



HONG KONG MONETARY AUTHORITY  
香港金融管理局

## **Briefing to the Legislative Council Panel on Financial Affairs**

**4 November 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)

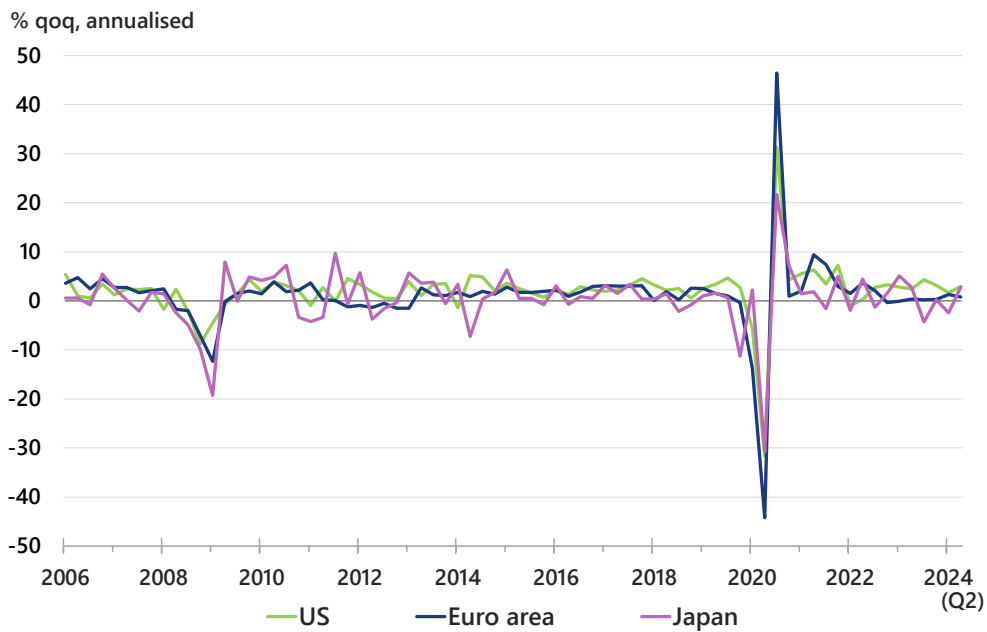
|                 | 2023 | 2024<br>Forecasts | 2025<br>Forecasts |
|-----------------|------|-------------------|-------------------|
| US              | 2.9  | 2.6               | 1.8               |
| Euro area       | 0.4  | 0.7               | 1.2               |
| Japan           | 1.7  | 0.0               | 1.2               |
| Asia (ex-Japan) | 5.0  | 4.8               | 4.4               |
| Mainland China  | 5.2  | 4.8               | 4.4               |
| Hong Kong       | 3.3  | 2.5-3.5 (*)       | N.A.              |

(\*) Latest forecast by the HKSAR Government on 16 August 2024.

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

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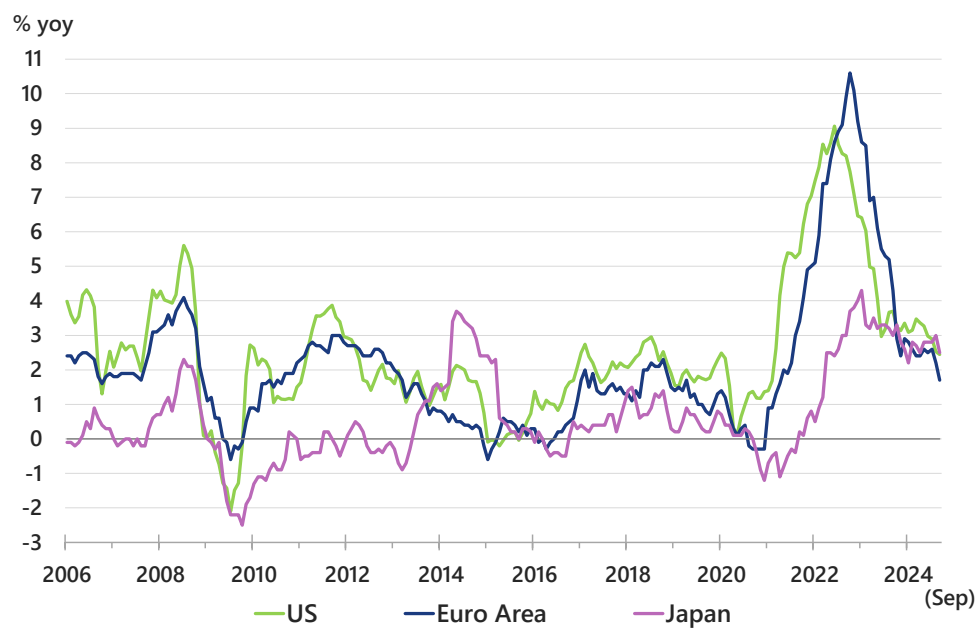
## Real GDP growth in major economies



Source: CEIC

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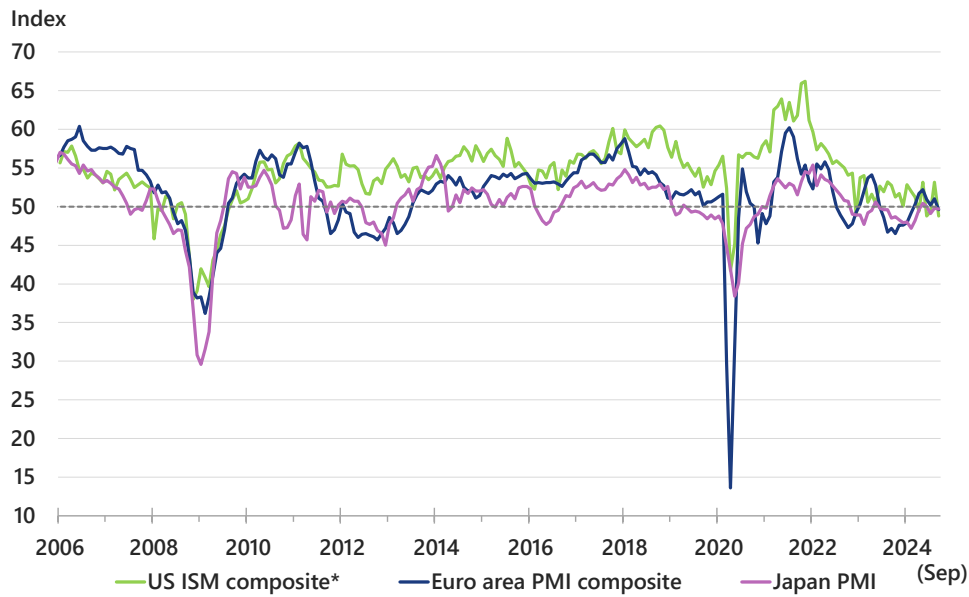
## Headline inflation in major economies



Source: CEIC

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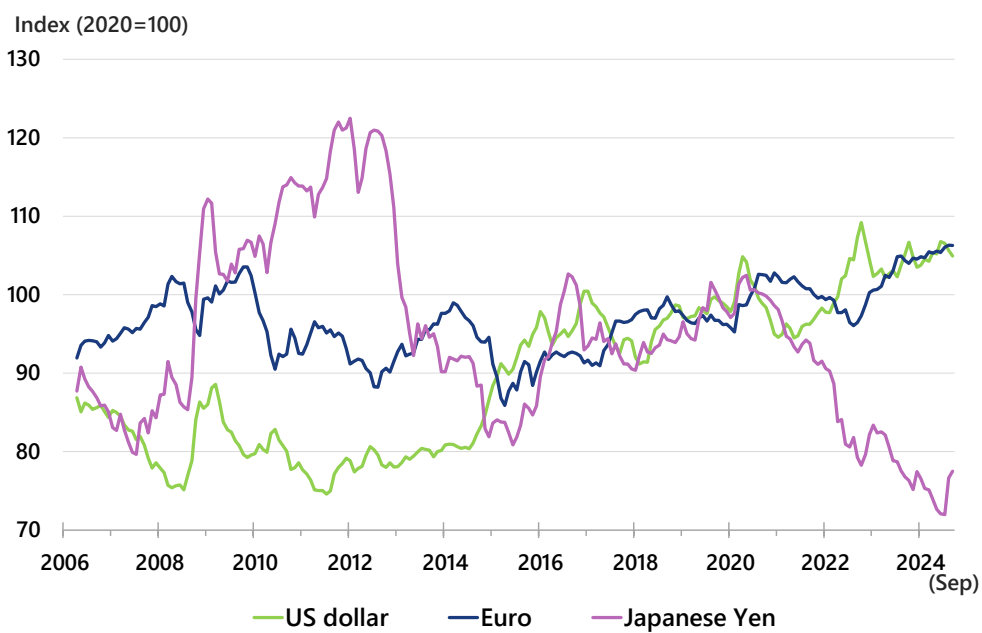
## Purchasing Managers' Index in major economies



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

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## Nominal effective exchange rate index of major currencies



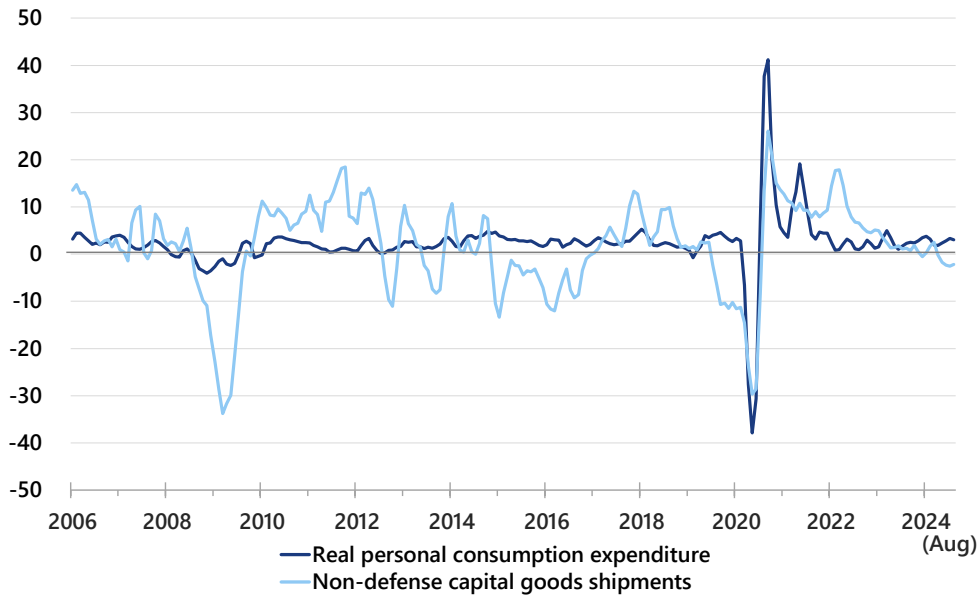
Source: CEIC

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## US: Consumption growth and business investment activity



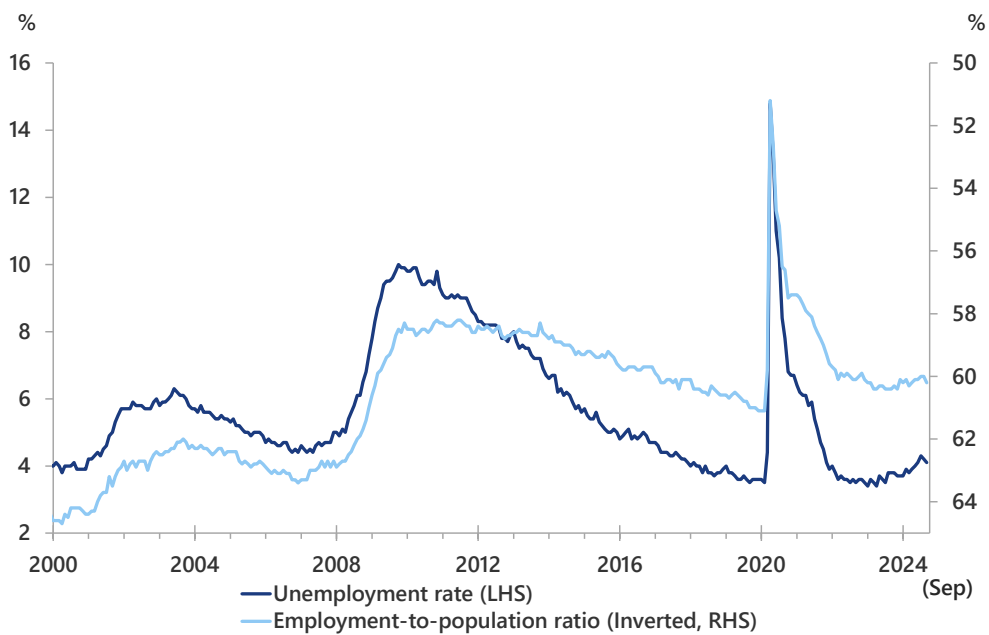
% 3m-on-3m, annualised



Source: CEIC

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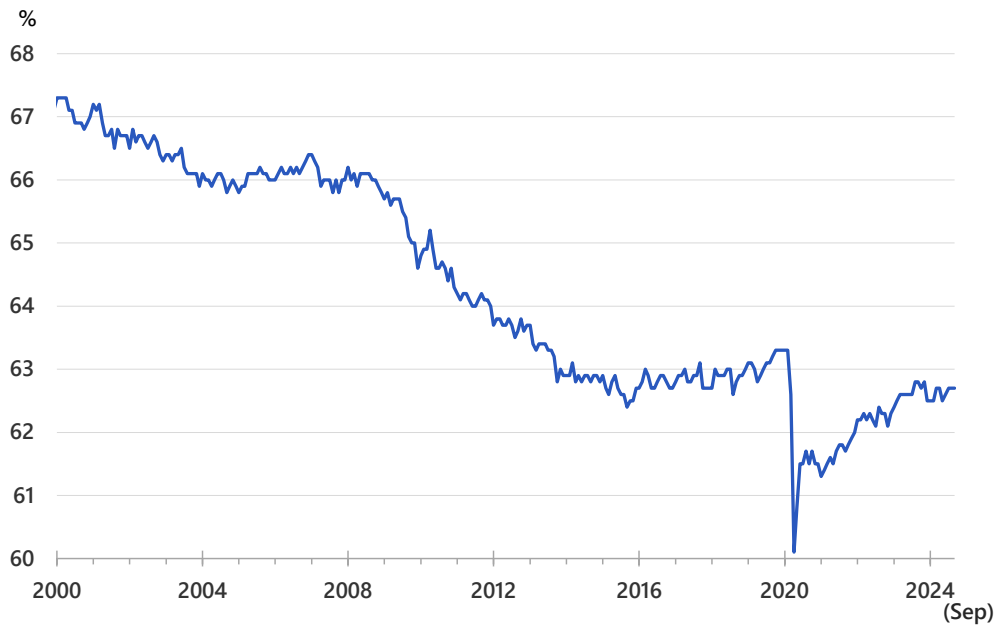
## US: Labour market situation



Source: CEIC

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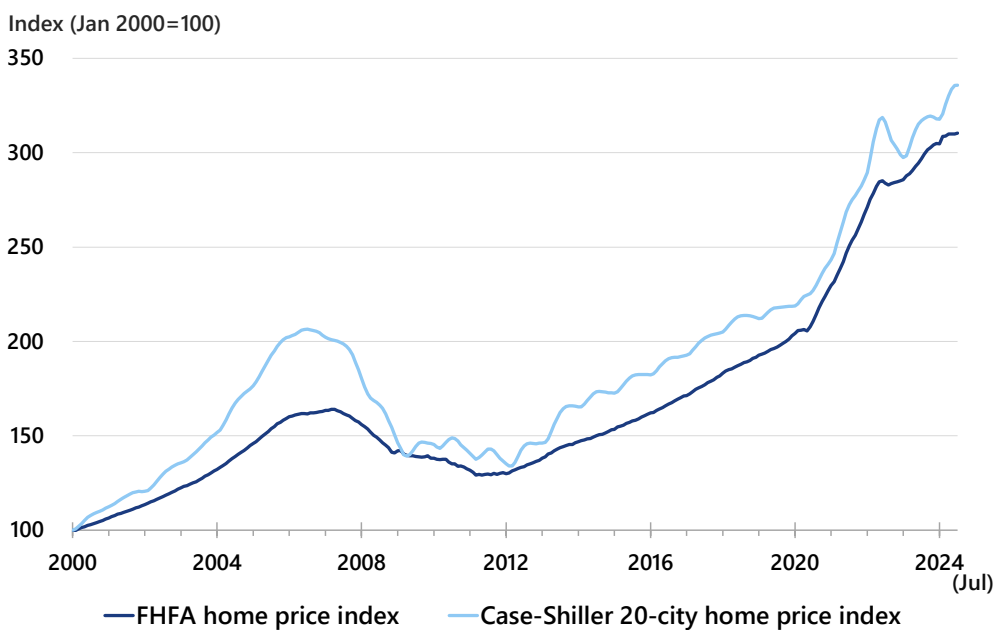
## US: Labour force participation rate



