 to discuss the approach and latest developments of the HKMA's conduct and culture supervision
- Plan to conduct another Regulator's Dialogue in May 2024 on the HKMA's AML/CFT supervision

Financial inclusion



- Ongoing communication with the business community and banking industry on bank account opening and maintenance
- Supporting vulnerable customers

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- The HKMA continues to engage in direct dialogue with the business community for exchange of views and experience associated with bank account opening and maintenance. Feedback collected was also communicated to the banking industry to help address issues of common interest.
- The HKMA sustains its efforts to promote financial inclusion, including to enhance the understanding of the proper use of banking services by vulnerable customers.

Banking consumer protection



- Launched “Anti-Scam Consumer Protection Charter 2.0” (Charter 2.0)
- “Credit Data Smart” starts its service to the public

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- Riding on earlier efforts in combatting credit card scams and other digital frauds, the HKMA and the Hong Kong Association of Banks (HKAB) jointly launched the Charter 2.0 on 10 April 2024 to expand the coverage of participating institutions. Over 230 financial institutions and merchant institutions across different sectors participated in the Charter 2.0, collaboratively helping the public to guard against scams involving phishing messages. The Charter 2.0 is also fully supported by the Airport Authority, the Consumer Council, the Hong Kong Police Force, the Insurance Authority, the Mandatory Provident Fund Schemes Authority, the Securities and Futures Commission and the Travel Industry Authority.
- The HKMA has been working closely with the HKAB, the Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies and the Hong Kong S.A.R. Licensed Money Lenders Association Limited (collectively referred to as “Industry Associations”), to introduce more than one consumer credit reference agency (CRA) in Hong Kong, with a view to promoting the market competition of consumer credit reference services in Hong Kong, enhancing the service quality of consumer CRAs and reducing the operational risk of having only one commercially-run service provider in the market, particularly the risk of a single point of failure. “Credit Data Smart” started its service to the public on 26 April 2024, allowing customers to access their credit reports from the relevant CRAs, which marked an important milestone in the implementation of “Credit Data Smart”.

Banking investor protection



- Issued guidance on provision of digital asset custodial services and distribution of tokenised products
- Issued updated guidance on portfolio-based approach to suitability assessment

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- Following industry consultations, the HKMA issued guidance on the supervisory standards for digital asset custodial services and guidance on sale and distribution of tokenised products in February 2024, with a view to providing banking customers with the same protection as in traditional banking services and facilitating healthy development of the digital asset industry.
- After consultation with the industry, the HKMA issued updated guidance on the portfolio-based approach to suitability assessment on 23 February 2024 to facilitate adoption and enhance customer experience at the point of sale.

Public education and social media



- Launched a **new anti-scam song “Don’t Click Links Indiscriminately” (Link 咪亂揸)** and the respective music video (MV) featuring singer Mr Wan Kwong and Mr Arthur Yuen, Deputy Chief Executive of the HKMA, reminding the public to safeguard their personal and credit card information
- Rolled out **the video series “Financial Special Forces: Unleashing New Horizons”** to showcase the career opportunities and prospects in the four growing areas of the financial market, namely, data science, wealth management, fintech, and green and sustainable finance
- Created a dragon mascot “Billy” to encourage the public to give out e-laisees or physical ones with good-as-new notes, and to be aware of fraudulent links during the Chinese New Year through Billy’s music video, stickers, social media posts, etc.
- During the Hong Kong Green Week – Finance Stream, launched posts that encompassed event promotions and recaps, green knowledge and the HKMA’s green initiatives



Enhancements to the Deposit Protection Scheme (DPS) in Hong Kong



- The Hong Kong Deposit Protection Board announced consultation conclusions on enhancements to the DPS in February 2024
- An amendment bill will be introduced to the LegCo in early May 2024 to implement the new protection limit and the streamlined negative disclosure approach for private banking customers by October 2024, and other enhancement measures by early 2025

Deposit Protection Scheme (DPS)



- Promoting public awareness and understanding of the DPS:
 - Conducted “The DPS Art Lab” PR campaign at the Central Market, with popular and skilled illustrators to create cartoon portraits for visitors, to publicise the DPS among the public, especially for younger groups
 - Rolled out the second episode of “Family Interviews” promotional video campaign via social media platforms to promote the DPS to the younger generation





