



HONG KONG MONETARY AUTHORITY
香港金融管理局

Briefing to the Legislative Council Panel on Financial Affairs

6 May 2025

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

3



Global economic growth forecasts

Real GDP Growth

(% year-on-year)

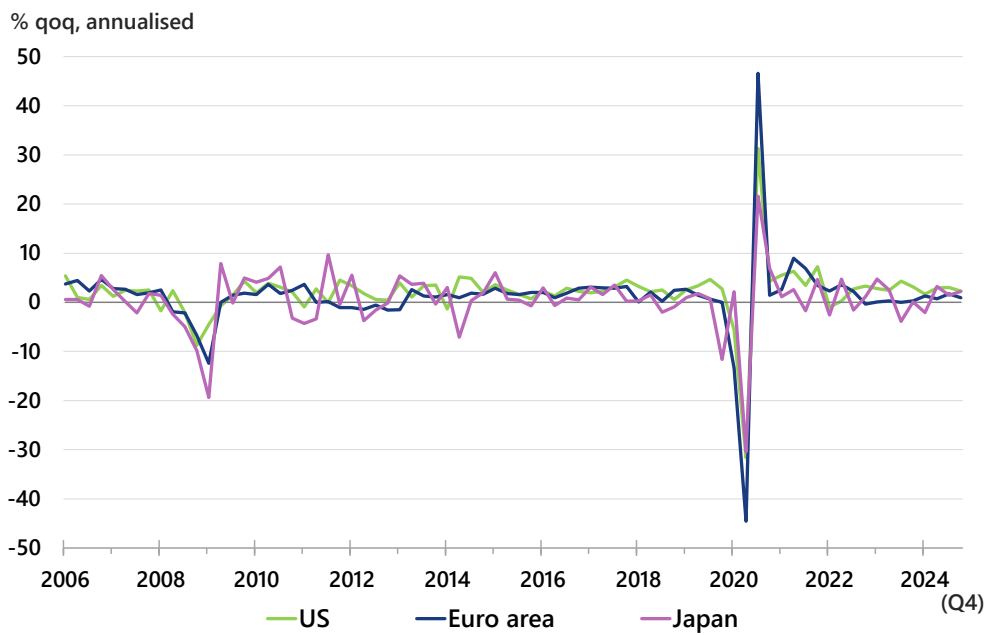
	2024	2025 Forecasts	2026 Forecasts
US	2.8	2.0	2.0
Euro area	0.9	0.9	1.2
Japan	0.1	1.2	0.9
Asia (ex-Japan)	4.9	4.5	4.2
Mainland China	5.0	4.5	4.2
Hong Kong	2.5	2.0-3.0 (*)	N.A.

(*) Latest forecast by the HKSAR Government on 26 February 2025.

Sources: March 2025 Consensus Forecasts and the Office of the Government Economist, HKSAR