Source: CEIC

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## US: Home prices



Sources: CEIC and S&P

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## US: Home sales



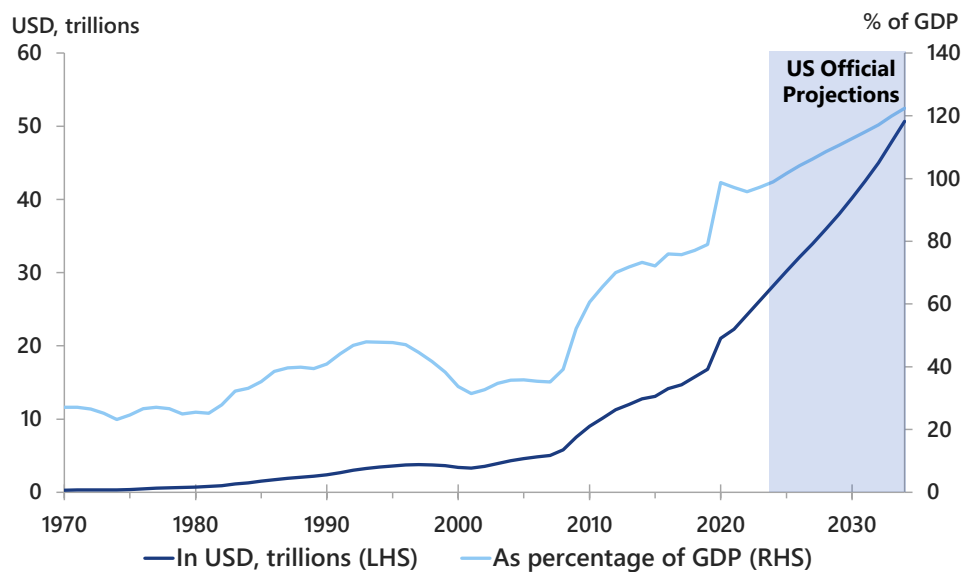
Sources: CEIC and National Association of Realtors

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## US: Federal government debt



### US federal debt held by the public



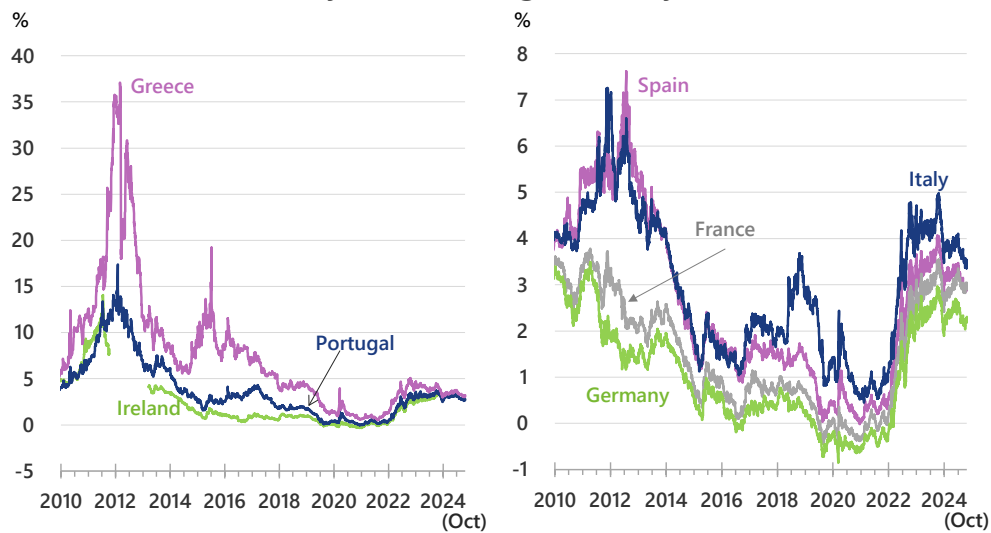
Sources: CEIC and Congressional Budget Office

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## Euro area: Sovereign bond yields



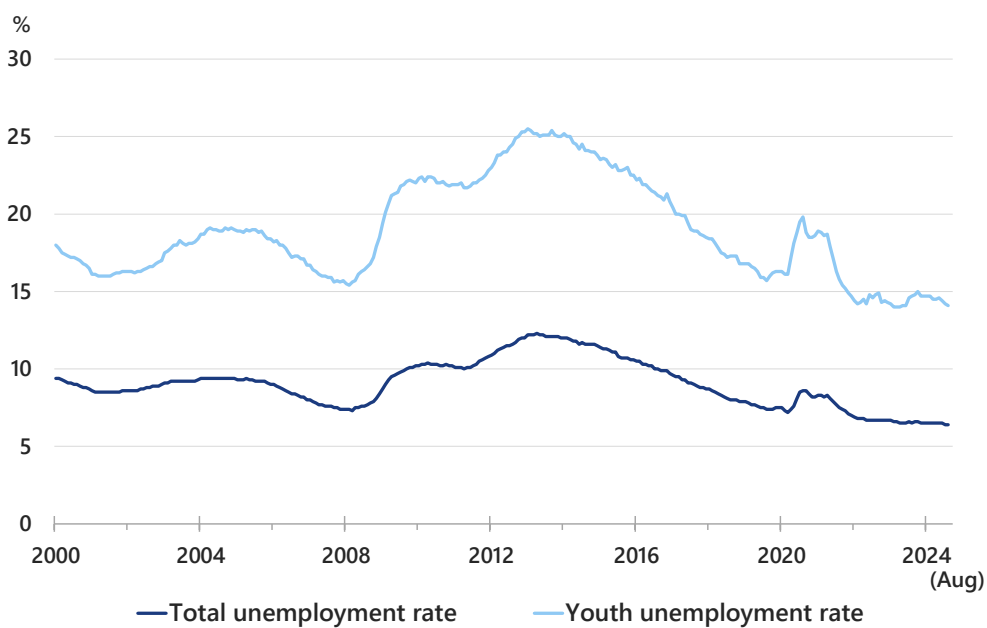
### 10-year sovereign bond yield



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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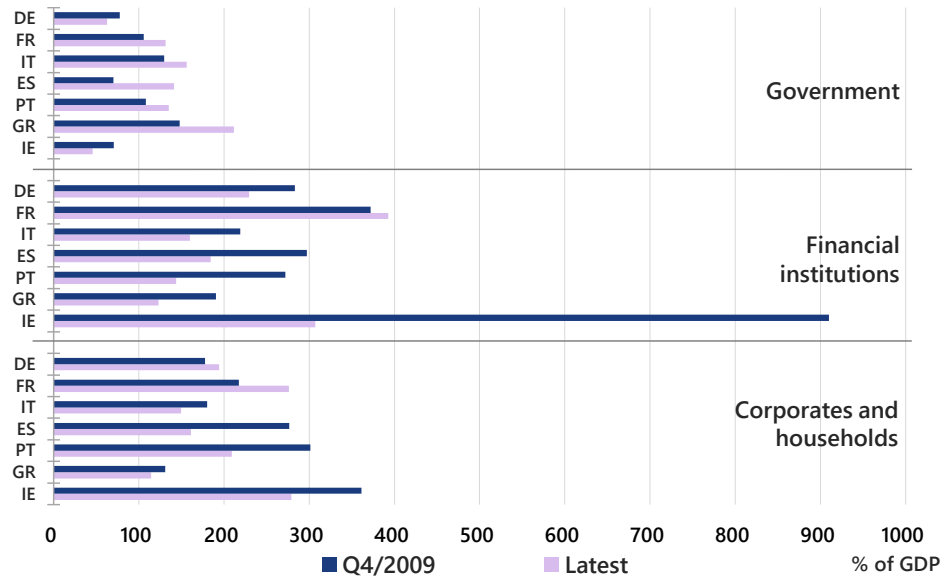
## Euro area: Unemployment rate



Source: CEIC

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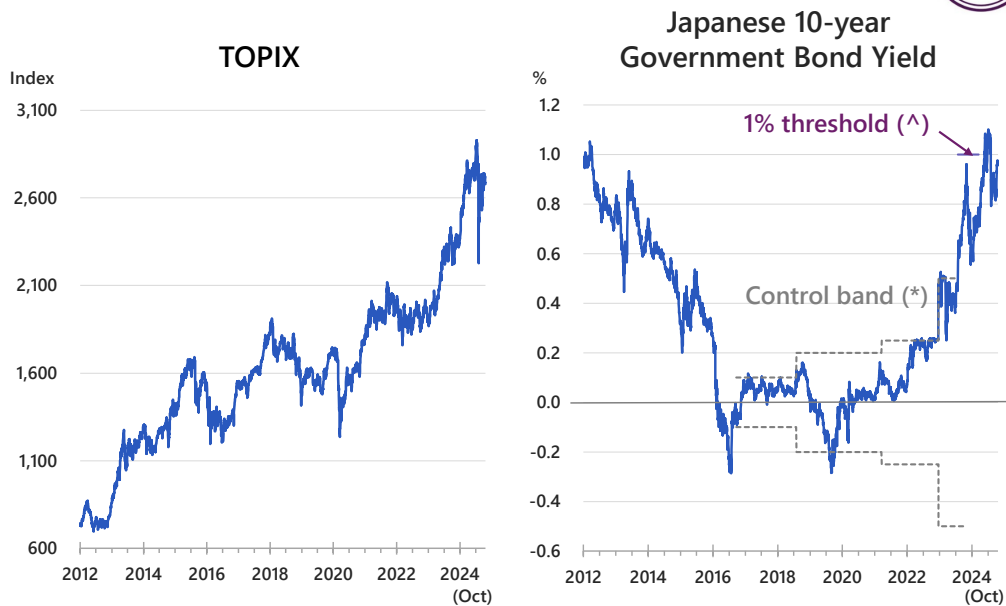
## Euro area: Overall indebtedness



Note: DE – Germany, FR – France, IT – Italy, ES – Spain, PT – Portugal, GR – Greece, IE – Ireland  
 The latest figures are up to Q1/2024 for Government, whilst the rest are up to Q2/2024.  
 Source: European Central Bank

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## Japan: Financial markets



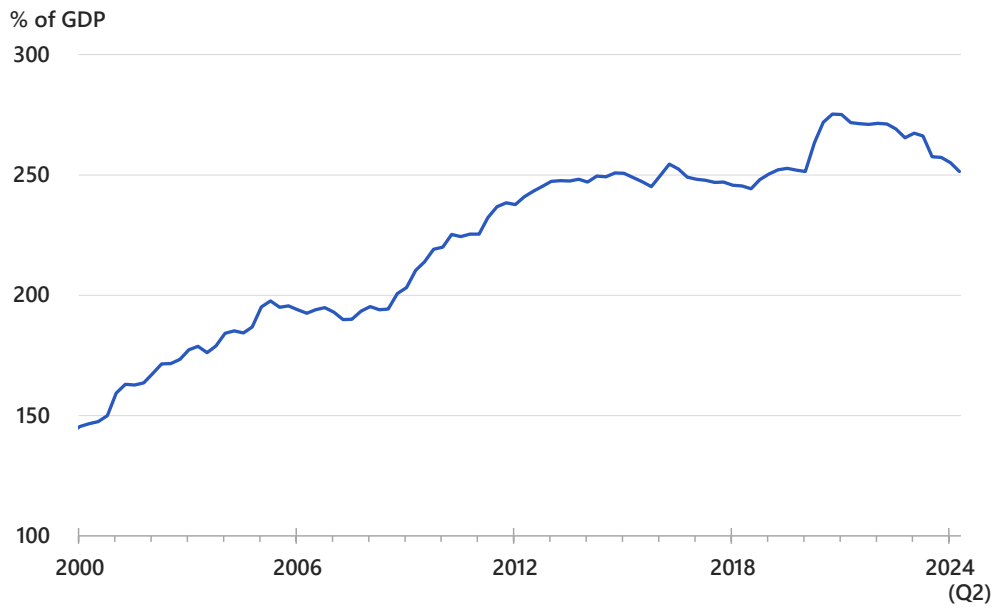
(\*) The control band for Japanese 10-year government bond yield was -0.5% to 0.5% until 28 July 2023

(^) 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

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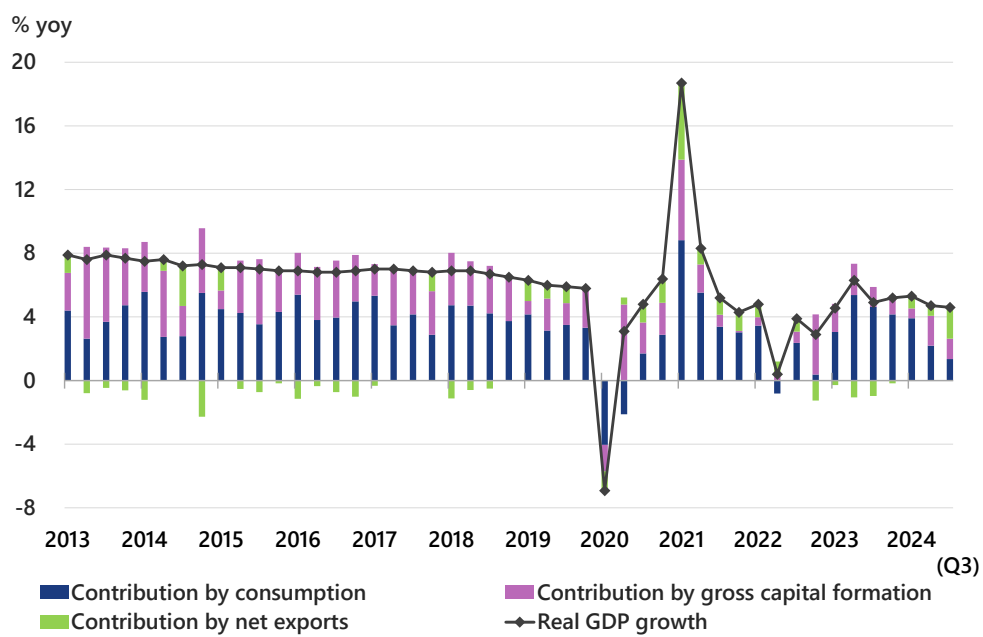
## Japan: Public debt



Sources: Bank of Japan and CEIC

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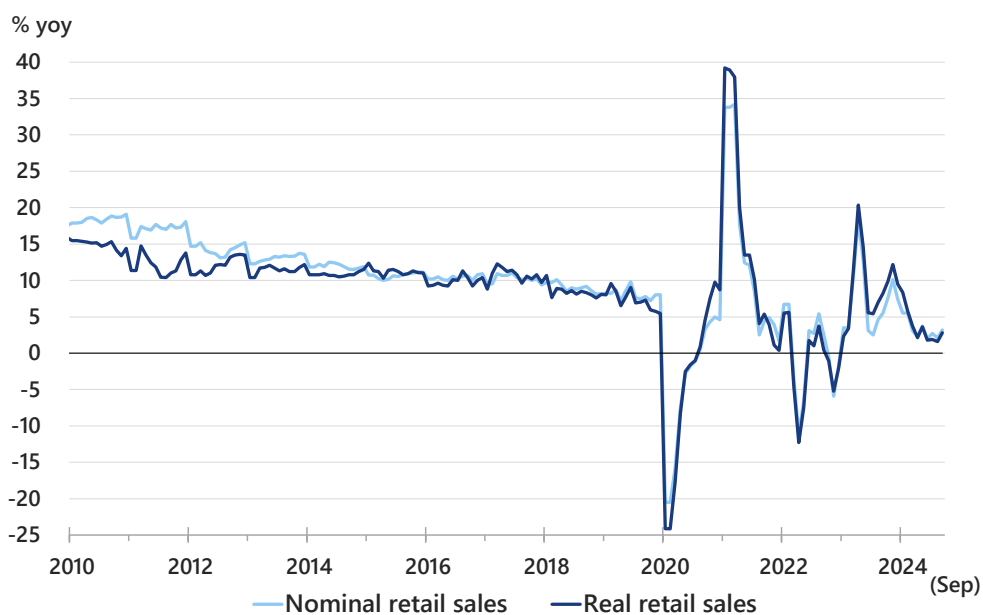
## Mainland China: Real GDP growth



Source: CEIC

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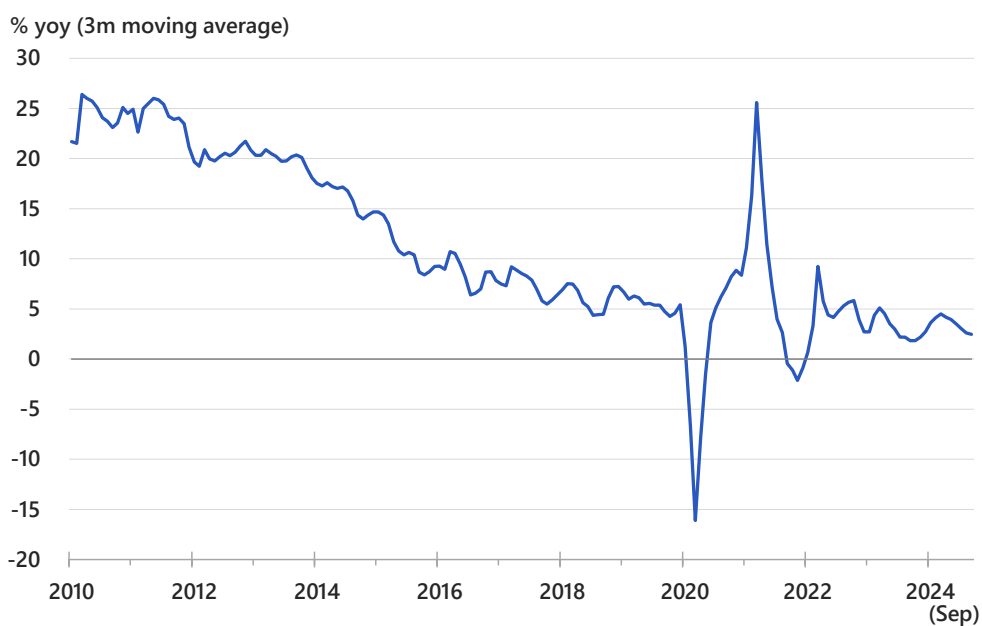
## Mainland China: Retail sales