Financial Infrastructure

Financial infrastructure: overview



Payment systems

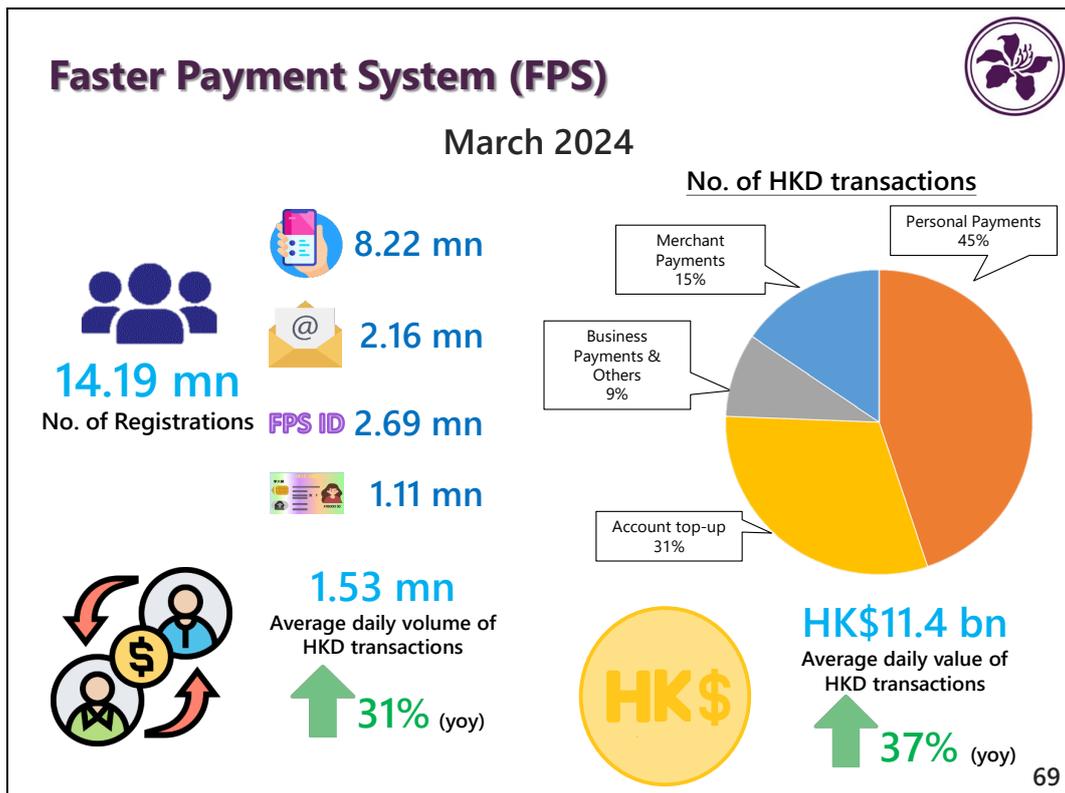
- Average daily turnover of Real Time Gross Settlement (RTGS) Systems in Q1 2024 reached HK\$1.11 trillion, RMB3.18 trillion, US\$95 billion (record highs for RMB and USD RTGS) and €0.6 billion respectively
- Faster Payment System:
 - As of end-March 2024, the number of registrations exceeded 14.19 million, up by 19% year on year (yoy). The average number of HKD real-time transactions per day reached 1.53 million (+31% yoy), with average daily transaction value worthing HK\$11.4 billion (+37% yoy) in March 2024

Central Moneymarkets Unit (CMU)

- Providing settlement and custodian services for debt securities; by end-March 2024, around HK\$3.07 trillion equivalent outstanding debt securities were lodged with CMU
- Supporting Bond Connect (January – March 2024)
 - For Northbound Trading: settlement volume reached RMB2.7 trillion
 - For Southbound Trading: settlement volume reached RMB127.5 billion

Hong Kong Trade Repository: maintains an electronic database of over-the-counter (OTC) derivative transactions

- Collecting OTC derivatives transactions information and providing them to regulatory authorities; by end-March 2024, the number of outstanding transactions reached 4.45 million



- The number of registrations and turnover of the FPS have been growing steadily. As of end-March 2024, the FPS recorded 14.19 million registrations (including 8.22 million in mobile number, 2.16 million in email address, 2.69 million in FPS ID and 1.11 million in HKID number), up by 19% or 2.26 million registrations year on year (yoy). The average number of Hong Kong dollar real-time transactions per day reached 1.53 million (+31% yoy), with the average daily value worthing HK\$11.4 billion (+37% yoy) in March 2024.
- The usage of FPS has expanded gradually to merchant payments and top-up transactions from primarily P2P transactions initially.

Development of Central Moneymarkets Unit (CMU)



- To help Hong Kong grasp the opportunities from the continued opening up of the Mainland financial markets, the CMU has commenced enhancements on both system and business fronts, with a long-term objective of becoming a major international central securities depository (CSD) in Asia. Various system and service enhancements have been launched and planned:
 - Open application programming interface (Open API) and modernised user interface supporting various digitalised services were launched in July 2023
 - New platform with strengthened system capability and functionality is being developed
 - Ongoing marketing promotion and outreach activities to attract more bond issuance
 - Continued liaison with linkage CSDs to increase settlement efficiency

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- As a critical financial infrastructure operated by the HKMA, the CMU is a CSD providing safe, efficient and convenient clearing, settlement and custodian services for debt securities, which in turn supports the bond market development in Hong Kong.
- To seize the opportunities from Bond Connect, the HKMA has reviewed the strategic position of the CMU and will gradually develop the CMU into a major international CSD in Asia. To realise such goal, the CMU will further commercialise its business and operations to develop value-added services in two main areas:
 - **System enhancement**
 - To launch a new CMU website to provide the industry and public with a quick and convenient means of searching for bond market information (launched in July 2022);
 - To launch a new tender display for the People’s Bank of China Bills and the Ministry of Finance of the People’s Republic of China sovereign bonds tender events (launched in October 2022);
 - To launch a new Open API and a new user interface (with dashboard, e-lodgement and account management services) to provide CMU members with a more hassle-free experience (launched in July 2023); and
 - To introduce a new CMU system with a more flexible account structure and settlement mechanism, and an enhanced collateral management function.

- **Introduction of new services**

- Collateralised lending service to provide free intra-day liquidity for primary issuance (launched on 1 April 2022). Since the introduction, the service has so far been used to support bond issuances amounting to RMB30.42 billion and €1.25 billion.
- The new CMU platform will support 24-hour operation to better serve investors in different time zones.