4

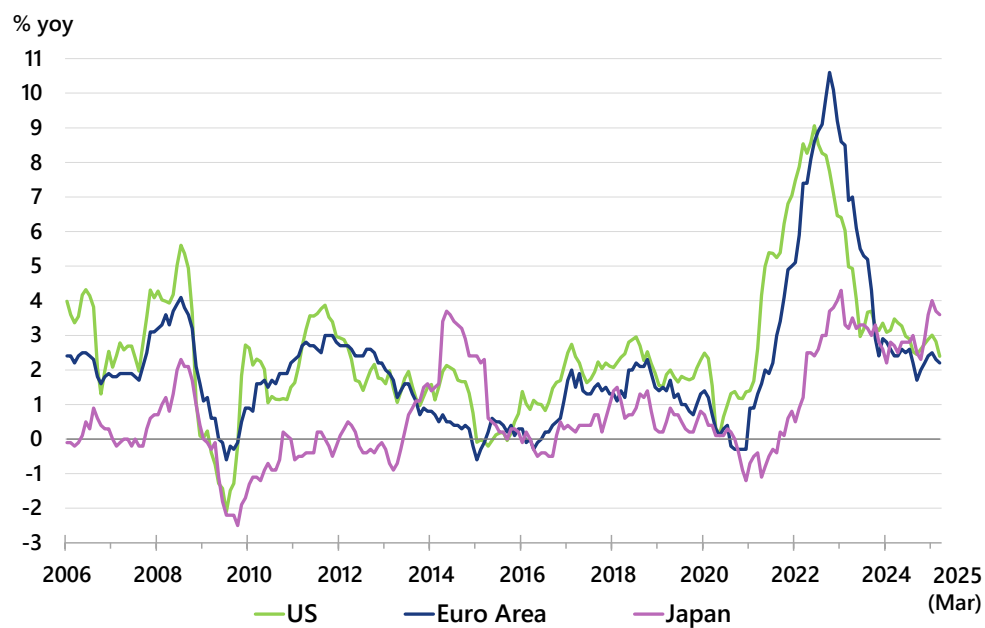
Real GDP growth in major economies



Source: CEIC

5

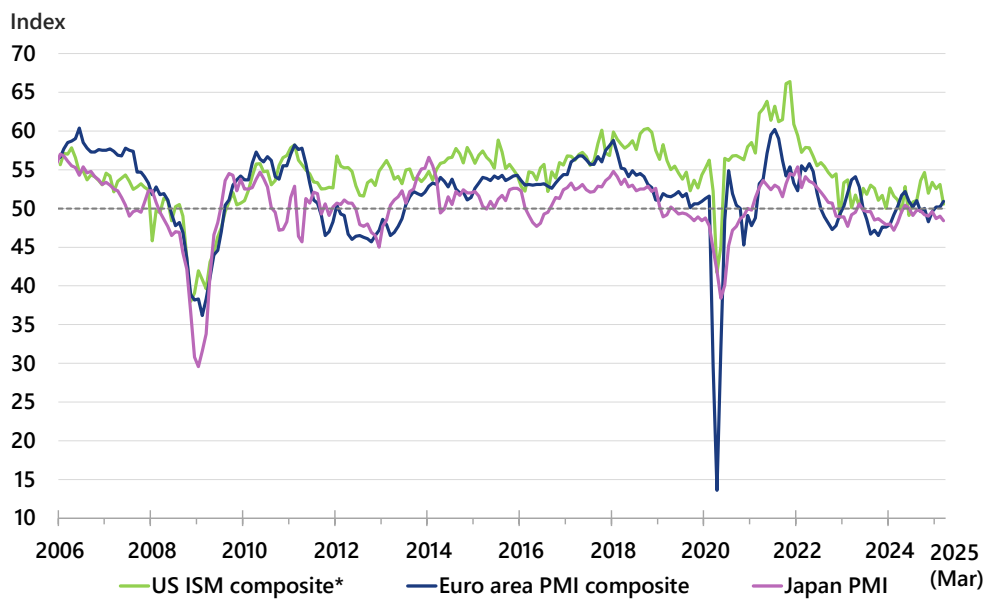
Headline inflation in major economies



Source: CEIC

6

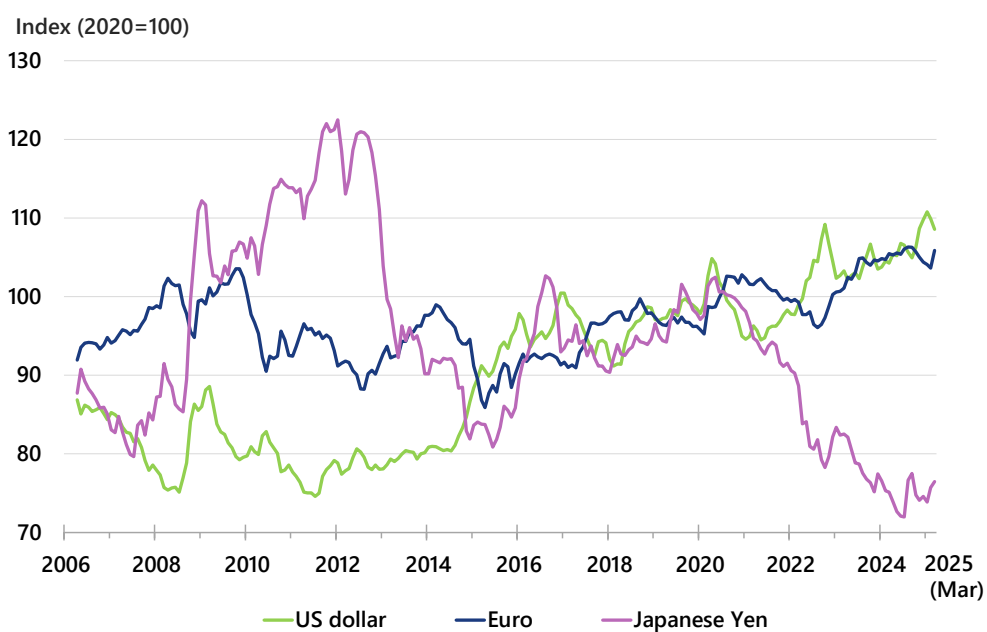
Purchasing Managers' Index in major economies