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



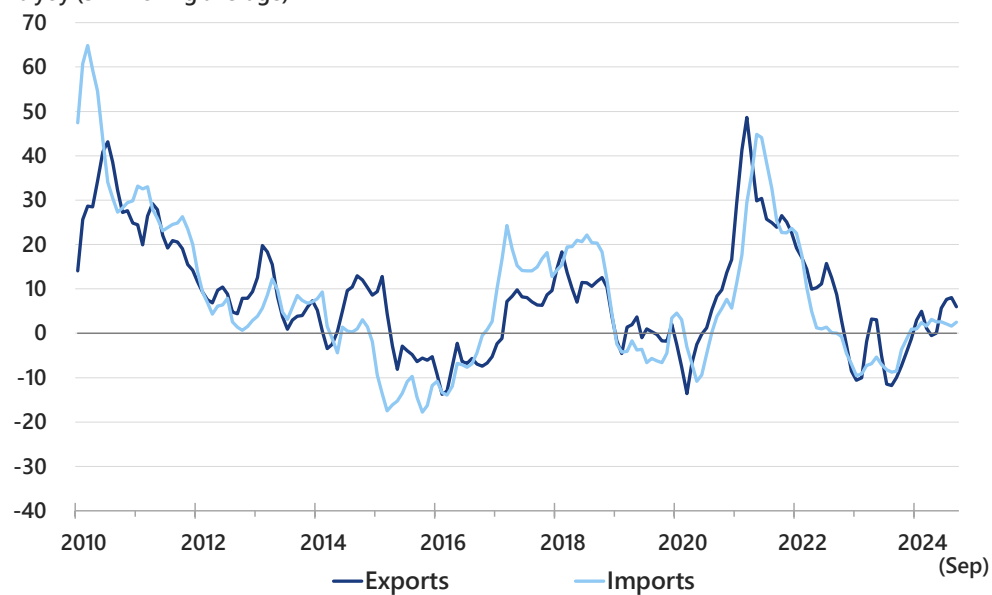
Sources: CEIC and HKMA staff estimates

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## Mainland China: Import and export growth



% yoy (3m moving average)



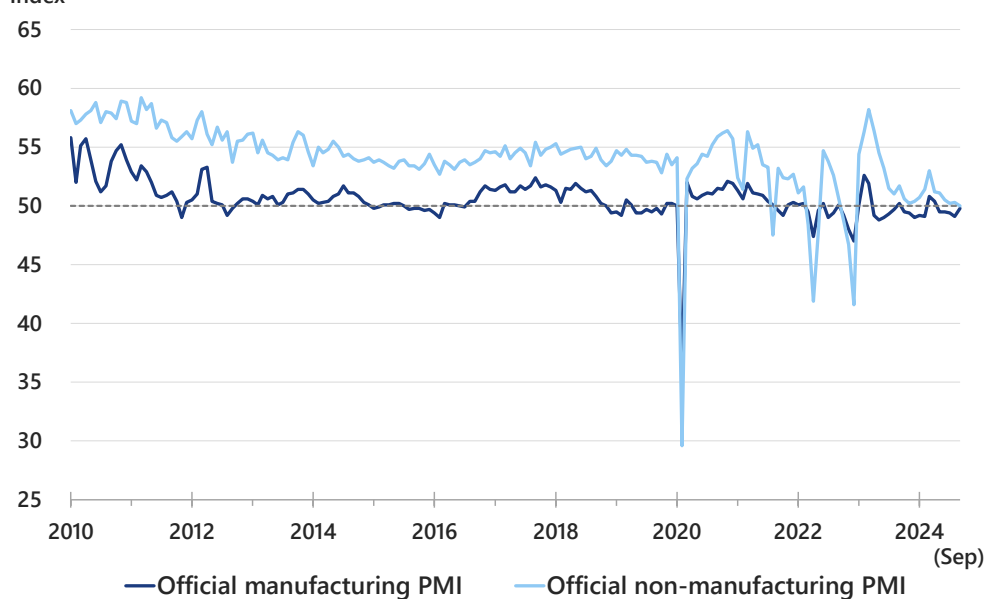
Sources: CEIC and HKMA staff estimates

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## Mainland China: Purchasing Managers' Index



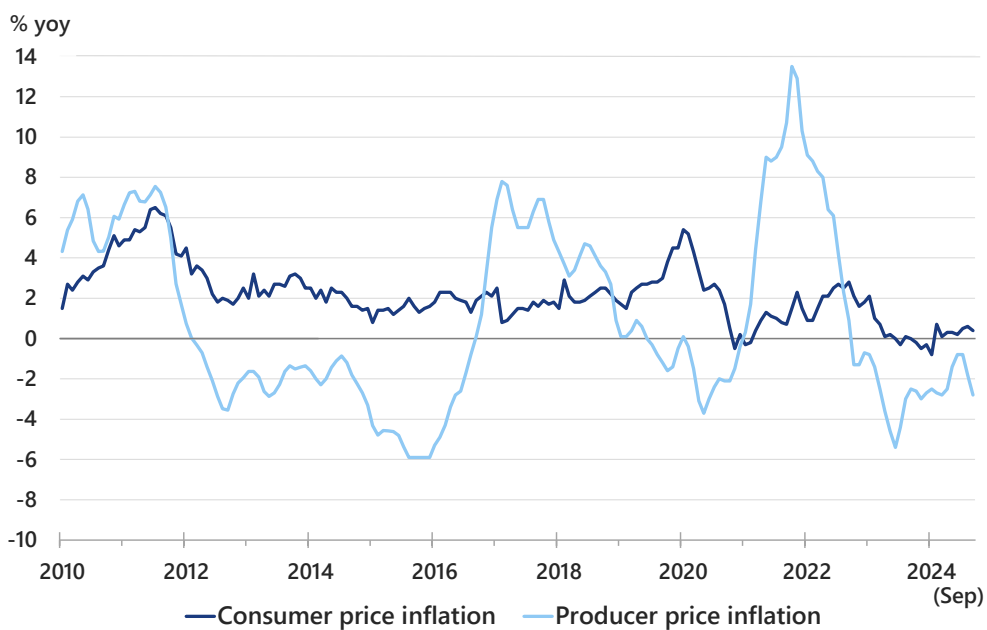
Index



Source: CEIC

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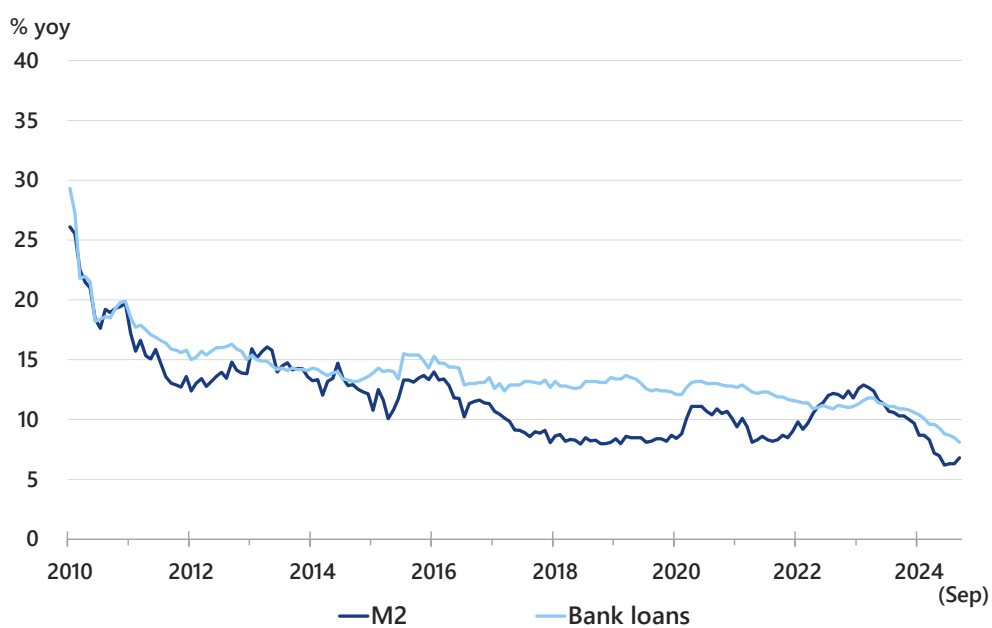
## Mainland China: Inflation



Source: CEIC

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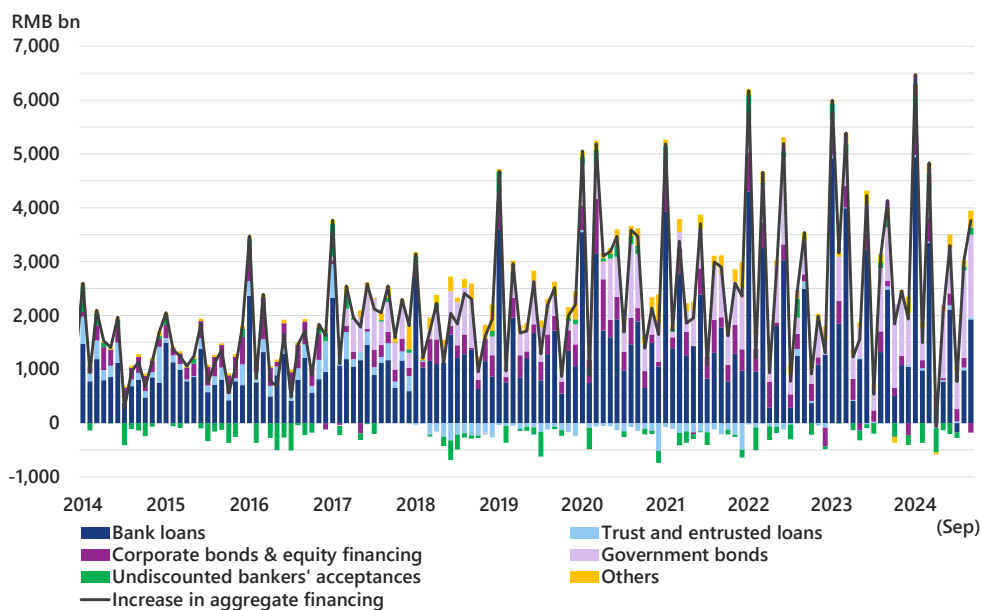
## Mainland China: Money and loan growth



Source: CEIC

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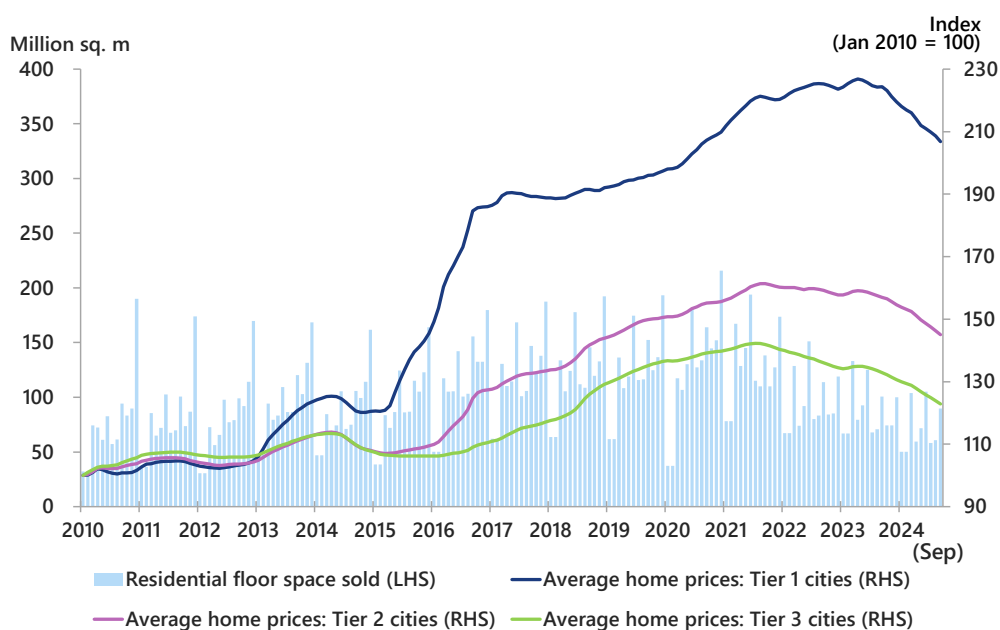
## Mainland China: Aggregate financing flow



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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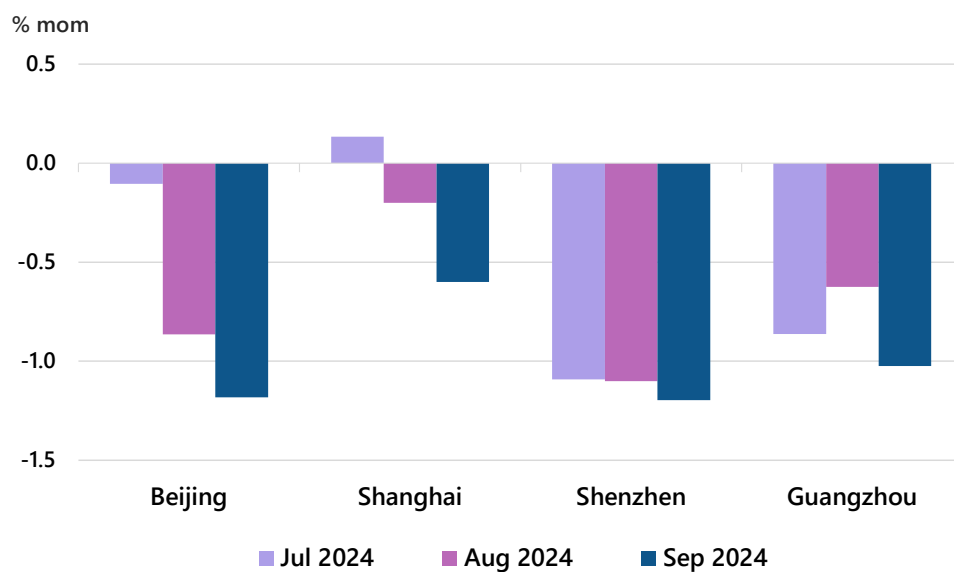
## Mainland China: Property price and transaction volume



Sources: CEIC and HKMA staff estimates

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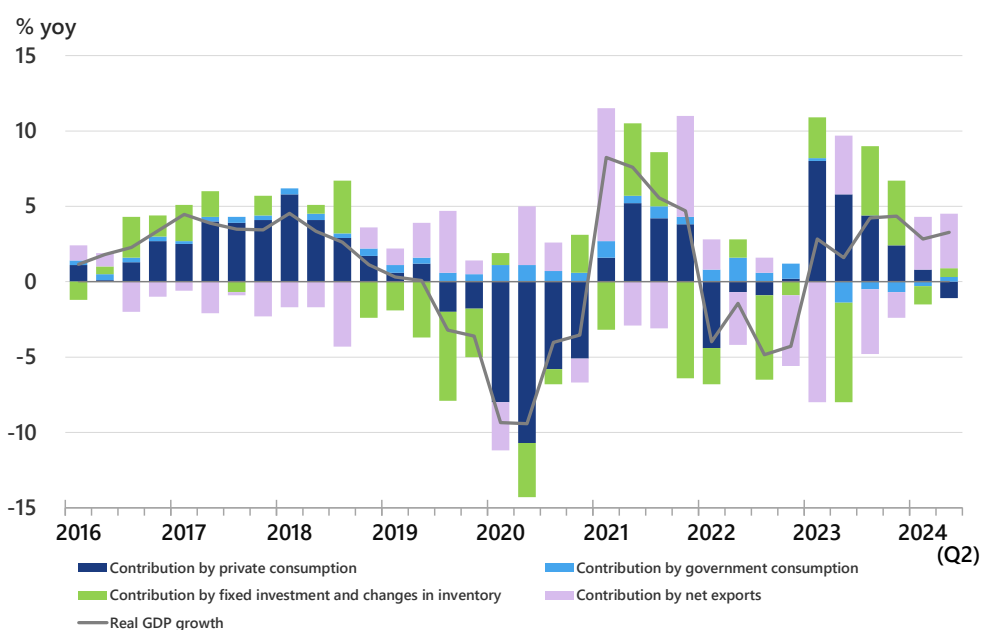
## Mainland China: Housing price changes in major cities



Sources: CEIC, WIND and HKMA staff estimates

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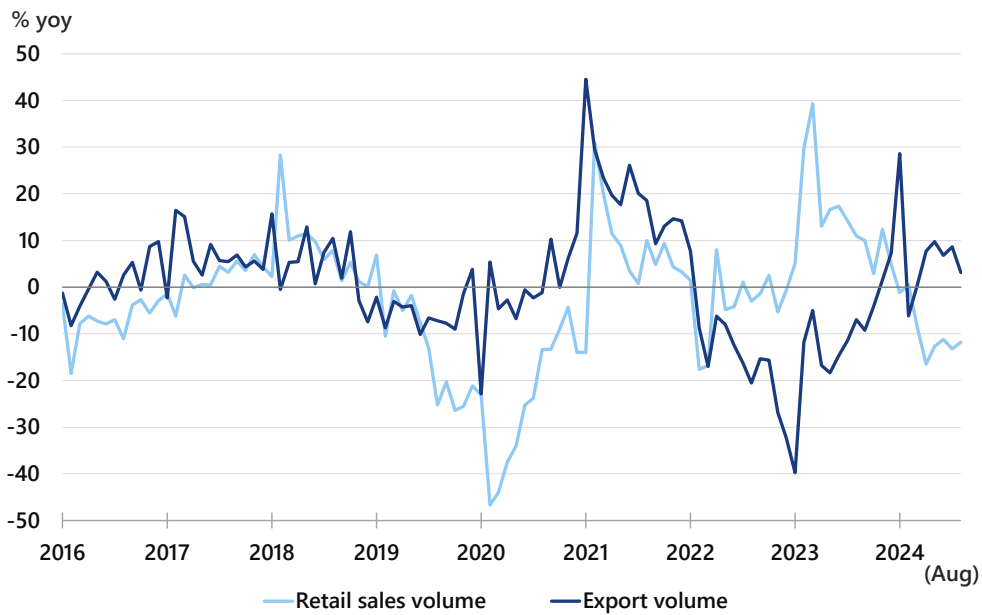
## Hong Kong: Real GDP growth