Latest fintech initiatives



Central Bank Digital Currency (CBDC)

- For wholesale CBDC
 - Project mBridge: completed the development of the Minimum Viable Product (MVP); will enter into the MVP phase soon
 - Project Ensemble: commenced in March 2024 to render support to the development of the tokenisation market in Hong Kong
- For retail CBDC
 - Project e-HKD: announced the commencement of Phase 2 of the e-HKD Pilot Programme in March 2024

Commercial Data Interchange (CDI)

- Since its official launch, CDI has facilitated more than 19,000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$17.4 billion as of end-March 2024
- Leveraging the connection between CDI and the Government's Consented Data Exchange Gateway, banks are conducting pilot trials in phases to obtain company search records in a straight-through manner
- When more government departments share their digital data with financial institutions via the connection, the development of Hong Kong's digital economy will be enhanced

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Wholesale CBDC

Project mBridge

- During the MVP phase, mBridge will be further enhanced with the goal of paving the way for a production-ready system.

Project Ensemble

- The new wholesale CBDC (wCBDC) project will seek to explore innovative financial market infrastructure (FMI) that will facilitate seamless interbank settlement of tokenised money through wCBDC.
- The HKMA will form a wCBDC Architecture Community to help set industry standards and a future-proof strategy, and launch a wCBDC Sandbox to further research and test tokenisation use cases.

Retail CBDC

Project e-HKD

- The HKMA adopts a three-rail approach to prepare for the possible implementation of e-HKD:
 - Rail 1: to lay the technology and legal foundations
 - Rail 2: runs in parallel to Rail 1; to take deep dives on application research and pilots
 - Rail 3: to consolidate the outcomes of Rails 1 and 2 and set the timeline for launching e-HKD

- In May 2023, the HKMA announced the commencement of the e-HKD Pilot Programme, a key component of Rail 2. A total of 16 firms from the financial, payment and technology sectors were selected to participate in the first round of pilots for 2023, taking deep dives into potential use cases in six categories, including full-fledged payments, programmable payments, offline payments, tokenised deposits, settlement of Web3 transactions and settlement of tokenised assets. Working with the industry, the HKMA has completed Phase 1 of the e-HKD Pilot Programme and published in October 2023 a report on the overall assessment of the pilots and the way forward.
- To foster collaboration and knowledge exchange on CBDC research with the academia, the HKMA established a CBDC Expert Group and signed Memorandums of Understanding with five local universities whose faculty members are participants of the group in October 2023. The group has already commenced work on two research papers. The first paper is about privacy issues pertaining to CBDC and the second paper will discuss the interoperability of CBDCs.
- Building on the success and experience of Phase 1, Phase 2 will delve deeper into selected pilots from Phase 1 where an e-HKD could add unique value, namely programmability, tokenisation and atomic settlement, as well as explore new use cases that have not been covered in the previous phase.

Stored value facilities (SVFs) and retail payment systems (RPSs)



- SVF usage continued to grow in Q4 2023:
 - Average daily transaction number: 22.03 million (+4.6% year on year (yoy))
 - Average daily transaction value: HK\$1,788 million (+1.9% yoy)
- Continue to supervise SVF licensees in a risk-based manner, taking targeted supervisory actions where necessary
- Continue to oversee six designated RPSs

Regulatory development of the over-the-counter (OTC) derivatives market

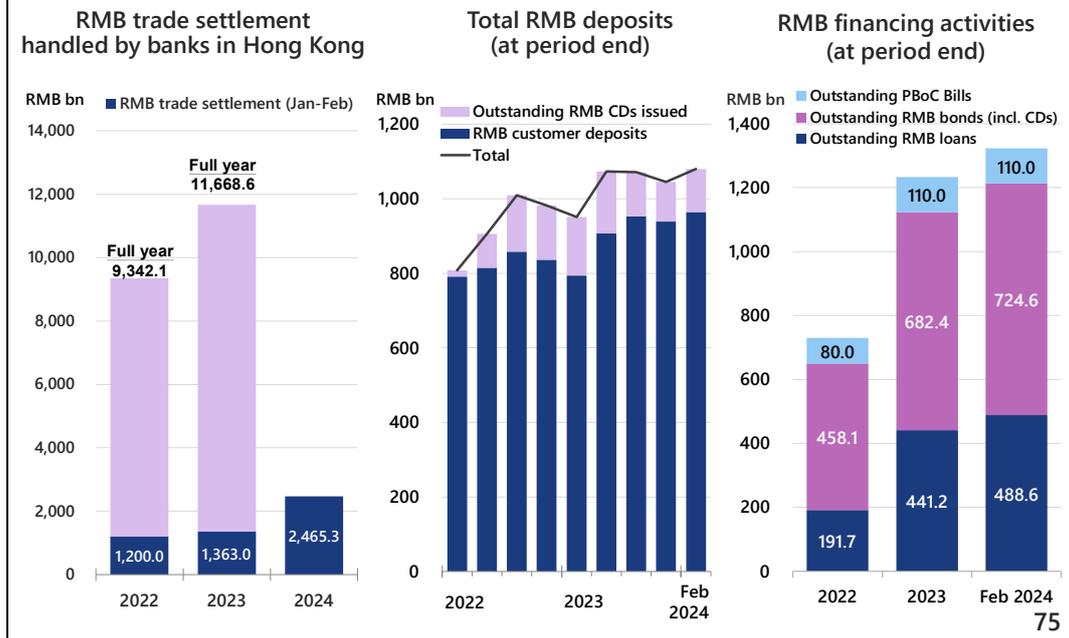


- In March 2024, the HKMA and the Securities and Futures Commission jointly published a consultation paper on enhancements to the Hong Kong OTC derivatives reporting regime. The consultation conclusion is targeted for publication in H2 2024, with a view to implementing the enhancements in Q3 2025
- As of end-March 2024, the Hong Kong Trade Repository logged a total of 4.45 million outstanding OTC derivatives trades, covering five asset classes under mandatory reporting requirements, i.e. foreign exchange, interest rate, equity, credit, and commodity derivatives