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

7

Nominal effective exchange rate index of major currencies



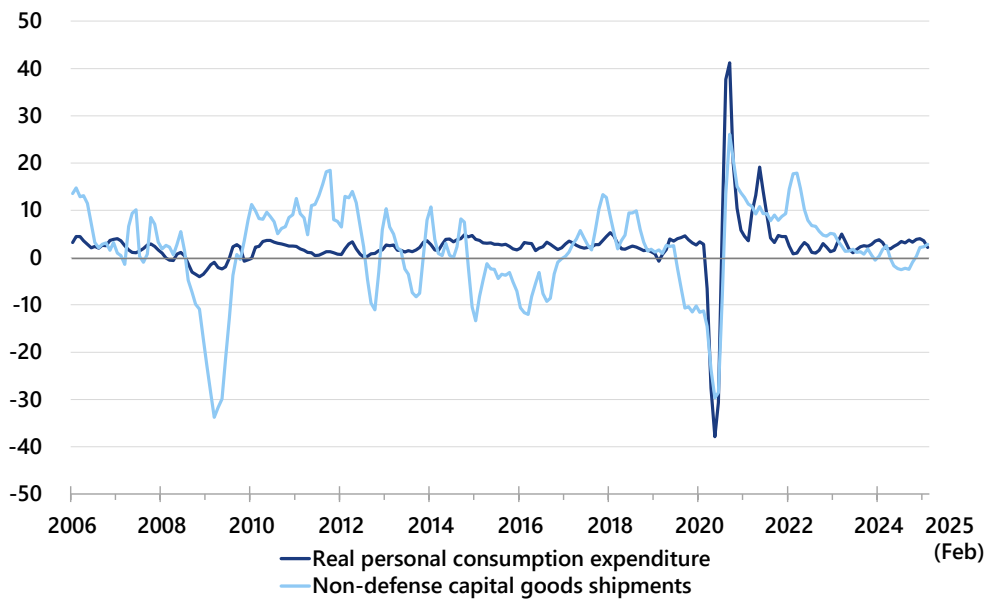
Source: CEIC

8

US: Consumption growth and business investment activity