Source: Census and Statistics Department (C&SD)

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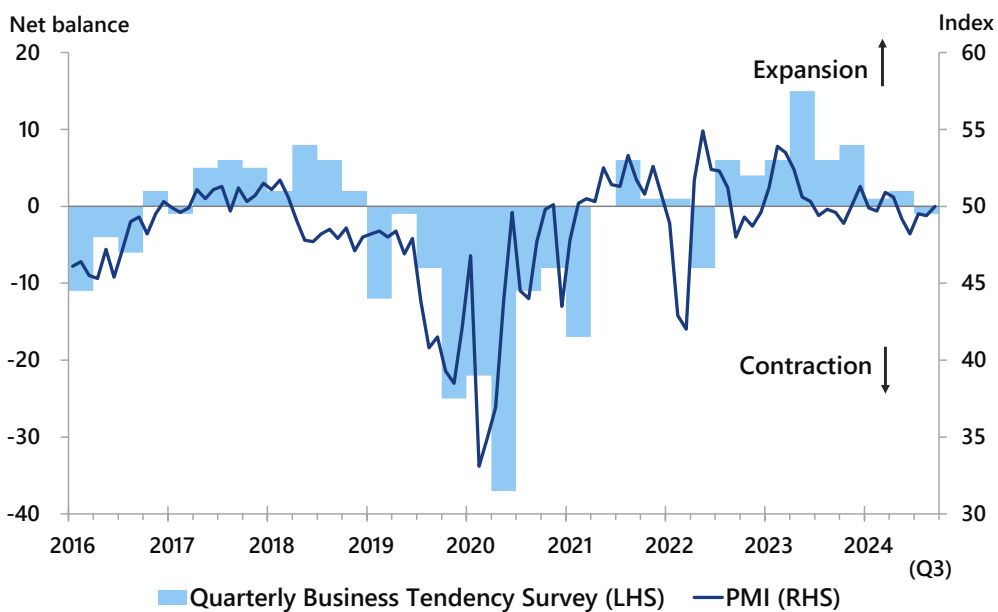
## Hong Kong: Economic activity



Source: C&SD

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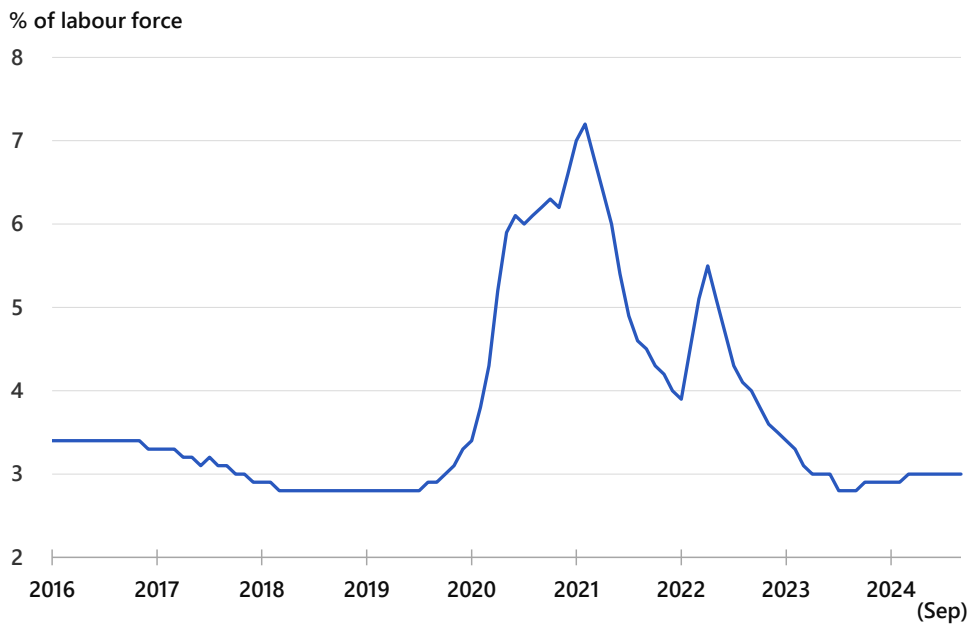
## Hong Kong: Business outlook



Sources: C&SD and S&P Global

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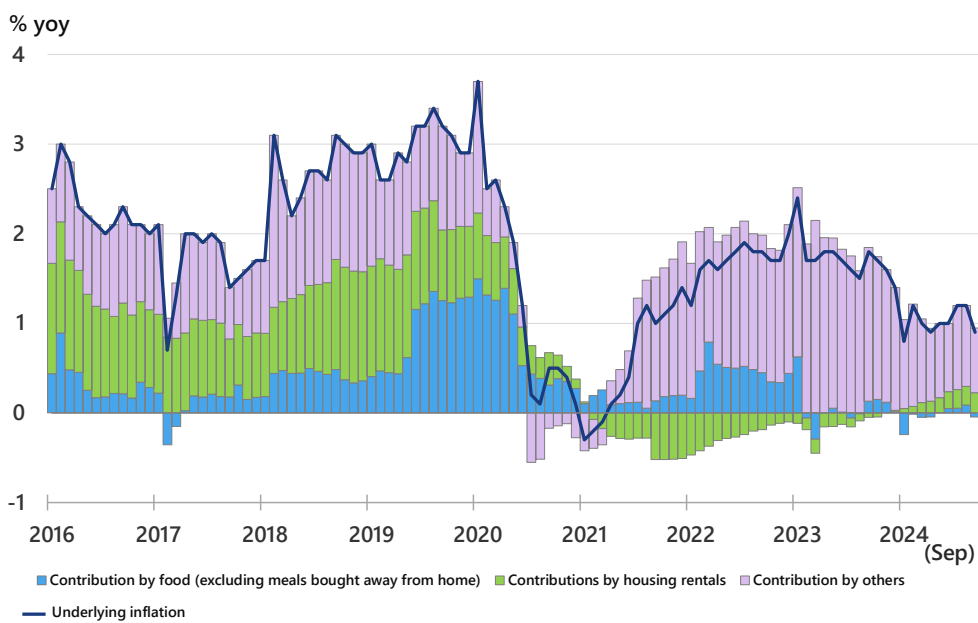
## Hong Kong: Unemployment rate



Source: C&SD

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## Hong Kong: Inflation



Sources: C&SD and HKMA staff estimates

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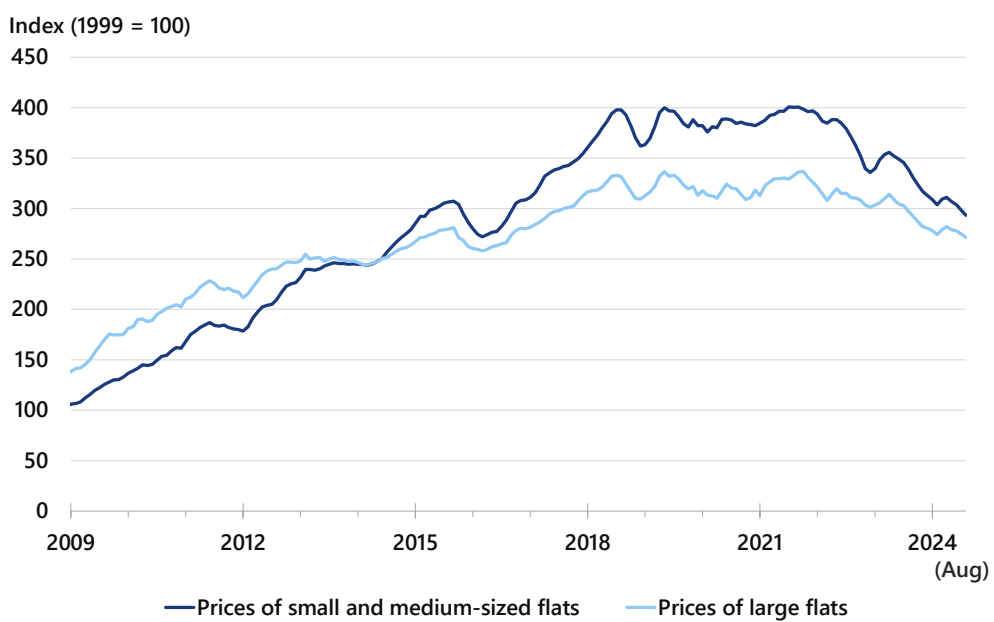
## Hong Kong: Equity market



Source: Bloomberg

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## Hong Kong: Residential property prices



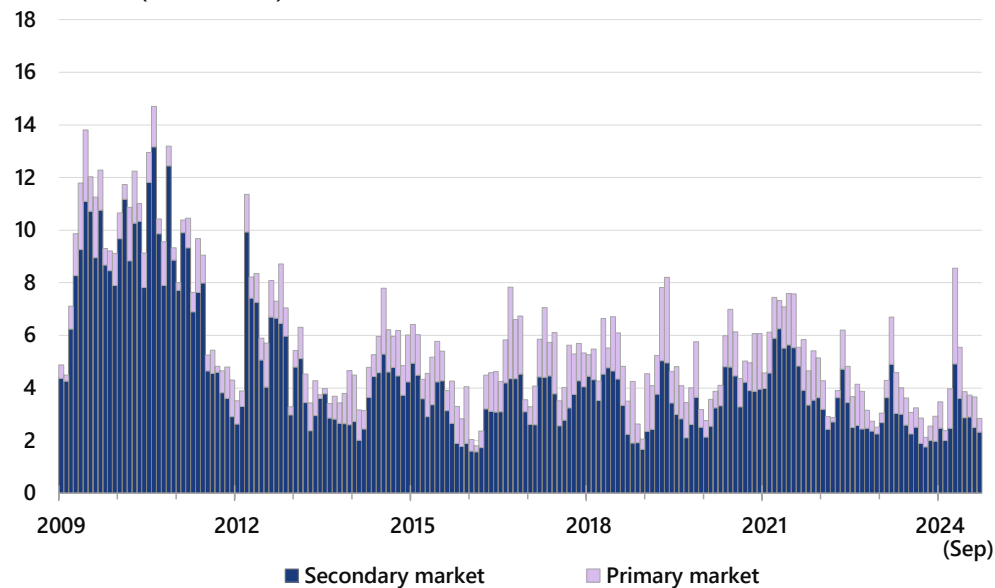
Source: Rating and Valuation Department (R&VD)

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



Transactions (in thousands)



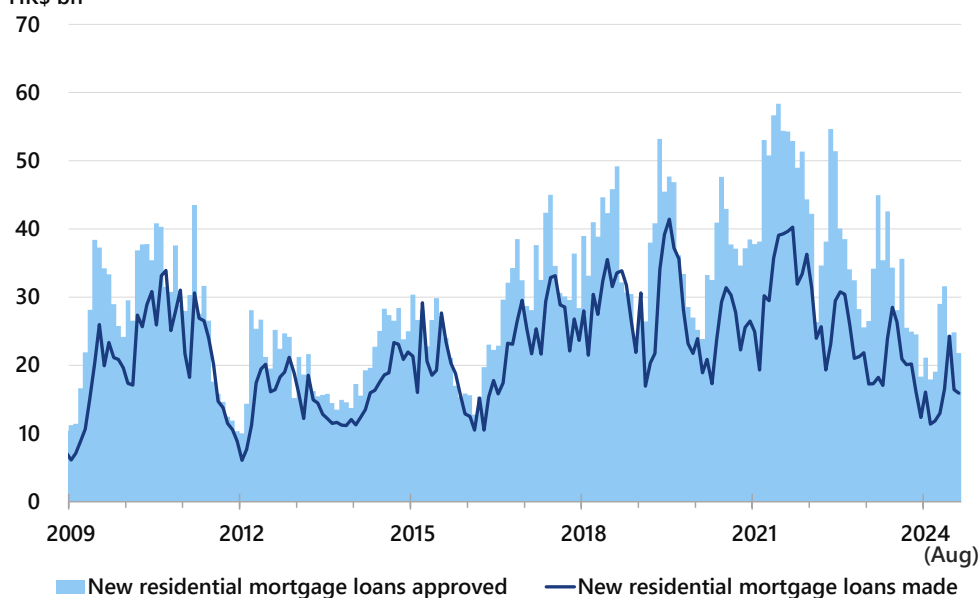
Source: Land Registry

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## Hong Kong: New residential mortgage loans



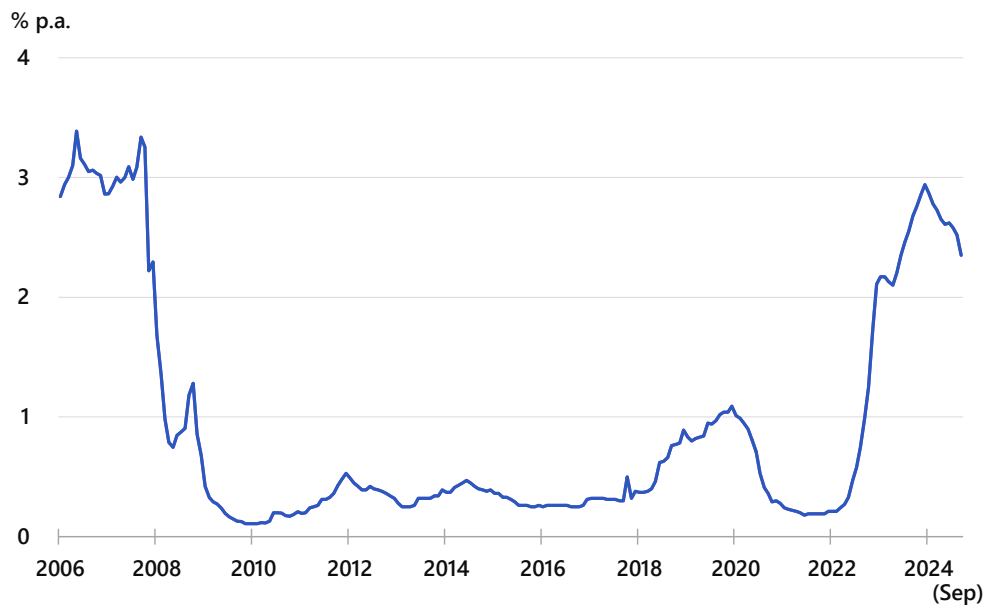
HK\$ bn



Source: HKMA

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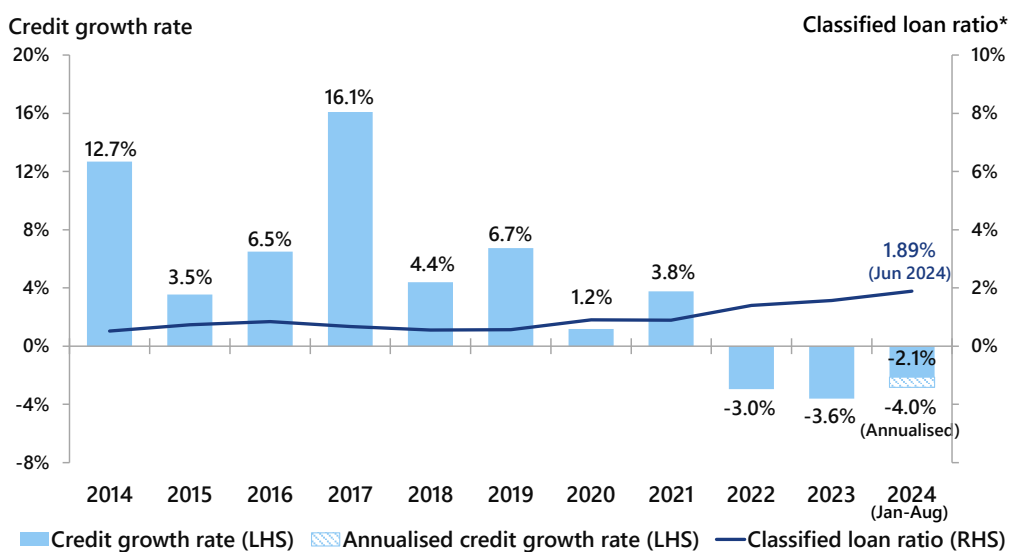
## Hong Kong: Composite interest rate



Source: HKMA

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## Hong Kong: Loan growth and asset quality



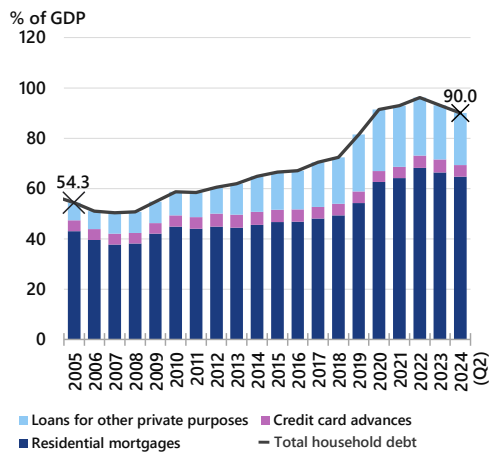
\* Classified loan ratio of all authorized institutions  
Source: HKMA

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## Hong Kong: Household debt

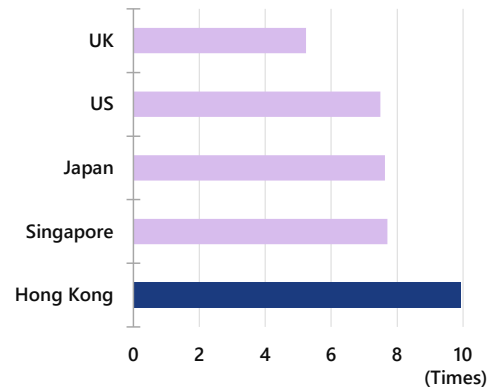


### Gross household debt



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, the UK and the US refer to end-2023, while figures for other economies (including Hong Kong) refer to end-2022.