Hong Kong as an International Financial Centre

Hong Kong as offshore RMB business hub: Various businesses continued to grow



- In the first two months of 2024, renminbi (RMB) trade settlement handled by banks in Hong Kong totalled RMB2,465.3 billion.
- As at end-February 2024, RMB customer deposits and outstanding RMB certificates of deposit (CDs) amounted to RMB964.2 billion and RMB115.8 billion respectively, totalling RMB1,080.0 billion.
- As at end-February 2024, outstanding RMB loans amounted to RMB488.6 billion. Outstanding dim sum bonds (including CDs) amounted to RMB724.6 billion. Outstanding PBoC bills issued in Hong Kong amounted to RMB110.0 billion.

Connectivity with the Mainland financial market



- Northbound Trading under Bond Connect remained active. In the first quarter of 2024, average daily turnover amounted to RMB45.2 billion (22% year-on-year growth). Southbound Trading has been in order, contributing to the growth in dim sum bond issuance and trading
- The list of eligible collateral for the HKMA's RMB Liquidity Facility was expanded on 26 February 2024 to include RMB bonds issued onshore by the Ministry of Finance and the policy banks in the Mainland. The HKMA is working with the PBoC and relevant authorities to explore more use cases of onshore bonds as collateral in the offshore market
- Enhancement measures of the Cross-boundary Wealth Management Connect Scheme (WMC) went into effect on 26 February 2024. The majority of eligible Hong Kong banks started providing "WMC 2.0" services on the effective date. The HKMA is working with relevant authorities and the industry to promote "WMC 2.0" and step up educational efforts
- Northbound Trading of Swap Connect has been operating in an orderly manner since launch, with 58 global investors onboarded

Developing the asset and wealth management industry



- Hong Kong's private equity industry has remained robust, with US\$221 billion of total capital under management as at end-December 2023*. The limited partnership fund regime continued to see momentum – 816 funds had been established as at end-March 2024
- To enhance Hong Kong's status as an international asset and wealth management hub, the HKMA is working with other Government agencies and financial regulators on various initiatives, including reviewing the existing tax concession measures applicable to funds and carried interest

Developing the bond market (1)



- Hong Kong is a major bond issuance centre in Asia. According to the International Capital Market Association (ICMA), close to US\$90 billion of Asian international bonds were arranged in Hong Kong in 2023, capturing around a quarter of the regional market
- Building on the success of the inaugural tokenised green bond issuance in 2023, the HKMA assisted the Government to complete a second tokenised issuance in February 2024 in four major currencies (HKD, RMB, USD, EUR) totalling around HK\$6 billion, marking the world's first multi-currency digital bond offering. The issuance achieved innovation and breakthroughs in broadening investor participation, streamlining issuance process and enhancing transparency of green bond information

Developing the bond market (2)



- The HKMA is supporting the Government in implementing the 2023–24 and 2024–25 Budget initiatives to expand the scope of the Government Green Bond Programme to cover sustainable finance projects, set up an Infrastructure Bond Programme, and raise the combined borrowing ceiling of the two programmes to HK\$500 billion, with a view to enabling better management of the cashflow needs of infrastructure projects and facilitating their early completion for the good of the economy and people’s livelihood. Subject to the LegCo’s passage of the relevant resolution, the HKMA will assist the Government in the issuance of bonds under the two programmes

Promoting green and sustainable finance (1)



- Total green and sustainable debt instruments issued in Hong Kong exceeded US\$50 billion in 2023*, of which the volume of green and sustainable bonds arranged in Hong Kong amounted to around US\$30 billion, capturing more than one-third of the Asia market
- The HKMA continues to administer and promote the Green and Sustainable Finance Grant Scheme to attract more green and sustainable financing activities to Hong Kong. The scheme has been well received by the market; by end-March 2024, it has provided financial support for around 390 green and sustainable debt instruments issued in Hong Kong with a total underlying issuance volume of over US\$110 billion
- The HKMA is working on the 2024–25 Budget initiative to extend the scheme by three years to 2027, and to expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation

* Source: HKMA staff estimates based on statistics from ICMA and LoanConnector

Promoting green and sustainable finance (2)



- The Green and Sustainable Finance Cross-Agency Steering Group (CASG) co-chaired by the HKMA and the Securities and Futures Commission continues to enhance Hong Kong's sustainable finance ecosystem. For example,
 - Sustainability Disclosure:
 - Develop local sustainability disclosure requirements in line with international standards, with a view to launching the relevant road map in 2024, making Hong Kong one of the first jurisdictions to align the local sustainability disclosure requirements with ISSB Standards
 - Support non-listed companies in sustainability disclosure. Digitalised the *Questionnaire on Climate and Environmental Risk for Non-listed Companies* in February 2024 to facilitate online reporting; will explore data sharing and update the questionnaire in line with international standards as appropriate
 - Transition Finance: Continue to support the development of transition finance on the policy, data and capacity building fronts, including expanding the local taxonomy to cover transition activities and sharing a range of practices on transition planning with the industry

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- The CASG aims to coordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies. Members include the Accounting and Financial Reporting Council, the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, Hong Kong Exchanges and Clearing Limited, Insurance Authority, and the Mandatory Provident Fund Schemes Authority.
- The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards Sustainability Disclosure in 2023, providing the global baseline for corporate disclosure of climate and sustainability-related information.
- Co-developed and launched by CASG in consultation with CDP, the Questionnaire on Climate and Environmental Risk for Non-listed Companies is tailor-made for non-listed companies in Hong Kong to facilitate their sustainability disclosure. CDP is a global non-profit organisation that runs the world's environmental disclosure system.