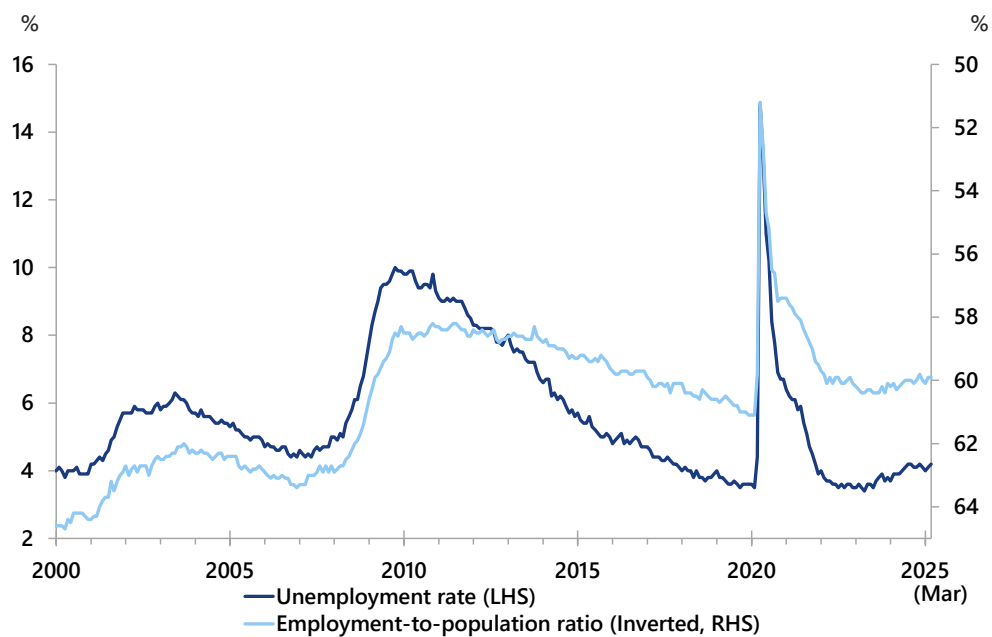
% 3m-on-3m, annualised



Source: CEIC

9

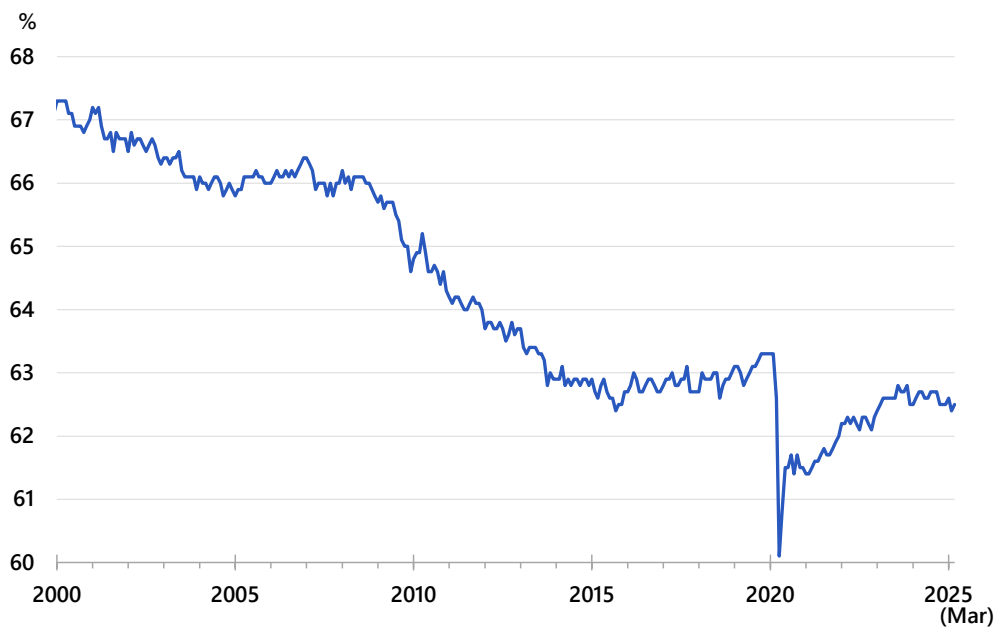
US: Labour market situation



Source: CEIC

10

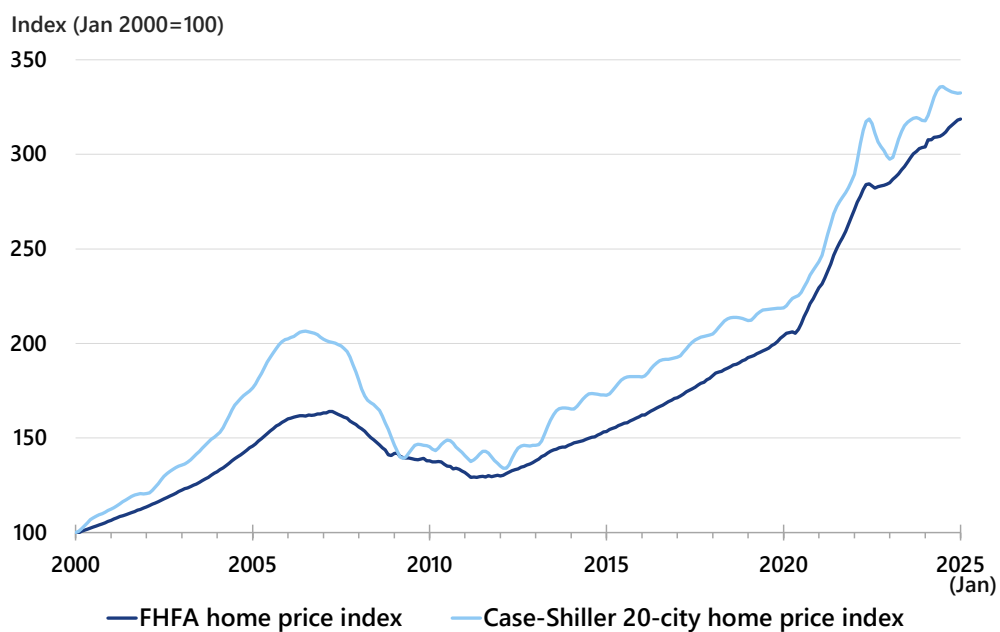
US: Labour force participation rate