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

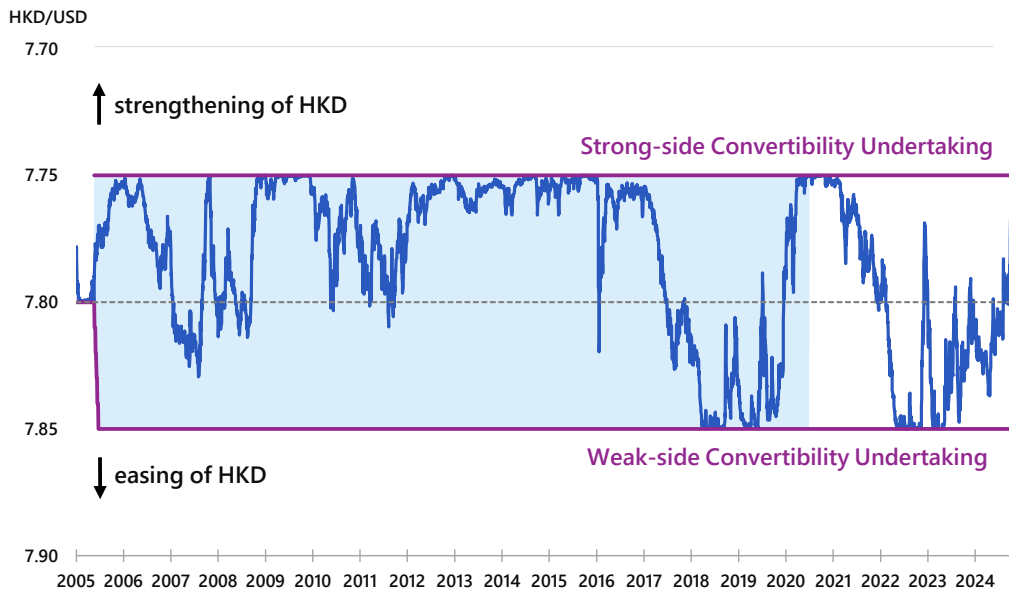
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## Currency Stability



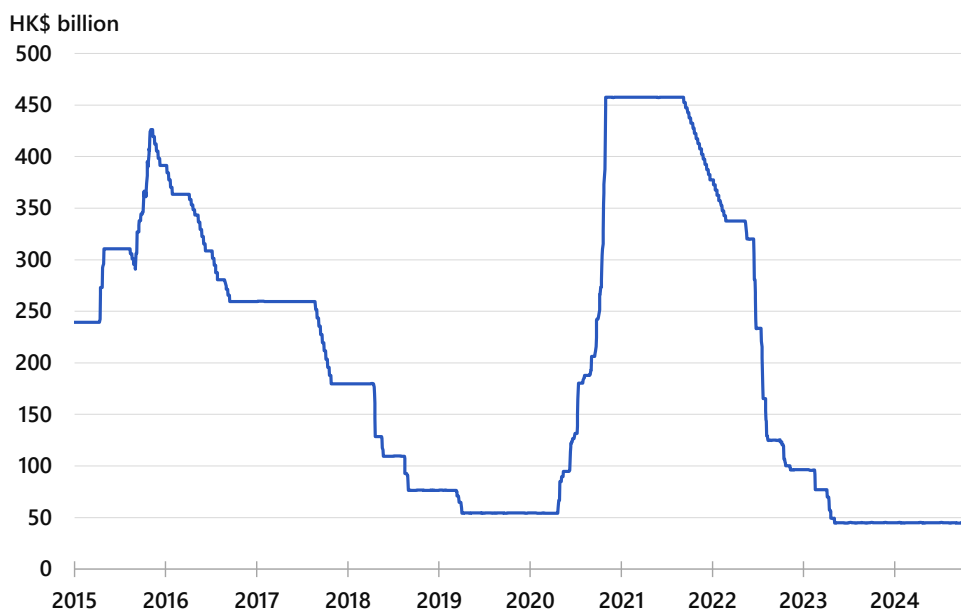
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## Hong Kong dollar spot exchange rate



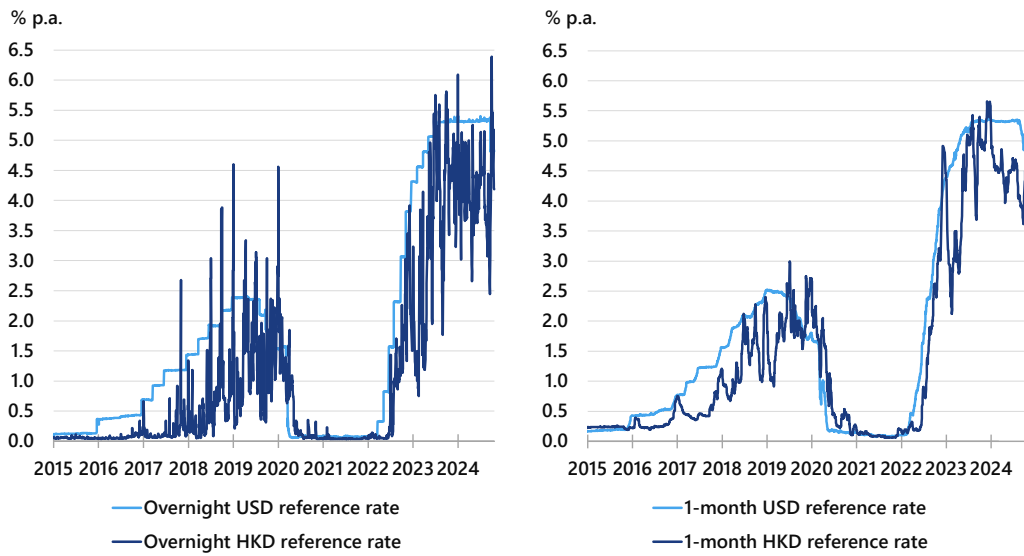
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## Aggregate Balance



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## Interest rates



Note: HKD reference rate refers to HKD HIBOR fixing. Before 1 July 2023, USD reference rate refers to USD LIBOR fixing. Since 1 July 2023, USD reference rate refers to SOFR and 1-month CME Term SOFR.

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## 12-month Hong Kong dollar forward points



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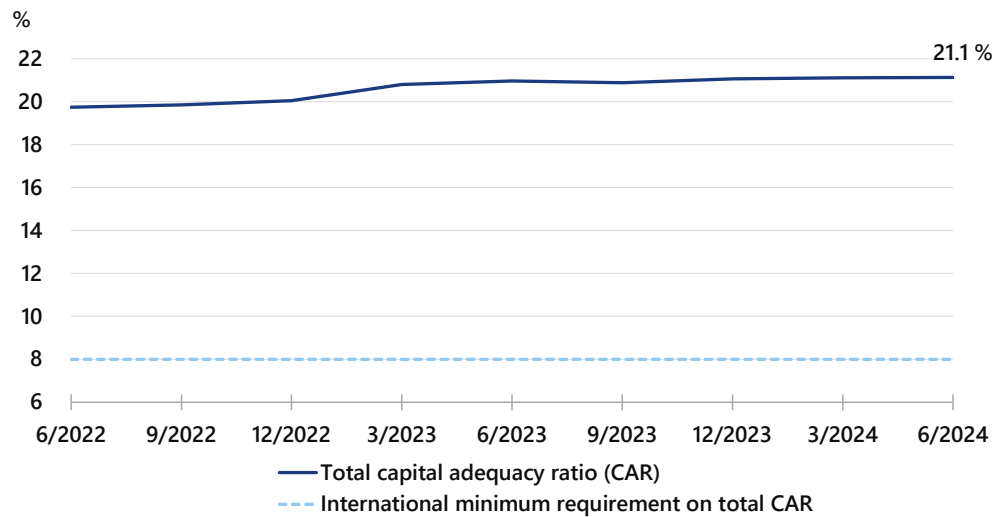


# Banking Stability

## Banking sector performance



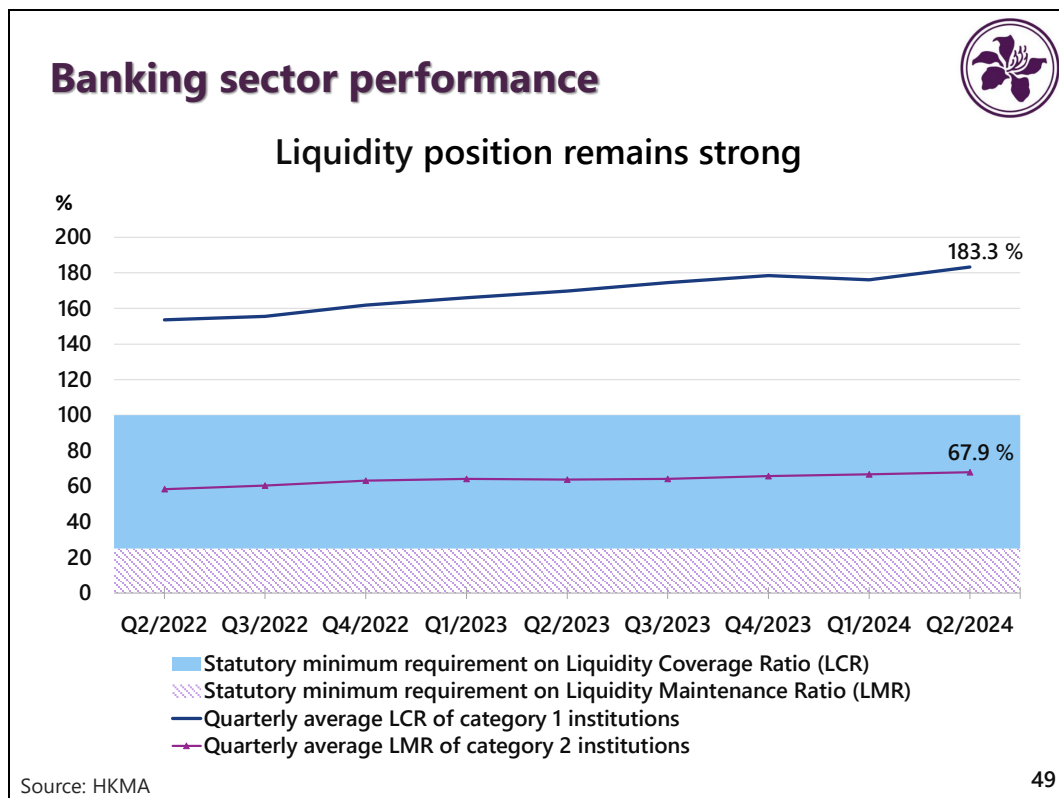
Locally incorporated authorized institutions (AIs)  
continue to be well capitalised



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-June 2024, well above the international minimum requirement of 8%.



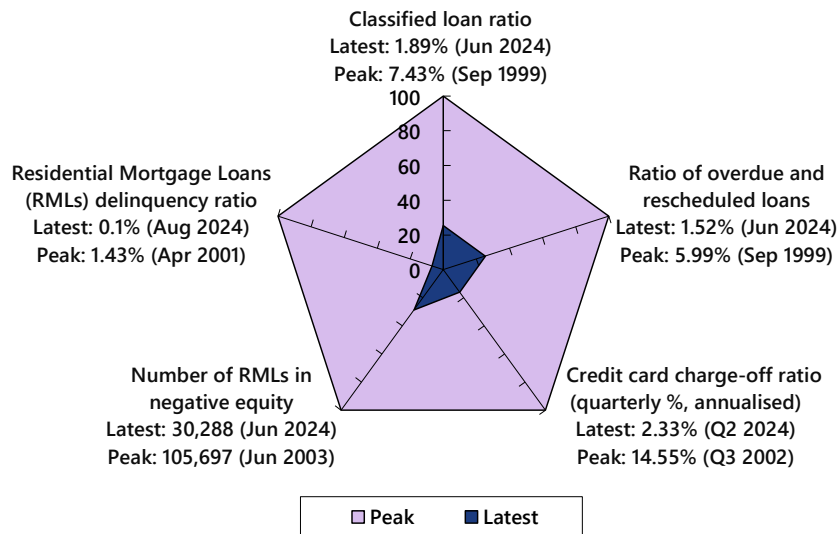
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- In the second quarter of 2024, the quarterly average LCR of category 1 institutions was 183.3%, well above the statutory minimum requirement of 100%. For category 2 institutions, their quarterly average LMR was 67.9% during the same period, also well above the statutory minimum requirement of 25%.

## Banking sector performance



### Asset quality stays healthy



Source: HKMA

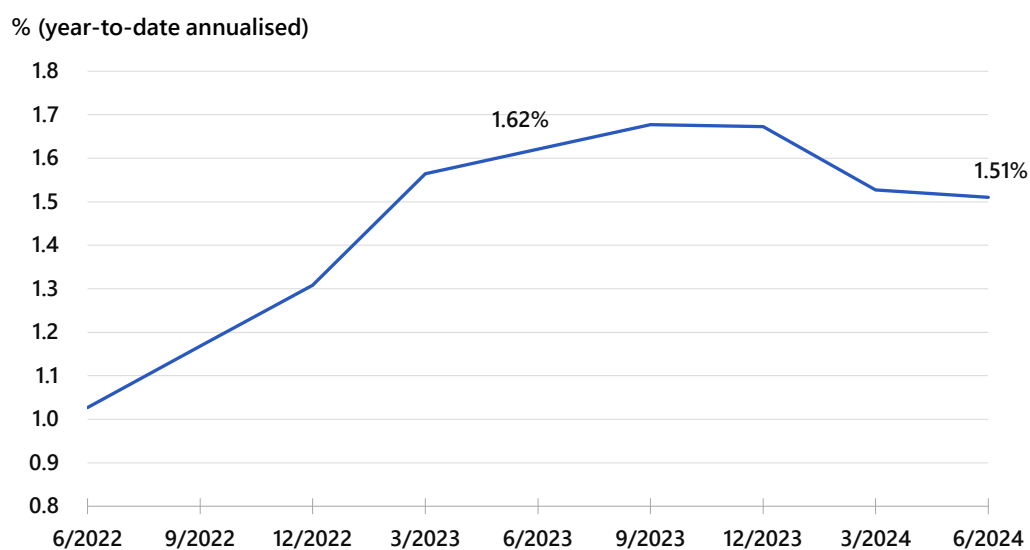
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- The classified loan ratio of the banking sector increased to 1.89% at end-June 2024 from 1.57% at end-December 2023. The overall asset quality of banks remains healthy.

## Banking sector performance



### Net interest margin (NIM) narrowed



Source: HKMA

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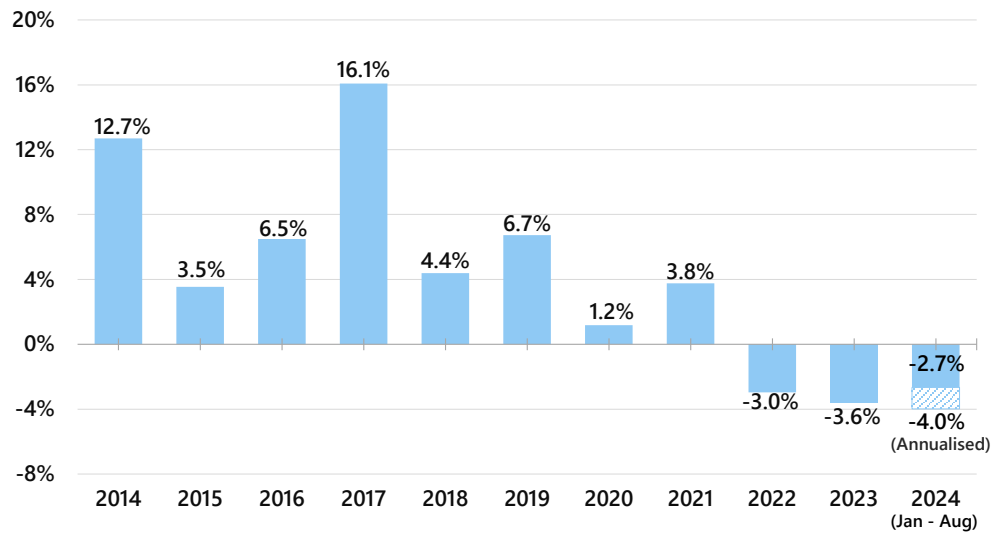
- The NIM of retail banks' Hong Kong businesses narrowed to 1.51% in first half of 2024 compared with 1.62% in the same period last year.