Promoting green and sustainable finance (3)



- The Hong Kong Green Week – Finance Stream was concluded on 1 March 2024. More than 1,600 participants from close to 30 jurisdictions attended the various sustainability-themed events. The attendees represented financial institutions, corporates, central banks, international organisations, government agencies, academia, consulting firms, among others

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- The Hong Kong Green Week events include the Climate Business Forum: Asia Pacific co-hosted by the HKMA and the International Finance Corporation, Asia Climate Finance Roundtable co-hosted by the HKMA and the International Monetary Fund, and more than ten roundtables, seminars, and networking events focusing on themes such as climate finance, carbon markets, electric vehicle supply chain, net-zero transition financing, green classification framework, and financing green development in the Belt and Road region.

Outreach



- The HKMA visited Paris and Brussels in March 2024 to engage with the European financial and business sectors, and promote the role of Hong Kong as an international financial centre
- The HKMA is actively pursuing collaboration initiatives with central banks in the Middle East
- Among ASEAN countries, the HKMA visited Thailand in January 2024 and plans to visit Malaysia in May 2024 and Indonesia later this year, mainly to meet with local central banks, financial institutions and corporates with a view to exploring new market opportunities for the development of Hong Kong as an international financial centre

Crypto-assets and stablecoins



- On 27 December 2023, the Financial Services and the Treasury Bureau (FSTB) and the HKMA jointly issued a public consultation paper to gather views on the legislative proposal to implement the regulatory regime for stablecoin issuers. The consultation ended on 29 February 2024. Over 100 responses were received with the vast majority supporting the legislative proposal. The FSTB and the HKMA will publish the consultation conclusion after collating and considering the views, and strive to introduce the Bill to the LegCo as soon as possible
- On 12 March 2024, the HKMA announced the launch of the stablecoin issuer sandbox arrangement. The HKMA wishes to leverage the sandbox arrangement to allow institutions planning to issue stablecoins in Hong Kong to conduct testing on their operational plans in a risk-controlled environment and facilitate two-way communications on the proposed regulatory requirements
- The public is reminded that the sandbox will not involve solicitation of funding from the public or offering of any investment products. To keep the public informed of the latest participation, the HKMA will also publish a list of sandbox participants on its website with timely updates

Government Bond Programme



Retail bonds – outstanding as at end-March 2024

- One iBond, totalling HK\$20 billion
- Three Silver Bonds, totalling HK\$124.7 billion

Institutional bonds – outstanding as at end-March 2024

- 16 institutional bonds, totalling HK\$100.5 billion
- One Islamic bond, totalling US\$1 billion

It was announced in the 2024–25 Budget that the Government Green Bond Programme and Infrastructure Bond Programme will gradually replace the existing Government Bond Programme. Relevant details will be announced in due course

Hong Kong Academy of Finance (AoF)



- **Financial leadership development:** A number of high-level seminars were held, covering topical global economic and financial issues, and drawing speakers and participants from Hong Kong, Mainland and overseas
- **Financial Leaders Programme (FLP):** A total of 21 senior executives have been recruited to take part in the 2024 Programme. The nine-month part-time Programme has kick-started in early April 2024
- **Research and knowledge exchange activities:** The AoF and the Hong Kong Institute for Monetary and Financial Research (HKIMR) co-organised one conference, three seminars with different institutions and hosted a roundtable discussion. In addition, the HKIMR released three working papers and organised eight research seminars on monetary and financial research topics

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Financial leadership development

- The AoF organised a number of seminars under its Distinguished Speakers Series. Speakers included Dr Andreas Dombret, Global Senior Advisor of Oliver Wyman; Mr Tobias Adrian, Financial Counsellor and Director of the Monetary and Capital Markets Department of the IMF; and Ms Jenny Johnson, President and Chief Executive Officer of Franklin Templeton.
- As part of the Hong Kong Green Week – Finance Stream, the AoF hosted the "HKMA IFFO-GFANZ Seminar: Financing the Net-zero Transition" and "HKMA-HKUST-HKGFA Seminar: Taxonomy for Hong Kong" on 29 February 2024.

Financial Leaders Programme

- The AoF launched the FLP in 2022 to nurture the next generation of financial leaders for Hong Kong. The FLP received very positive feedback from both the speakers and the participants. Apart from regular engagements with different distinguished financial leaders, the FLP also includes field trips and site visits. So far, 42 participants have graduated from the FLP.
- The 2024 FLP had been open for application between 15 November and 17 December 2023, and received enthusiastic response and high-quality applications. Following a competitive selection process, the Membership Committee of the AoF approved the admission of 21 applicants. The 2024 FLP participants come from a diverse spectrum of financial sub-sectors including banking, insurance, securities and asset management, professional services, fintech and financial regulatory bodies.

Research and knowledge exchange activities

- The HKIMR released three working papers and organised eight research seminars on monetary and financial research topics.