Source: CEIC

11

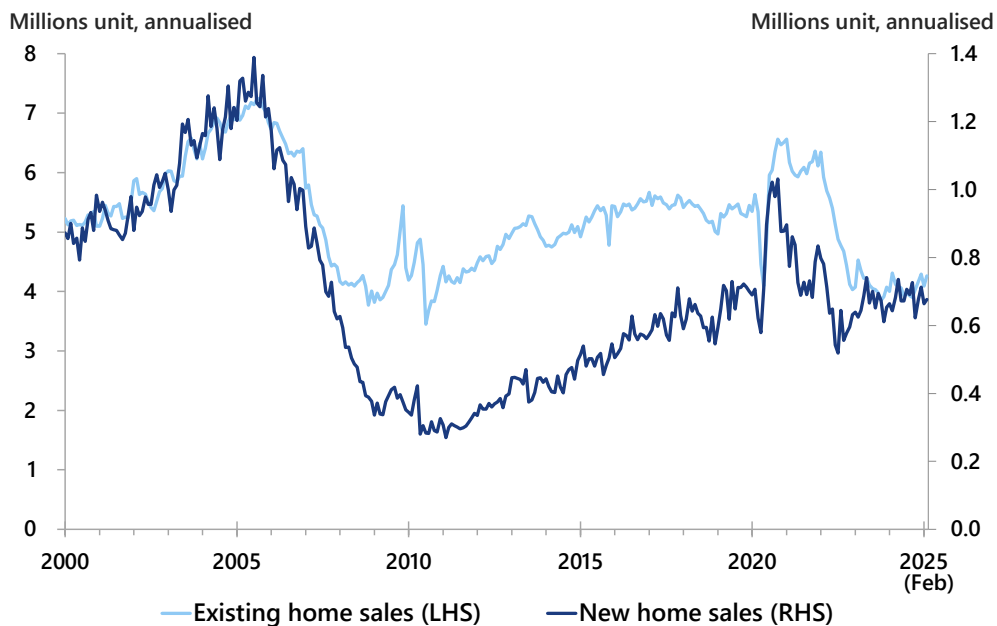
US: Home prices



Sources: CEIC and S&P

12

US: Home sales



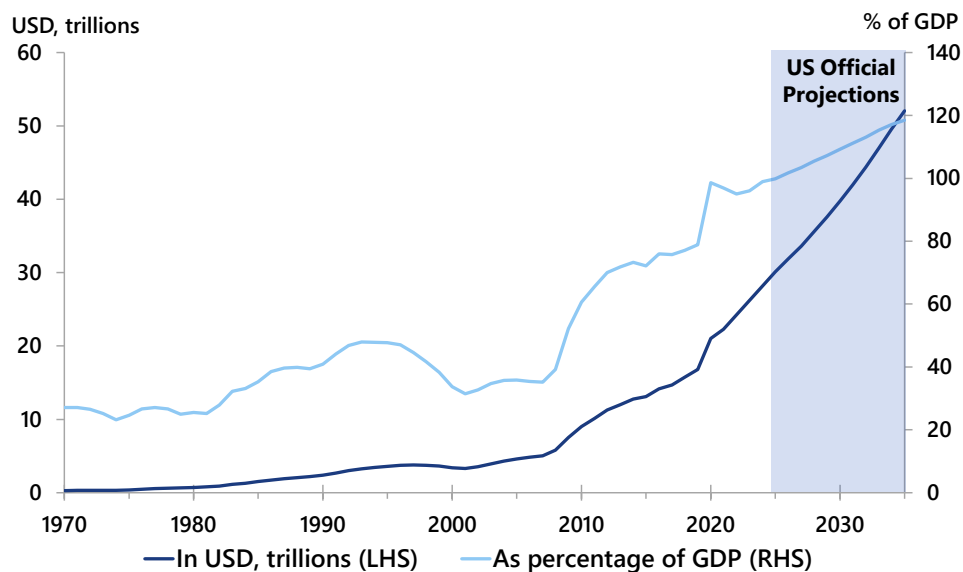
Sources: CEIC and National Association of Realtors