## Banking sector performance



### Loan demand subdued

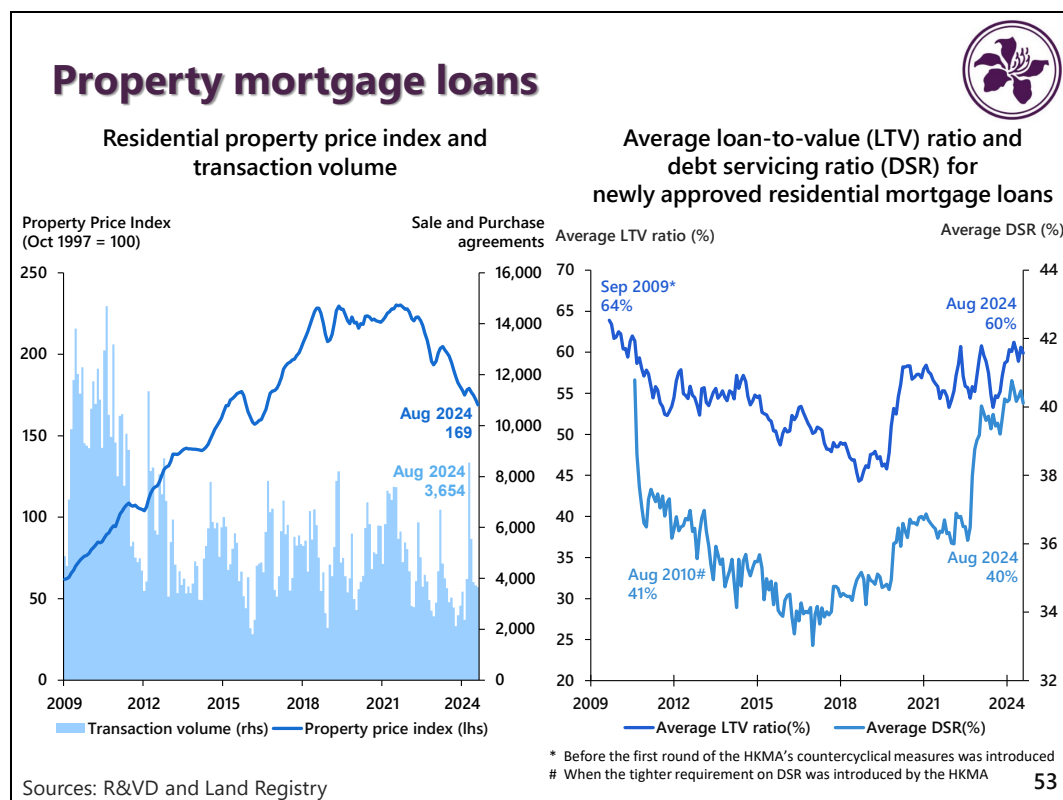
Credit growth rate



Source: HKMA

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- Total loans decreased by 2.7% in the first eight months of 2024, and decreased by 4% on an annualised basis, mainly reflecting subdued loan demand amid high borrowing costs.



### Latest statistics on residential mortgage loans (RMLs)

|  | Monthly average in 2022 | Monthly average in 2023 | Mar 2024 | Apr 2024 | May 2024 | Jun 2024 | Jul 2024 | Aug 2024 |
|--|-------------------------|-------------------------|----------|----------|----------|----------|----------|----------|
| Number of sale and purchase agreements | 3,754                   | 3,584                   | 3,971    | 8,551    | 5,546    | 3,856    | 3,723    | 3,654    |
| Number of new RML applications         | 9,524                   | 8,032                   | 8,622    | 9,629    | 8,077    | 6,690    | 6,740    | 5,919    |
| Number of new RMLs approved            | 7,413                   | 6,396                   | 4,369    | 6,551    | 6,963    | 5,221    | 5,491    | 4,794    |

### Latest statistics on residential property prices

| Property price index                          |                 | Period     | Property price index |
|---|-----------------|------------|----------------------|
| Rating and Valuation Department (10/1997=100) | Latest position | 8/2024     | 168.9                |
|   | Recent peak     | 9/2021     | 230.2                |
|   | Peak in 1997    | 10/1997    | 100.0                |
| Centaline (6/7/1997=100)                      | Latest position | 20/10/2024 | 136.9                |
|   | Recent peak     | 8/8/2021   | 191.3                |
|   | Peak in 1997    | 19/10/1997 | 103.5                |

## Property mortgage loans



- Adjusted countercyclical macroprudential measures for property mortgage loans on 16 October 2024:
  - Standardised the maximum loan-to-value (LTV) ratio at 70% and the debt servicing ratio (DSR) limit at 50% for all residential and non-residential properties
- The maximum LTV ratio and DSR limit are reverted to the pre-2009 levels before the countercyclical macroprudential measures were first introduced

## Supporting SMEs



- The HKMA and Hong Kong Association of Banks established the Taskforce on SME Lending in August 2024 to further strengthen the work for supporting SMEs at the individual case and industry levels
- 16 banks that are active in SME lending confirmed no change in risk appetite for SME financing and related credit approval standards
- The HKMA together with the banking sector rolled out five new measures in October 2024:
  - Release of bank capital to facilitate SMEs' financing needs
  - Set aside over HK\$370 billion of dedicated funds to support SMEs, and launch more credit products/services to assist SMEs' transformation
  - Increase the partial principal repayment options, and devote sufficient resources to implement the enhancements to SME Financing Guarantee Scheme as soon as possible

## International standards implementation



### Basel III final reforms

- Commencement notice tabled to the LegCo on 16 October 2024
- Effective date: 1 January 2025

### Prudential treatment of banks' crypto-asset exposures

- Amendment rules expected to be tabled to the LegCo in H2 2025

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### Basel III final reforms

- The Banking (Capital) (Amendment) Rules 2023 (Commencement) Notice 2024 ("Commencement Notice") was published in the Gazette on 10 October 2024 and tabled to the LegCo on 16 October 2024. It appoints 1 January 2025 as the commencement date for the amendment rules to take effect for implementing Basel III final reform package.
- The HKMA has given due consideration to the views of the banking industry in determining the local implementation timeline for the Basel III final reform package. Its full adoption will ensure that the regulatory framework in Hong Kong remains aligned with international standards.

### Prudential treatment of banks' crypto-asset exposures

- A local consultation on the new Basel Committee on Banking Supervision's standard regarding the prudential treatment of banks' crypto-asset exposures was conducted in February 2024.
- The new standard has been developed to provide a global baseline framework for banks' crypto-asset exposures that promotes responsible innovation while preserving financial stability.
- The HKMA plans to undertake a statutory consultation on the draft rules in the first half of 2025. The amendment rules are expected to be introduced to the LegCo in the second half of 2025, with a target implementation date of 1 January 2026.

## **Review of the Banking Ordinance (BO)**



- Plan to amend the Banking Ordinance
- Consultation conclusions for two of the major proposals have been issued:
  - Simplification of the three-tier banking system
  - Information sharing among banks for crime prevention and detection
- Target to introduce prioritised amendments to LegCo in the first half of 2025
- Consultation on remaining proposals to follow

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- The review of BO was tabled at the Panel on Financial Affairs Meeting held on 7 October 2024. Panel Members were briefed:
  - on the plan to, background and purpose of amending the BO; and
  - that the consultation conclusions for two of the major proposals have been issued: (i) simplifying the three-tier banking system into two-tier; and (ii) allowing sharing of information among banks on customers, accounts and transactions for the purpose of preventing and detecting financial crime.
- The plan to amend the BO including the two proposals received general support from the Panel. The target is to introduce prioritised amendments (including the two proposals mentioned above) to LegCo in the first half of 2025.
- Consultation on the remaining proposals to amend the BO is planned to follow shortly and will be tabled to the Panel for discussion in due course.

## Digital Bank



- Issued Report on the Review of Virtual Banks in Hong Kong
- Conducted public consultation on the proposal to rename “Virtual Bank (虛擬銀行)” as “Digital Bank (數字銀行)” and issued consultation conclusions

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- The HKMA conducted a review of virtual banks to look into their operations and impact on the Hong Kong banking system and published the review report on 6 August 2024. Based on the results of the review, the policy objectives of introducing virtual banks to Hong Kong (i.e. promoting fintech and innovation, offering new customer experience and promoting financial inclusion) have been achieved, virtual banking is gaining wide market acceptance in Hong Kong and the products and services offered have also received positive response.
- The HKMA issued a consultation paper on 6 August 2024 on the proposal to rename “Virtual Bank (虛擬銀行)” as “Digital Bank (數字銀行)”. The one-month consultation ended on 5 September 2024. The respondents expressed broad support for the renaming proposal and the majority of the respondents supported renaming as “Digital Bank (數字銀行)”. Following the publication of the consultation conclusions on 14 October 2024, the revised Guideline on Authorization of Digital Banks was issued and gazetted to effect the new name on 25 October 2024.

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



- Expanded the number of participating banks in the Financial Intelligence Evaluation Sharing Tool (FINEST) from five to ten
- Supporting banks in adopting artificial intelligence for monitoring suspicious activities
- Continue to strengthen response to evolving financial fraud tactics through joint publicity efforts with the banking industry and the Hong Kong Police Force

## Resolution regime



- Developing proposed amendment to the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO)
- Continued to progress 2024 resolution planning priorities with systemic / large banks in Hong Kong
- Working with the relevant banks to implement Code of Practice chapter LFIR-1 "Resolution Planning – Liquidity and Funding in Resolution"

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- Work is underway on the proposed amendment to the conditions for initiating resolution under the FIRO in order to enhance the flexibility of resolution authorities in handling various crisis scenarios and better align with the equivalent condition in other major financial jurisdictions. The proposed amendment would add an express reference to the "public interest" as an alternative condition to the existing condition 3 in section 25(4) of the FIRO, for triggering the resolution of a "within scope financial institution" (WSFI). The alternative condition (along with the other two conditions respectively in section 25(2) and (3) of the FIRO), if satisfied, can trigger the resolution of a WSFI.
- In formulating the proposed amendment, the HKMA has coordinated with the Insurance Authority and the Securities and Futures Commission, the other two sectoral resolution authorities alongside the Monetary Authority under the FIRO, and has drawn reference from the equivalent condition in other major financial jurisdictions, such as the EU, the UK and Singapore.
- Under the bilateral resolution planning programme, the HKMA continued to progress 2024 resolution planning priorities set out with the individual systemically important or large banks to enhance resilience and resolvability of these banks. These priorities are mainly in the areas of: (i) loss-absorbing capacity; (ii) operational continuity in resolution; (iii) early termination risk in resolution; (iv) liquidity and funding in resolution; (v) continuity of access in resolution to financial market infrastructure; and (vi) core resolution information submission.
- In particular, one of the focus areas from a resolution policy implementation perspective is capabilities and arrangements of banks to support liquidity and funding in resolution, in the areas of anticipating liquidity needs in resolution, monitoring, reporting and managing Als' liquidity positions in resolution scenarios, and effectively identifying and mobilising collateral. This is being done as part of LFIR-1 implementation.

## Green and sustainable banking



- Published the Hong Kong Taxonomy for Sustainable Finance in May 2024. Commenced the second phase development to cover more sectors and economic activities, including transition activities
- Will enhance disclosures based on the Pillar 3 framework of the Basel Committee on Banking Supervision (BCBS) on climate-related financial risks
- Will issue good practices on transition planning and consult the industry on transition planning guidelines within 2024

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- The HKMA published the Hong Kong Taxonomy for Sustainable Finance in May 2024. Market response has been positive. The HKMA has commenced the second phase development of the Taxonomy to cover more sectors and economic activities, including transition activities. The HKMA plans to publish the second phase prototype for public consultation in early 2025.
- 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 BCBS targets to publish a revised or final framework within 2024. 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. The HKMA will issue some good practices that we observed from the survey, as well as consult the industry on a set of draft transition planning guidelines within 2024.

## **Talent development in banking sector**



### **Support young generation's life planning through summer activities**

- Organised "Future Banker – Planning for Future Career" Programme with the Education Bureau for around 50 senior secondary students and their teachers to provide experience in using Artificial Intelligence for digital banking
- Partnered with the Education Bureau and the Chinese Banking Association of Hong Kong to organise "Young Bankers' Summer Programme" for around 30 students and teachers to equip them with the latest banking knowledge

## Financial inclusion



- Maintaining close communication with banking industry on bank account opening and maintenance
- Enhancing awareness of vulnerable customers on using banking services

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- The HKMA held a briefing session for banks in May 2024, in collaboration with the Securities and Futures Commission, to enhance their understanding of the relevant requirements under the new licensing regime for Virtual Asset Trading Platforms, including bank account services.
- As part of the efforts in fostering financial inclusion, the HKMA is working closely with relevant stakeholders to enhance the awareness of vulnerable customers on the proper use of banking services.

## Banking consumer protection



- “Credit Data Smart” operates smoothly since its launch with preparation for termination of parallel run in progress
- Issued guiding principles on consumer protection in respect of the use of Generative Artificial Intelligence (GenAI) in customer-facing applications

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- “Credit Data Smart” started its service to the public on 26 April 2024, allowing customers to access their credit reports from the relevant credit reference agencies. Operation has been smooth since then. The industry is preparing for the termination of the parallel run arrangement so that all participating credit providers will fully migrate to Credit Data Smart.
- The HKMA issued a circular on consumer protection in respect of use of GenAI in customer-facing applications on 19 August 2024, setting out guiding principles in four major areas, namely (i) governance & accountability; (ii) fairness; (iii) transparency & disclosure; and (iv) data privacy & protection. As GenAI shares a set of similar risk dimensions as traditional predictive AI, the guiding principles in the 2019 circular on Big Data Analytics and Artificial Intelligence (BDAI) will also apply to customer-facing GenAI applications. In addition, given the new risks brought about by GenAI such as hallucination, additional principles are set out to ensure appropriate safeguards are in place for consumer protection. The HKMA is also taking this opportunity to encourage banks to explore the use of AI in enhancing consumer protection, such as identification of customers who are vulnerable and require more education and product disclosure, or provision of more targeted alerts to help prevent frauds.

## Banking investor protection



- Published revised Supervisory Policy Manual (SPM) module SB-1 “Supervision of Regulated Activities of SFC-Registered Authorized Institutions”
- Issued guidance for non-locally incorporated banks to provide services under Cross-boundary Wealth Management Connect to non-private banking customers
- Issued results of industry’s self-assessment on compliance with Code of Practice for Trust Business
- Issued joint circular with the Insurance Authority (IA) on findings from the joint inspection exercise on premium financing
- Consulted industry on streamlining of audio-recording requirements for sale of investment and insurance products

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- Following consultation with the banking industry, the HKMA published on 10 May 2024 a revised SPM module SB-1 “Supervision of Regulated Activities of SFC-Registered Authorized Institutions” to provide a comprehensive overview of regulatory and supervisory framework, supervisory approach, as well as major legal and regulatory requirements in respect of banks’ regulated activities.
- In light of recent enquiries from some banks and having consulted the industry, the HKMA issued on 31 May 2024 the guidance for non-locally incorporated banks engaging in private banking business to provide Southbound Scheme services under the Cross-boundary Wealth Management Connect Pilot Scheme to customers not meeting the asset threshold for “private banking customers”.
- The HKMA issued on 4 July 2024 a circular on the results of the industry’s self-assessment on compliance with the SPM module TB-1 including the Code of Practice for Trust Business to share the overall status of compliance by banks and their related trustees. The results showed a satisfactory level of overall compliance with no reported non-compliance.
- The HKMA and the IA completed a joint inspection exercise on premium financing activities covering insurers and licensed insurance intermediaries (including banks), and issued a joint circular with the IA on 27 June 2024 to share the key observations with the industry.
- Following a recent review by the HKMA in light of development in banks’ sale models arising from technological advancement as well as feedback from the industry, the HKMA has consulted the industry on the proposal to streamline the requirement on audio-recording for investment transactions conducted through video-conference and provide guidance in deploying alternative measures to the audio-recording requirements, with a view to enhancing customer experience while according protection to customers.