- On 11 April 2024, the HKMA, AoF/HKIMR and the Business School of the Hong Kong University of Science and Technology co-organised an International Conference on “Central Bank Digital Currencies and Payment Systems”.
- On 16 April 2024, the AoF/HKIMR, partnering with the Alternative Investment Management Association (AIMA) and CFA Institute (CFAI) Research & Policy Center, organised a seminar titled “Advancing Talent Developments in Financial Services: Updates on Emerging Global Trends, Their Impact, and Talent Policy Strategies”. Around 60 local members from AIMA and CFAI attended in person and over 600 overseas members joined online.
- On 18 April 2024, the AoF/HKIMR and the ASEAN+3 Macroeconomic Research Office (AMRO) co-organised a seminar titled “Navigating Tomorrow” for the ASEAN+3 Regional Economic Outlook 2024. Around 60 leading experts and senior economists from the official sector and financial industry attended.
- On 22 April 2024, the AoF/HKIMR hosted a roundtable on “China’s Economic Outlook and Policy” with the Chinese Academy of Social Sciences delegation. Around 40 economic experts attended.



Investment Environment and Performance of the Exchange Fund

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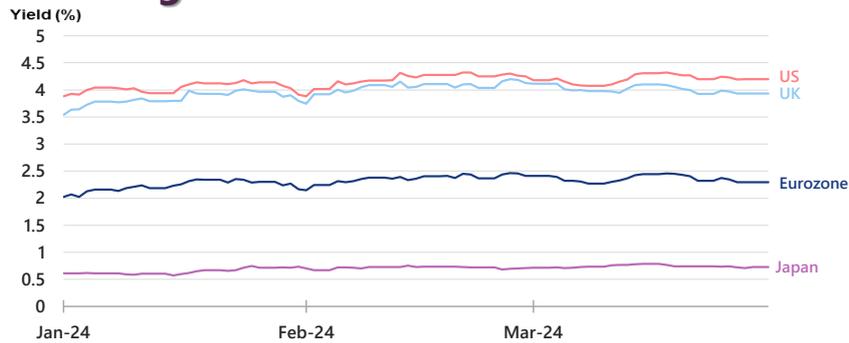


Investment environment in Q1 2024

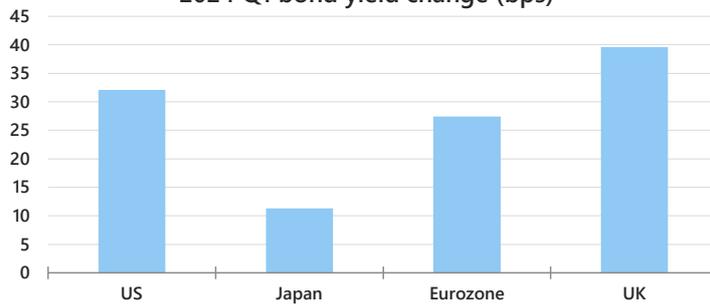
- **Interest rates:** Major central banks kept rates on hold. Despite signs of easing inflationary pressure, higher than expected inflation figures dampened market expectations on imminent rate cuts. Yields remained elevated. The 10-year US Treasury yield rose by 33 bps in Q1 2024, reaching 4.20% at quarter end
- **Equity markets:** Global equities generally rose in Q1, fuelled by optimism about the US economy and technology-related themes. S&P500 hit a series of record highs, surpassing the 5,200 level and recording 10% gain during the quarter. Japanese equities also soared to multi-year highs. Mainland equities had a brief rally following downward adjustments; Hong Kong equities remained weak
- **Exchange rates:** USD strengthened broadly against other major currencies, among which GBP, euro and CNY depreciated moderately. JPY continued to weaken

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Major 10-year sovereign bond yields remained high

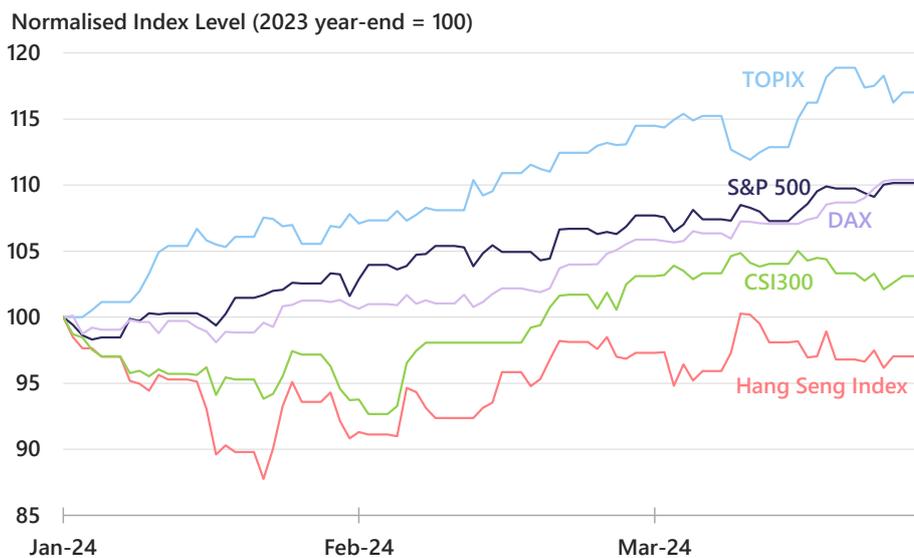


2024 Q1 bond yield change (bps)



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Major equity markets rose; Mainland & Hong Kong markets relatively weak