13

US: Federal government debt



US federal debt held by the public



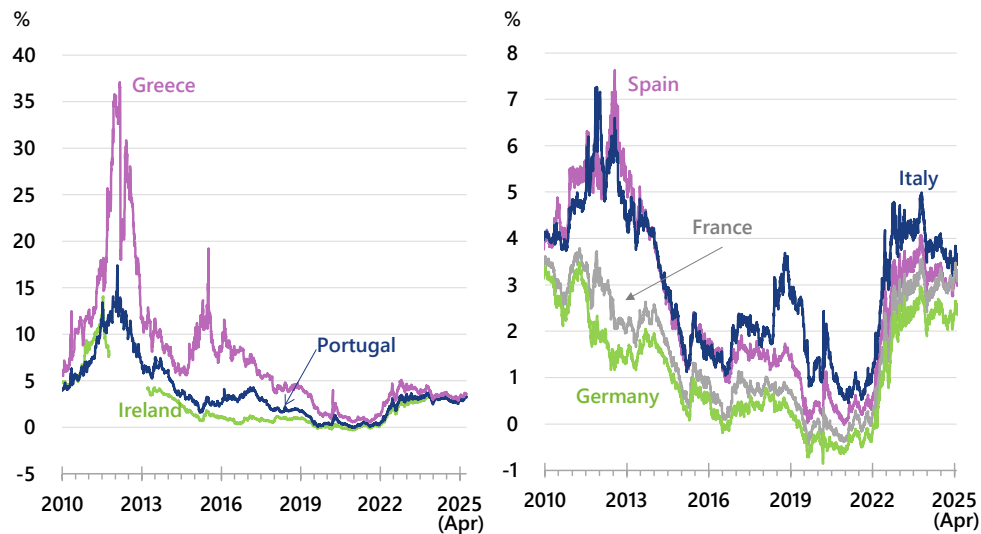
Sources: CEIC and Congressional Budget Office