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



- The Deposit Protection Scheme (Amendment) Bill 2024 was passed by LegCo on 3 July 2024, and the relevant Amendment Ordinance was gazetted on 12 July 2024
- The first phase of the enhancement measures of the DPS came into effect on 1 October 2024. These measures included raising the protection limit to HK\$800,000 and streamlining the negative disclosure requirement for private banking customers
- The second phase of the enhancement measures will come into effect on 1 January 2025

## Deposit Protection Scheme (DPS)



- Promoting public awareness and understanding of the DPS:
  - Launched a **series of advertising promotional activities** which widely covers major media platforms, including TV, radio, outdoor, online, and social media, etc. to publicise the enhanced deposit protection limit of HK\$800,000 among the public
  - Rolled out **“The DPS Promotional Wagon”** PR campaign to enhance public awareness of the DPS, while further raise the public attention on the enhanced deposit protection limit





# Financial Infrastructure

## Financial infrastructure: overview



### Payment systems

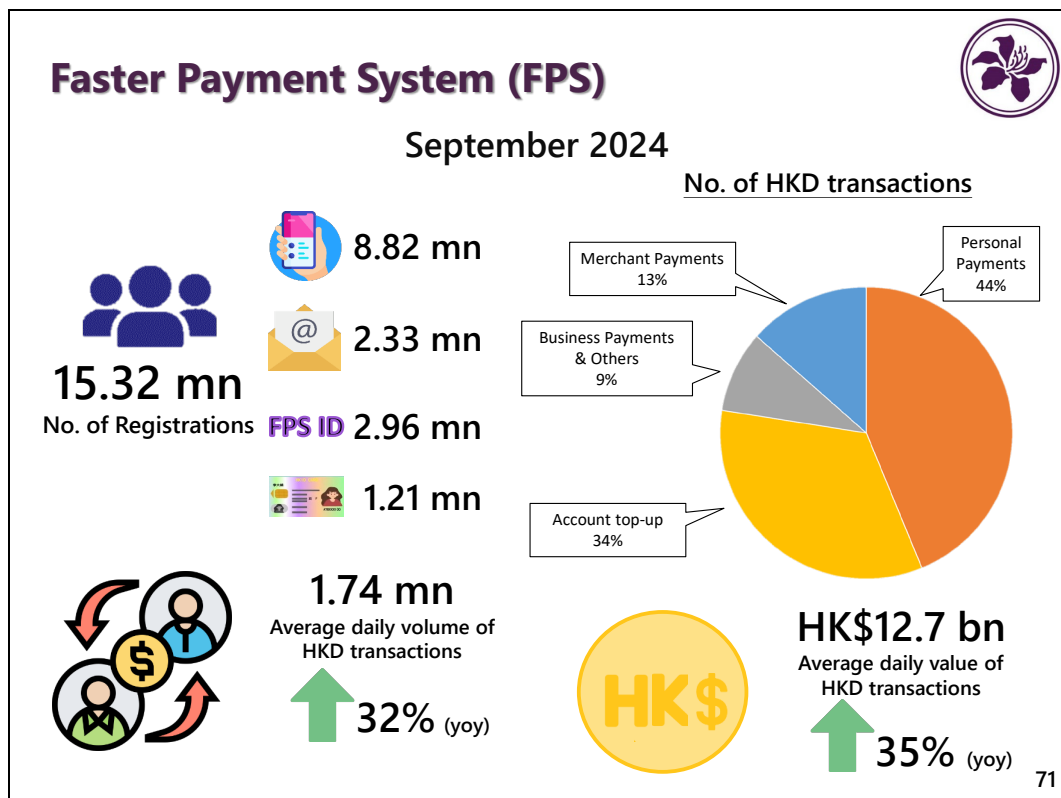
- Average daily turnover of Real Time Gross Settlement (RTGS) Systems in Q3 2024 reached HK\$1.16 trillion, RMB3.22 trillion, US\$93.3 billion and €0.6 billion respectively
- Faster Payment System:
  - As of end-September 2024, the number of registrations recorded 15.32 million, up by 18% year on year (yoy). The average number of HKD real-time transactions per day reached 1.74 million (+32% yoy), with an average daily transaction value of HK\$12.7 billion (+35% yoy) in September 2024

### Central Moneymarkets Unit (CMU)

- Providing settlement and custodian services for debt securities; by end-September 2024, total outstanding debt securities safe kept by CMU reached about HK\$4.7 trillion equivalent, of which HK\$3.3 trillion equivalent were lodged with CMU
- Supporting Bond Connect (April – September 2024)
  - For Northbound Trading: settlement volume reached RMB5.4 trillion
  - For Southbound Trading: settlement volume reached RMB390.3 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-September 2024, the number of outstanding transactions reached 4.96 million



- The number of registrations and turnover of the FPS have been growing steadily. As of end-September 2024, the FPS recorded 15.32 million registrations (including 8.82 million in mobile number, 2.33 million in email address, 2.96 million in FPS ID and 1.21 million in HKID number), up by 18% or 2.3 million registrations year on year (yoy). The average number of Hong Kong dollar real-time transactions per day reached 1.74 million (+32% yoy), with an average daily transaction value of HK\$12.7 billion (+35% yoy) in September 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 launched and planned for enhancements on various fronts, with an objective of becoming a major international central securities depository (CSD) in Asia in longer run:
  - New platform with strengthened system capability and functionality, especially on collateral management, is being developed
  - Actively explore to expand the linkage connectivity with overseas CSDs
  - Ongoing enhancement of product and service spectrum to cope with market demand
  - Increasing efforts on marketing promotion and outreach activities to promote CMU services and attract bond issuance
  - Set up CMU OmniClear Limited in October 2024 to support further commercialisation of CMU

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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 introduce a new CMU platform, which will enable 24-hour operation to better serve investors in different time zones and will offer enhanced liquidity and collateral management function to better support services including renminbi cross-border clearing, and support the continued development of Bond Connect.
  - **Introduction of new services**
    - Collateralised lending service to provide free intra-day liquidity for primary issuance (launched on 1 April 2022). Since its launch, the service has supported the bond issuances worth a total of RMB30.42 billion and EUR1.25 billion; and
    - To explore further CSD linkage connectivity with different regions in order to attract more international investors to invest in Mainland bond markets through the CMU; and to strengthen the support for Mainland investors to hold offshore bonds through CMU to achieve global asset allocation.

## Latest fintech initiatives



### Central Bank Digital Currency (CBDC)

- Project mBridge: Reached the Minimum Viable Product (MVP) stage in June 2024
- Project Ensemble: Established the Architecture Community in May 2024; announced the collaboration with the Banque de France in June 2024 and launched the Project Ensemble Sandbox in August
- Project e-HKD+: Commenced Phase 2 of the e-HKD Pilot Programme in September 2024; renamed as Project e-HKD+ as the project expands its coverage to a more comprehensive exploration of new forms of digital money, including e-HKD and tokenised deposits
- For e-CNY: HKMA and the People's Bank of China announced in May 2024 to expand the pilot scope of e-CNY in Hong Kong. Hong Kong residents can set up e-CNY personal wallets in Hong Kong using their Hong Kong mobile phone numbers, and top up the wallets through the Faster Payment System

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### Project mBridge

- As the project enters MVP stage, various aspects of the platform will continue to be enhanced, and the participation of both the public and private sectors will be further widened.
- Given its high compatibility, the mBridge MVP platform could serve as a testbed for add-on technology solutions, new use cases and interoperability with other platforms.
- On top of the four founding central banking institution members, the Saudi Central Bank has agreed to join as a full participant of the mBridge MVP platform in June 2024.

### Project Ensemble

- The new wholesale CBDC (wCBDC) project seeks to explore innovative financial market infrastructure that will facilitate seamless interbank settlement of tokenised money through wCBDC.
- The Architecture Community aims to develop a set of industry standards to support interoperability among wCBDC, tokenised money and tokenised assets. It will make recommendations on specific topics, initially focusing on setting up a mechanism to support seamless interbank settlement of tokenised deposit through wCBDC for tokenised asset transactions.

- The HKMA and the Banque de France announced their collaboration relating to wCBDC in June 2024. The two central banking institutions entered into a Memorandum of Understanding, which signified a step forward in bilateral co-operation to foster innovation in wholesale CBDC and tokenisation market. They will delve into the study of interoperability between their wholesale CBDC infrastructures with the main focus on real-time cross-border and cross-currency payments. The cross-border experiment aims to explore how to optimise settlement efficiency of cross-border transactions, and facilitate interoperability between financial market infrastructures in different jurisdictions.
- The HKMA has completed the building and setup of the Project Ensemble Sandbox, which is designed to facilitate interbank settlement using experimental tokenised money, focusing on transactions involving tokenised assets. The initial round of use case experimentation will focus on four main themes: green and sustainable finance, trade and supply chain finance, fixed income and investment funds, and liquidity management.

### **Project e-HKD+**

- The HKMA has embarked on Project e-HKD since June 2021 to study the prospect of issuing an e-HKD for the use of individuals and corporates, covering both technical and policy considerations. Under the e-HKD Pilot Programme, the HKMA works closely with the industry to explore different innovative use cases.
- The HKMA commenced Phase 2 of the e-HKD Pilot Programme in September 2024. A total of 11 groups of firms from various sectors have been selected to conduct pilots to explore innovative use cases across three main themes, namely settlement of tokenised assets, programmability and offline payments. The project has been renamed as Project e-HKD+, as the project expands its coverage from e-HKD only to a more comprehensive exploration of new forms of digital money, including e-HKD and tokenised deposits.
- As part of Project e-HKD+, the HKMA has established the e-HKD Industry Forum. This Forum serves as a collaborative venue for participants to discuss common issues, that are crucial to the scalability and possible implementation of new forms of digital money.

## Latest fintech initiatives



### Commercial Data Interchange (CDI)

- Since its official launch, CDI has facilitated more than 35,000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$29.8 billion as of end-September 2024
- The Companies Registry has connected to CDI through the Government's Consented Data Exchange Gateway (CDEG), enabling banks to directly obtain company particulars to help streamline various banking processes such as account opening, fraud detection and Know Your Customer. The connection is now open to all CDI participating banks
- To promote the development of Hong Kong's digital economy, the HKMA will invite more government B/Ds to share consented data with banks via the CDI-CDEG linkage

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



- SVF usage continued to grow in Q2 2024:
  - Average daily transaction number: 21.60 million (+0.4% year on year (yoy))
  - Average daily transaction value: HK\$1,909 million (+3.3% 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**

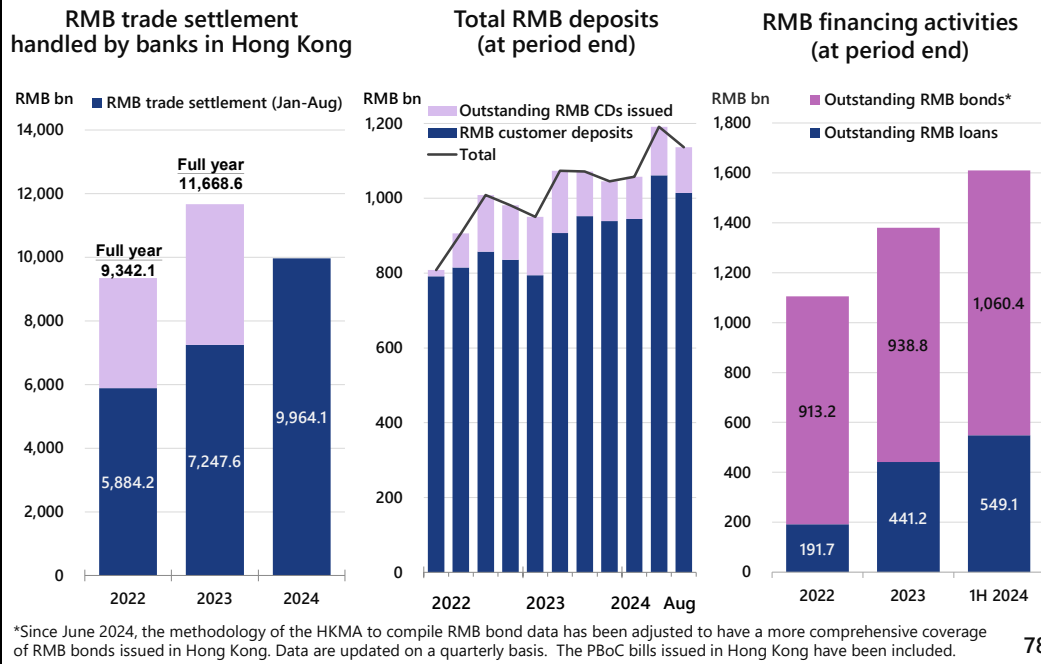


- In September 2024, the HKMA and the SFC jointly published the consultation conclusion paper on enhancements to the Hong Kong OTC derivatives reporting regime. The proposed enhancements will be gazetted in Q1 2025 for implementation on 29 September 2025
- As of end-September 2024, the Hong Kong Trade Repository logged a total of 4.96 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 types of business continued to grow



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- In the first eight months of 2024, renminbi (RMB) trade settlement handled by banks in Hong Kong totalled RMB9,964.1 billion.
- As at end-August 2024, RMB customer deposits and outstanding RMB certificates of deposit (CDs) amounted to RMB1,014.1 billion and RMB122.6 billion respectively, totalling RMB1,136.7 billion.
- As at end-June 2024, outstanding RMB loans amounted to RMB549.1 billion. Outstanding dim sum bonds amounted to RMB1,060.4 billion.

## Connectivity with the Mainland financial market



- Northbound Trading under Bond Connect remained active. In the first eight months of 2024, average daily turnover amounted to RMB44.5 billion (11% year-on-year growth). Southbound Trading has been in order, contributing to the growth in dim sum bond issuance and trading
- Since the enhancement measures of the Cross-boundary Wealth Management Connect Scheme (WMC) went into effect on 26 February 2024, the implementation has been smooth with positive market response. By end-August 2024, around 123,000 individual investors have opened cross-boundary WMC accounts and Southbound investment has grown significantly with the quota usage reaching RMB14.5 billion, increasing by 68% and 162% respectively since the launch of WMC 2.0. The HKMA is working with relevant authorities and the industry to step up educational efforts on investors, as well as continuing to explore further enhancements on WMC
- Swap Connect was enhanced in May 2024 to provide investors with a more comprehensive range of products and ancillary services, improving the flexibility of hedging strategies and the efficiency of risk management
- The HKMA is working with the PBoC and relevant authorities to explore more use cases of onshore bonds as collateral in the offshore market. It was announced in July 2024 to support offshore investors to use onshore bonds issued by the Ministry of Finance and policy banks on the Mainland and held under Northbound Bond Connect as margin collateral for Northbound Swap Connect transactions, with a view to implementation as soon as practicable

## Developing the asset and wealth management industry



- Hong Kong's private equity industry has remained robust, with over US\$233 billion of total capital under management as at end-June 2024\*. The limited partnership fund regime continued to see momentum – 944 funds had been established as at end-August 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, close to US\$90 billion of Asian international bonds were arranged in Hong Kong in 2023, capturing around a quarter of the regional market
- The HKMA and the Department of Foreign Capital and Overseas Investment of the National Development and Reform Commission jointly held a seminar in Hong Kong on "Supporting Mainland enterprises' cross-border financing in Hong Kong" on 24 September 2024, aimed at enhancing the understanding of the relevant policies and requirements regarding offshore debt among market participants, and encouraging them to leverage Hong Kong's platform for cross-border financing

## Developing the bond market (2)



- The HKMA assisted the Government to issue two batches of innovative tokenised green bonds in 2023 and February 2024, which marked the first tokenised government green bond and first multi-currency digital bond in the world respectively. These issuances have proven Hong Kong's flexible and conducive environment for innovative issuance formats, and achieved wider market participation and scalability. The HKMA is formulating measures to further promote industry adoption

## Developing the bond market (3)



- The LegCo passed a resolution in May 2024 to raise the combined borrowing ceiling of the Infrastructure Bond Programme and Government Sustainable Bond Programme (previously known as the Government Green Bond Programme) to HK\$500 billion
- The HKMA is supporting the Government in the implementation of the 2024-25 bond issuance plan under the two programmes above:
  - In July 2024, issued around HK\$25 billion worth of institutional green bonds, including the inaugural 20 and 30-year RMB green bonds which were the longest tenor RMB bonds issued by the Government so far, providing new benchmarks to the market
  - In October 2024, issued the latest batch of HK\$55 billion Silver Bond under the Infrastructure Bond Programme to provide senior citizens with an investment option with steady returns
  - In October 2024, launched HKD and RMB institutional bond tenders, paving way for the Government to issue bonds regularly to promote the formation of the HKD and RMB yield curves

## 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 Asian 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. Since May 2024, the scheme has been extended by three years, with an expanded scope to cover transition bonds and loans. The scheme has been well received by the market; by end-September 2024, it has provided financial support for around 470 green and sustainable debt instruments issued in Hong Kong with a total underlying issuance volume of over US\$130 billion

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

## Promoting green and sustainable finance (2)



- The HKMA works together with other members of the Green and Sustainable Finance Cross-Agency Steering Group (CASG) to make sustainable finance more accessible and inclusive :
  - Developing local roadmap for full adoption of ISSB Standards
  - Enhancing *Questionnaire on Climate and Environmental Risk for Non-listed Companies* and the e-portal based on industry feedback
  - Facilitating the development of transition finance by providing more guidance, including taxonomy and sector-specific principles

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- The CASG aims to co-ordinate 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)



- Stepping up capacity building and knowledge exchange through regional and international collaboration
  - Co-hosted the in-person training workshop of Capacity-building Alliance of Sustainable Investment (CASI) in Hong Kong in June 2024, which attracted over 300 participants from more than 20 countries and regions
  - Co-hosted the inaugural Joint Climate Finance Conference with Dubai Financial Services Authority (DFSA) in Hong Kong in September 2024, which attracted over 240 participants from the sustainable finance communities in both regions. HKMA and DFSA have signed a Memorandum of Understanding to deepen collaboration on sustainable finance and will conduct joint research.

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- CASI was officially launched during COP28 in December 2023. Initiated by the Institute of Finance and Sustainability, it is an international co-operation platform aiming to deliver high quality and high impact sustainable finance capacity building services to Emerging Markets and Developing Economies. The HKMA Infrastructure Financing Facilitation Office joined the CASI as an inaugural member.

## Outreach and hosting of international meetings



- The HKMA visited several cities in North America in April and May 2024, and Australia in September 2024, to engage with the local financial and business sectors and keep them informed about opportunities in Hong Kong's financial market
- The HKMA is actively pursuing collaboration initiatives with central banks in the Middle East. Following visits to the UAE and Saudi Arabia last year, the HKMA visited Qatar in October 2024 to enhance collaboration between the financial services sectors of the two jurisdictions
- Following visits to Thailand and Malaysia earlier this year, the HKMA plans to visit other ASEAN countries, with a view to exploring new market opportunities for the development of Hong Kong as an international financial centre
- Preparations for the Global Financial Leaders' Investment Summit to be held in November 2024 are under way
- The HKMA hosted the Financial Stability Board's Regional Consultative Group for Asia meeting in October 2024 in Hong Kong

## Crypto-assets and stablecoins



- On 17 July 2024, the Financial Services and the Treasury Bureau (FSTB) and the HKMA jointly published the consultation conclusions on the legislative proposal on the regulatory regime for stablecoin issuers in Hong Kong. A vast majority of respondents supported the legislative proposal. The FSTB and the HKMA strive to introduce the bill into LegCo by end-2024
- The HKMA has launched the stablecoin issuer sandbox to better understand the business models of, and to communicate supervisory expectations and guidance to, institutions that plan to issue fiat-referenced stablecoins in Hong Kong. The first batch of participants was admitted to the sandbox on 18 July 2024. Their primary proposed use cases include payments, supply chain management and applications in capital markets
- The public is reminded to refer to HKMA website for the latest list of sandbox participants and stay vigilant to potential scams purporting to be related to the sandbox

## **Government Bond Programme**



### **Retail bonds – outstanding as at end-September 2024**

- Two Silver Bonds, totalling HK\$97.1 billion

### **Institutional bonds – outstanding as at end-September 2024**

- 14 institutional bonds, totalling HK\$83 billion
- One Islamic bond, totalling US\$1 billion

## Hong Kong Academy of Finance (AoF)



- **Financial leadership development:** High-level seminars were held, covering topical global economic and financial issues. The AoF also collaborated with different industry associations to reach out to a wider range of stakeholders
- **Financial Leaders Programme (FLP):** The Programme admitted 21 senior executives from the financial industry with a balanced mix of background for the 2024 Cohort. Programme activities running for nine months have commenced in April 2024. A field trip to the Association of Southeast Asian Nations (ASEAN) region was held in late September 2024
- **Research and knowledge exchange activities:** The AoF and the Hong Kong Institute for Monetary and Financial Research (HKIMR) organised three conferences, four seminars and a roundtable discussion. In addition, the HKIMR released nine research papers and organised nine research seminars on monetary and financial research topics

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### Financial leadership development

- The AoF organised a number of seminars, including a Distinguished Speaker Seminar featuring Mr Zhang Lei, Founder and Chairman of Hillhouse on 16 May 2024 and the AoF-Dubai Financial Services Authority (DFSA) Seminar featuring Mr Ian Johnston, Chief Executive of DFSA on 17 September 2024.
- On 2 August 2024, the AoF supported the International Association of CFOs and Corporate Treasurers (China) in organising a panel discussion on “World Class Treasury Management with Corporate Treasury Centres” under the Treasury Conference 2024.
- On 25 October 2024, the AoF supported the Actuarial Society of Hong Kong in organising a panel discussion on “Talent Strategies for the Fast-evolving Industry Landscape” under the 2024 Asian Actuarial Conference.