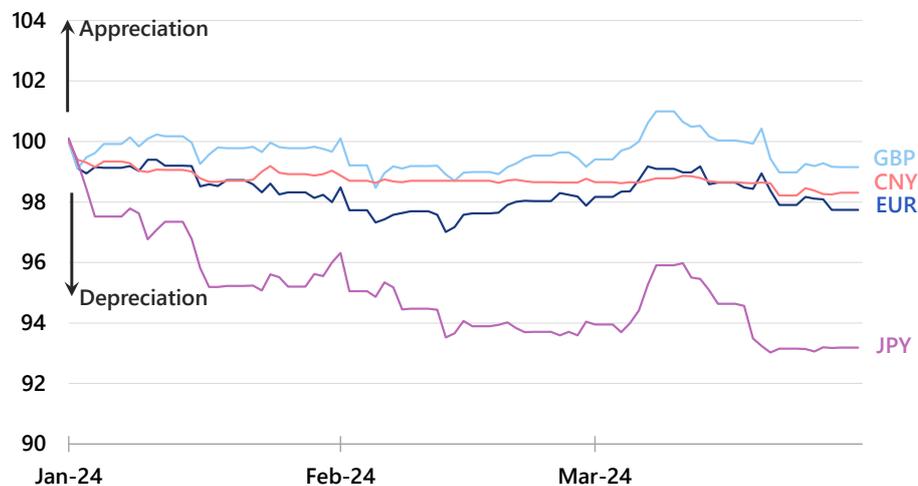


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USD strengthened broadly against major currencies



Normalised FX Level Against USD (2023 year-end=100)



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Investment Income



| | 2024 | 2023 | 2022 | 2021 |
|--------------------------------------|--------------|---------------|----------------|---------------|
| | (unaudited) | | | |
| (HK\$ billion) | Q1 | Full year | Full year | Full year |
| Bonds | 25.1 | 144.7 | (53.2) | 12.6 |
| Hong Kong equities* | (2.3) | (15.5) | (19.5) | (21.0) |
| Other equities | 36.3 | 73.6 | (61.0) | 68.8 |
| Foreign exchange[#] | (4.8) | (0.5) | (40.0) | 16.8 |
| Other investments[@] | - | 23.7 | (31.7) | 114.7 |
| Investment income/(loss) | 54.3 | 226.0 | (205.4) | 191.9 |

* Excluding valuation changes of the Strategic Portfolio.

[#] This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

[@] Including valuation changes of private equity and real estate investments held under the Long-Term Growth Portfolio. Valuation changes of these investments for the first quarter of 2024 are not yet available.

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Income and Expenditure



| | 2024 | 2023 | 2022 | 2021 |
|-------------------------------------------------------------|---------------|---------------|----------------|--------------|
| | (unaudited) | | | |
| (HK\$ billion) | Q1 | Full year | Full year | Full year |
| Investment income/(loss) | 54.3 | 226.0 | (205.4) | 191.9 |
| Other income | - | 0.2 | 0.2 | 0.2 |
| Interest and other expenses | <u>(15.5)</u> | <u>(54.5)</u> | <u>(18.8)</u> | <u>(6.1)</u> |
| Net income/(loss) | 38.8 | 171.7 | (224.0) | 186.0 |
| Fee payment to Fiscal Reserves** | (3.9) | (35.5) | (26.0) | (93.0) |
| Fee payment to HKSAR Government funds and statutory bodies* | (4.3) | (16.5) | (22.1) | (16.8) |

* The rate of fee payment is 3.7% for 2024, 3.7% for 2023, 5.6% for 2022 and 4.7% for 2021.

This does not include the 2024 fee payment to the Future Fund because such amount will only be disclosed when the composite rate for 2024 is available.

The composite rate was 4.8% for 2023, -3.0% for 2022 and 17.8% for 2021. Fee payable to/(reversed from) the Future Fund was HK\$18.0 billion for 2023, HK\$(9.0) billion for 2022 and HK\$58.6 billion for 2021.

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Exchange Fund Abridged Balance Sheet



| (HK\$ billion) | At 31 Mar 2024 (unaudited) | At 31 Dec 2023 | At 31 Dec 2022 | At 31 Dec 2021 |
|-----------------------------------------------------------|-------------------------------|----------------|----------------|----------------|
| ASSETS | | | | |
| Deposits | 343.2 | 345.6 | 368.8 | 300.8 |
| Debt securities | 2,871.0 | 2,798.6 | 2,773.3 | 3,290.0 |
| Hong Kong equities* | 119.4 | 125.0 | 150.4 | 183.2 |
| Other equities | 454.4 | 485.3 | 472.4 | 561.8 |
| Other assets# | 275.8 | 262.0 | 243.1 | 234.4 |
| Total assets | 4,063.8 | 4,016.5 | 4,008.0 | 4,570.2 |
| | ===== | ===== | ===== | ===== |
| LIABILITIES AND EQUITY | | | | |
| Certificates of Indebtedness | 603.2 | 593.2 | 606.0 | 592.4 |
| Government-issued currency notes and coins in circulation | 13.0 | 12.9 | 13.2 | 13.1 |
| Balance of the banking system | 45.6 | 45.0 | 96.2 | 377.5 |
| Exchange Fund Bills and Notes issued | 1,258.1 | 1,244.5 | 1,200.3 | 1,148.6 |
| Placements by banks and other financial institutions | 65.6 | 99.1 | 99.5 | - |
| Placements by Fiscal Reserves® | 735.9 | 695.4 | 765.2 | 973.3 |
| Placements by HKSAR Government funds and statutory bodies | 457.5 | 468.7 | 449.0 | 394.3 |
| Placements by subsidiaries | 31.3 | 31.2 | 30.6 | 26.2 |
| Other liabilities | <u>184.1</u> | <u>179.5</u> | <u>190.8</u> | <u>238.0</u> |
| Total liabilities | 3,394.3 | 3,369.5 | 3,450.8 | 3,763.4 |
| Accumulated surplus | 668.6 | 646.1 | 556.4 | 805.9 |
| Revaluation reserve | <u>0.9</u> | <u>0.9</u> | <u>0.8</u> | <u>0.9</u> |
| Total equity | 669.5 | 647.0 | 557.2 | 806.8 |
| | ===== | ===== | ===== | ===== |
| Total liabilities and equity | 4,063.8 | 4,016.5 | 4,008.0 | 4,570.2 |
| | ===== | ===== | ===== | ===== |

* Including shares of the Hong Kong Exchanges and Clearing Limited in the Strategic Portfolio.

Including fund injection to Exchange Fund's investment holding subsidiaries at a carrying amount of HK\$205.3 billion at 31 March 2024 (HK\$203.9 billion at 31 December 2023, HK\$191.7 billion at 31 December 2022 and HK\$190.1 billion at 31 December 2021).

® Including placements by the Future Fund of HK\$355.8 billion at 31 March 2024 (HK\$299.4 billion at 31 December 2023, HK\$255.2 billion at 31 December 2022 and HK\$217.7 billion at 31 December 2021).

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Historical Investment Income

(HK\$ billion)

| Year | Full Year | Q4 | Q3 | Q2 | Q1 |
|-------------------|-----------|--------|---------|---------|---------|
| 2005 | 37.8 | 7.3 | 19.0 | 13.6 | (2.1) |
| 2006 | 103.8 | 36.0 | 37.1 | 12.5 | 18.2 |
| 2007* | 142.2 | 33.4 | 61.8 | 26.3 | 20.7 |
| 2008* | (75.0) | 8.3 | (48.3) | (20.4) | (14.6) |
| 2009*# | 107.7 | 10.6 | 71.9 | 58.7 | (33.5) |
| 2010*# | 79.4 | 5.9 | 74.5 | (12.1) | 11.1 |
| 2011*# | 27.1 | 22.1 | (41.4) | 21.6 | 24.8 |
| 2012*# | 111.6 | 30.3 | 42.4 | (5.6) | 44.5 |
| 2013*# | 81.2 | 30.7 | 54.7 | (23.3) | 19.1 |
| 2014*# | 44.7 | 6.1 | (17.8) | 43.3 | 13.1 |
| 2015*# | (15.8) | 21.0 | (63.8) | 18.7 | 8.3 |
| 2016*# | 68.1 | (23.3) | 47.1 | 18.9 | 25.4 |
| 2017*# | 264.0 | 66.0 | 61.8 | 71.3 | 64.9 |
| 2018*# | 10.9 | (33.6) | 9.5 | 0.0 | 35.0 |
| 2019*# | 262.2 | 60.3 | 23.5 | 45.0 | 133.4 |
| 2020*# | 235.8 | 145.0 | 81.2 | 121.6 | (112.0) |
| 2021*# | 191.9 | 48.2 | 4.0 | 88.4 | 51.3 |
| 2022*# | (205.4) | 73.4 | (113.4) | (116.6) | (48.8) |
| 2023*# | 226.0 | 120.1 | (10.5) | 8.4 | 108.0 |
| 2024* (unaudited) | N/A | N/A | N/A | N/A | 54.3 |

* Excluding valuation changes of the Strategic Portfolio.

Including valuation changes of private equity and real estate investments held under the LTGP.

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The Hong Kong Mortgage Corporation Limited

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Mortgage Insurance Programme (MIP)



- In 2024, as of 15 April, around 7,000 applications were approved, of which 781 were under the new coverage after the MIP revisions in July and September 2023. Over 90% of approved applications were from first-time homebuyers.
- Special premium concession for properties valued up to HK\$15 million has been provided to first-time homebuyers, by waiving premium on insurance coverage for the mortgage loan portion not more than 5% above the maximum loan-to-value ratio for banks

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SME Financing Guarantee Scheme (SFGS)



- The Financial Secretary announced in the 2024-25 Budget that the application period of the 80% Guarantee Product and the 90% Guarantee Product of the SFGS be extended for two years to end-March 2026
- As of 15 April 2024, around 37,700 applications were approved under the 80% and 90% Guarantee Products, amounting to about HK\$134.8 billion; over 66,500 applications were approved under the Special 100% Loan Guarantee, amounting to about HK\$142.2 billion
- Partial principal repayment options are available under the scheme, enabling the eligible enterprises to gradually transition from principal moratorium to normal repayments

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Dedicated 100% Loan Guarantee Schemes



- The schemes for the cross-boundary passenger transport trade and the travel sector were launched on 29 April 2023 to support their business resumption. As of 15 April 2024, 217 applications were approved, amounting to about HK\$200 million. The application period of the schemes has been extended to 28 October 2024
- The scheme for battery electric taxis was launched on 4 September 2023 to encourage taxi owners to replace their existing taxis with battery electric taxis. As of 15 April 2024, four applications were approved, amounting to about HK\$1.3 million

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Reverse Mortgage Programme



As of 15 April 2024, 7,250 applications had been received:

- Average age of borrowers: 68 years old
- Average monthly payout: HK\$17,200
- Payment terms: 10-year (21.8%); 15-year (14.2%); 20-year (11.8%); life (52.2%)
- Average property value: HK\$5.8 million
- Average property age: 31 years

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HKMC Annuity Limited



Detailed business results:

| | Since launch | 2023 | 2023 (Jan – Mar) | 2024 (Jan – Mar) |
|-----------------------------------------------|--------------|---------|---------------------|---------------------|
| No. of policies | 20,323 | 2,205 | 396 | 589 |
| Total premium amount (HK\$ billion) | 14.5 | 1.6 | 0.3 | 0.4 |
| Average premium amount (HK\$) | 715,000 | 729,000 | 856,000 | 748,000 |