### Financial Leaders Programme

- The AoF launched the FLP in 2022 to nurture the next generation of financial leaders for Hong Kong. The FLP received positive feedback from both the speakers and the participants. So far, 42 participants have graduated from the FLP.
- The 2024 FLP has admitted 21 financial talents from a diverse spectrum of financial sub-sectors including banking, insurance, securities and asset management, professional services, fintech and financial regulatory bodies. Programme activities have commenced in April 2024. Apart from regular engagements with different distinguished local financial leaders, the FLP has also organised a field trip to Bangkok and Jakarta in September 2024, which aimed to deepen the exchanges between the FLP participants and local financial and business leaders on the macro landscape and opportunities in the region and explore how the Hong Kong financial sector can better support the growth of the ASEAN region and establish closer collaboration.

## **Research and knowledge exchange activities**

- The HKIMR released nine research papers and organised nine research seminars on monetary and financial research topics, including:
- On 6-7 June 2024, the AoF, the HKIMR, Business School of the Hong Kong University of Science and Technology, the Bank for International Settlements (BIS) and the National Bureau of Economic Research (NBER) co-organised the "NBER East Asian Seminar on Economics 2024". Over 50 participants attended in person.
- On 26 June 2024, the AoF and the HKIMR jointly hosted a roundtable on "Decentralised Finance and the Metaverse: Opportunities and Challenges for the Financial Services Industry", which was well-attended with representatives from 14 industry associations.
- On 15-16 July 2024, the AoF, the HKIMR, the IMF, the BIS and the ASEAN+3 Macroeconomic Research Office jointly hosted a conference on "Safeguarding Global Financial Stability in a New Era" in Hong Kong. Over 90 people attended the conference in person.
- On 14-15 October 2024, the HKIMR hosted its flagship event, the Fourteenth Annual International Conference on the Chinese Economy. The theme was "China and the Changing Global Trade Landscape: Challenges and Opportunities". The HKIMF, the Asia Global Institute and the Asian Development Bank Institute jointly organised the second day of the conference.



## Investment Environment and Performance of the Exchange Fund

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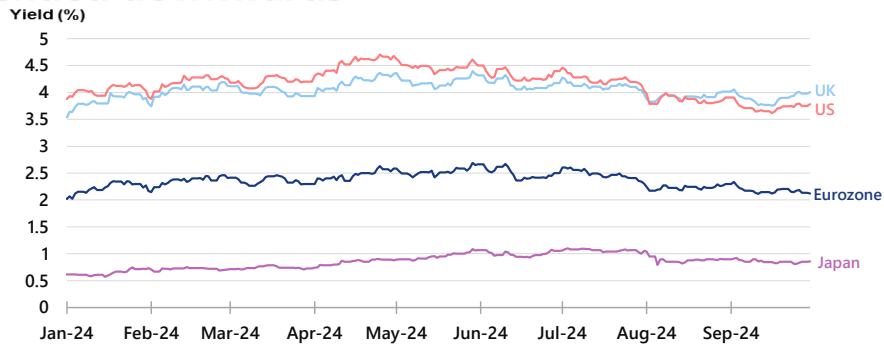


### Investment environment in Q3 2024

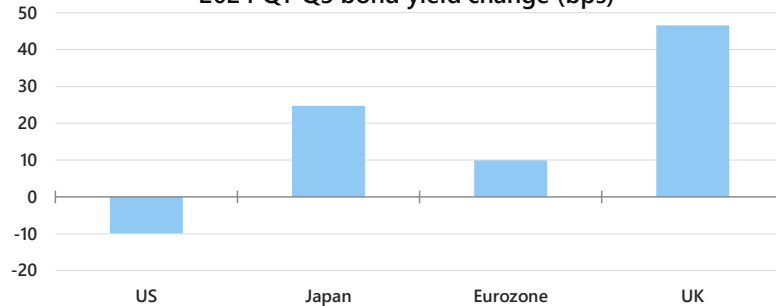
- **Interest rates:** The US Fed delivered a larger-than-expected interest rate cut by 50 basis points in mid-September, easing monetary policy for the first time in four years. The 10-year US Treasury yield declined, briefly reaching a year-to-date low of 3.62%
- **Equity markets:** Global equity markets experienced heightened volatility in early August on the back of concerns over US recession and a large scale unwinding of yen carry trades, but rebounded quickly following the Fed's rate cut decision. S&P500 hit a new record high of 5,762 at the end of Q3, recording a 20.8% gain through the first three quarters of 2024. Mainland and Hong Kong equities soared sharply towards the end of Q3, sparked by stimulus measures by Mainland authorities to boost the economy
- **Exchange rates:** Major currencies appreciated against the USD. GBP rose to its highest level in more than two years against USD

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## Major 10-year sovereign bond yields trended downwards



2024 Q1-Q3 bond yield change (bps)

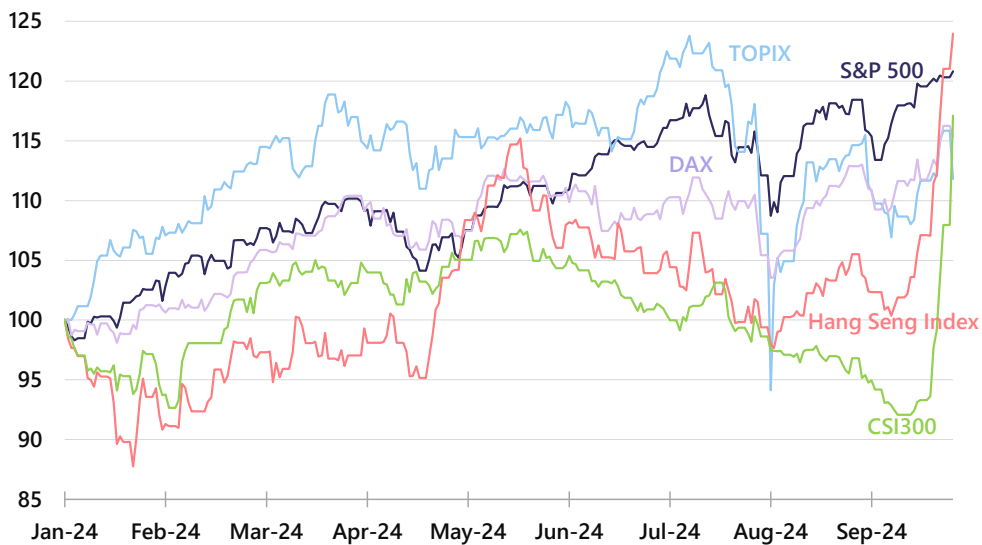


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## Major equity markets rose after a sharp dip



Normalised Index Level (2023 year-end=100)

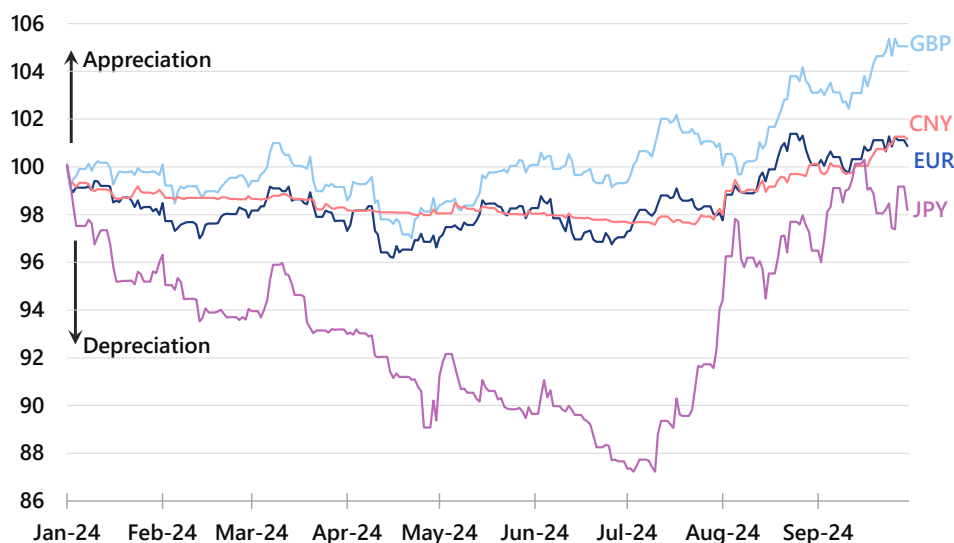


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## Major currencies appreciated against USD



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



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## Investment income



|                                      | ← 2024 →     |              | 2023          | 2022           |
|--------------------------------------|--------------|--------------|---------------|----------------|
|                                      | (unaudited)  |              |               |                |
| (HK\$ billion)                       | Jan - Sep    | Q3           | Full year     | Full year      |
| <b>Bonds</b>                         | <b>124.3</b> | <b>66.4</b>  | <b>144.7</b>  | <b>(53.2)</b>  |
| <b>Hong Kong equities*</b>           | <b>28.5</b>  | <b>21.9</b>  | <b>(15.5)</b> | <b>(19.5)</b>  |
| <b>Other equities</b>                | <b>66.0</b>  | <b>18.2</b>  | <b>73.6</b>   | <b>(61.0)</b>  |
| <b>Foreign exchange<sup>#</sup></b>  | <b>(8.2)</b> | <b>8.1</b>   | <b>(0.5)</b>  | <b>(40.0)</b>  |
| <b>Other investments<sup>@</sup></b> | <b>14.1</b>  | <b>-</b>     | <b>23.7</b>   | <b>(31.7)</b>  |
| <b>Investment income/(loss)</b>      | <b>224.7</b> | <b>114.6</b> | <b>226.0</b>  | <b>(205.4)</b> |

\* Excluding valuation changes of the Strategic Portfolio.

<sup>#</sup> This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

<sup>@</sup> Including valuation changes of private equity and real estate investments held under the Long-Term Growth Portfolio. This figure reflects the valuations at the end of June 2024. Valuation changes of these investments from July to September are not yet available.

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## Income and expenditure



|   | 2024          |               | 2023          | 2022           |
|---|---------------|---------------|---------------|----------------|
|   | (unaudited)   |               |               |                |
| (HK\$ billion)  | Jan - Sep     | Q3            | Full year     | Full year      |
| <b>Investment income/(loss)</b>                             | <b>224.7</b>  | <b>114.6</b>  | <b>226.0</b>  | <b>(205.4)</b> |
| Other income  | 0.1           | -             | 0.2           | 0.2            |
| Interest and other expenses                                 | <u>(47.7)</u> | <u>(16.4)</u> | <u>(54.5)</u> | <u>(18.8)</u>  |
| Net income/(loss)   | 177.1         | 98.2          | 171.7         | (224.0)        |
| Fee payment to Fiscal Reserves*#                            | (10.0)        | (3.0)         | (35.5)        | (26.0)         |
| Fee payment to HKSAR Government funds and statutory bodies* | (12.2)        | (3.8)         | (16.5)        | (22.1)         |

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

# 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 and -3.0% for 2022. Fee payable to/(reversed from) the Future Fund was HK\$18.0 billion for 2023 and HK\$(9.0) billion for 2022.

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## Exchange Fund Abridged Balance Sheet



| (HK\$ billion)  | At 30 Sep 2024<br>(unaudited) | At 31 Dec 2023 | At 31 Dec 2022 |
|---|-------------------------------|----------------|----------------|
| <b>ASSETS</b>   |                               |                |                |
| Deposits  | 324.9                         | 345.6          | 368.8          |
| Debt securities   | 2,863.8                       | 2,798.6        | 2,773.3        |
| Hong Kong equities*                                       | 154.1                         | 125.0          | 150.4          |
| Other equities  | 437.9                         | 485.3          | 472.4          |
| Other assets*   | <u>353.2</u>                  | <u>262.0</u>   | <u>243.1</u>   |
| <b>Total assets</b>                                       | <b>4,133.9</b>                | <b>4,016.5</b> | <b>4,008.0</b> |
|   | =====                         | =====          | =====          |
| <b>LIABILITIES AND EQUITY</b>                             |                               |                |                |
| Certificates of Indebtedness                              | 594.3                         | 593.2          | 606.0          |
| Government-issued currency notes and coins in circulation | 12.8                          | 12.9           | 13.2           |
| Balance of the banking system                             | 47.8                          | 45.0           | 96.2           |
| Exchange Fund Bills and Notes issued                      | 1,371.3                       | 1,244.5        | 1,200.3        |
| Placements by banks and other financial institutions      | 189.3                         | 99.1           | 99.5           |
| Placements by Fiscal Reserves®                            | 523.4                         | 695.4          | 765.2          |
| Placements by HKSAR Government funds and statutory bodies | 387.9                         | 468.7          | 449.0          |
| Placements by subsidiaries                                | 31.4                          | 31.2           | 30.6           |
| Other liabilities   | <u>192.3</u>                  | <u>179.5</u>   | <u>190.8</u>   |
| <b>Total liabilities</b>                                  | <b>3,350.5</b>                | <b>3,369.5</b> | <b>3,450.8</b> |
| Accumulated surplus                                       | 782.5                         | 646.1          | 556.4          |
| Revaluation reserve                                       | <u>0.9</u>                    | <u>0.9</u>     | <u>0.8</u>     |
| <b>Total equity</b>                                       | <b>783.4</b>                  | <b>647.0</b>   | <b>557.2</b>   |
| <b>Total liabilities and equity</b>                       | <b>4,133.9</b>                | <b>4,016.5</b> | <b>4,008.0</b> |
|   | =====                         | =====          | =====          |

\* 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\$200.2 billion at 30 September 2024 (HK\$203.9 billion at 31 December 2023 and HK\$191.7 billion at 31 December 2022).

® Including placements by the Future Fund of HK\$248.5 billion at 30 September 2024 (HK\$299.4 billion at 31 December 2023 and HK\$255.2 billion at 31 December 2022).

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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    | 114.6   | 47.8    | 62.3    |

\* 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 October, around 17,200 applications under the MIP were approved, of which 2,683 were under the new coverage after the MIP revisions in July and September 2023. Over 90% of approved applications were from first-time homebuyers
- From 8 August 2024, HKMC Insurance Limited may approve on a case-by-case basis eligible homeowners' applications for renting out their self-occupied properties, so as to help them meet their special needs arising from changes in personal or family circumstances. As of 15 October 2024, 288 applications were approved

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## SME Financing Guarantee Scheme (SFGS)



- *The Chief Executive's 2024 Policy Address* announced that, for both existing and new loans, borrowing enterprises under the SFGS will be allowed to apply for principal moratorium for up to 12 months while the maximum loan guarantee periods of the 80% and 90% Guarantee Products will be extended to ten years and eight years respectively. In addition, the partial principal repayment options will be offered to new loans under the two guarantee products
- As of 15 October 2024, around 40,900 applications were approved under the 80% and 90% Guarantee Products, amounting to about HK\$141.9 billion. The application period for these products has been extended to the end of March 2026
- The application period for the Special 100% Loan Guarantee has expired in end-March 2024. Over 67,000 applications were approved, amounting to about HK\$143.6 billion

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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 October 2024, 224 applications were approved, amounting to about HK\$0.22 billion. The application period of the schemes will end on 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 October 2024, 28 applications were approved, amounting to about HK\$9.4 million

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## Reverse Mortgage Programme



As of 15 October 2024, 7,787 applications had been received:

- Average age of borrowers: 68 years old
- Average monthly payout: HK\$16,700
- Payment terms: 10-year (21.4%); 15-year (14.1%); 20-year (11.7%); life (52.8%)
- Average property value: HK\$5.7 million
- Average property age: 32 years

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## HKMC Annuity Limited



Provisional business results:

|   | <b>Since launch</b> | <b>2023</b> | <b>2023<br/>(Jan – Sep)</b> | <b>2024<br/>(Jan – Sep)*</b> |
|---|---------------------|-------------|-----------------------------|------------------------------|
| <b>No. of policies</b>                        | 25,488              | 2,205       | 1,540                       | 5,754                        |
| <b>Total premium amount</b><br>(HK\$ billion) | 16.4                | 1.6         | 1.2                         | 2.3                          |
| <b>Average premium amount</b> (HK\$)          | 645,000             | 729,000     | 749,000                     | 523,000                      |

\* Adjusted for the split policy impact of the payout enhancement campaign