14

Euro area: Sovereign bond yields



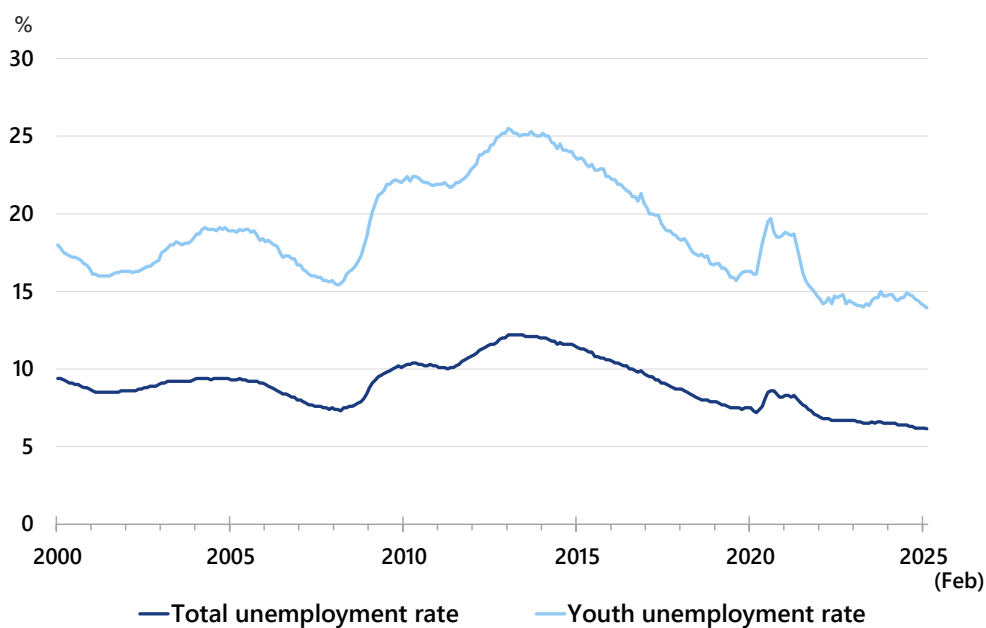
10-year sovereign bond yield



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

15

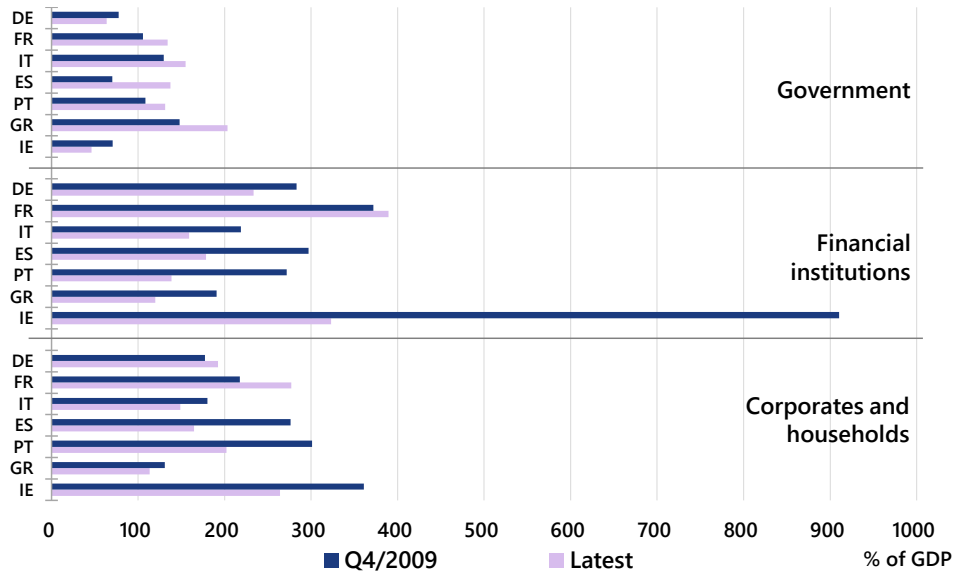
Euro area: Unemployment rate



Source: CEIC

16

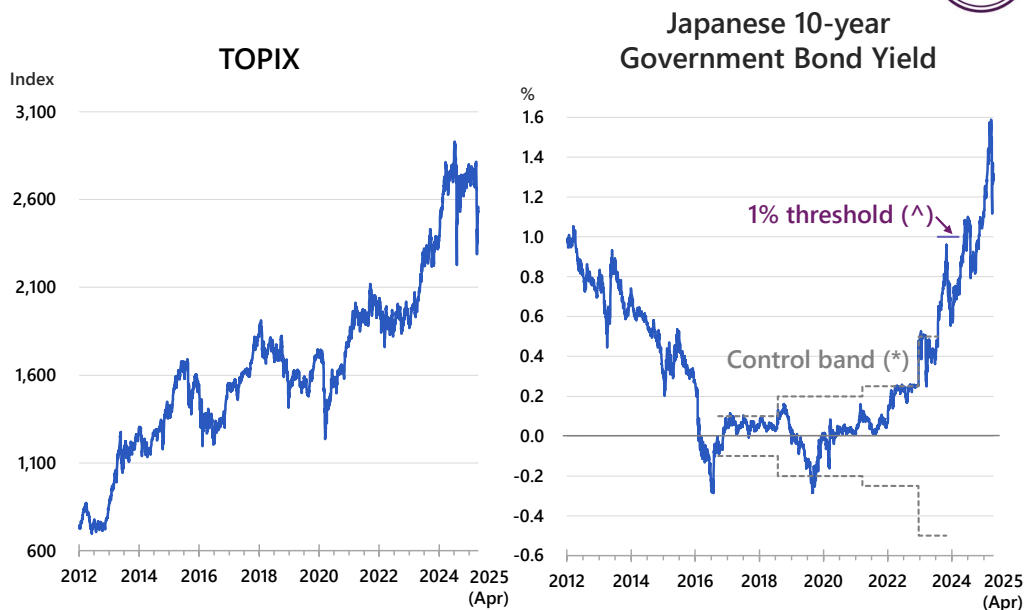
Euro area: Overall indebtedness



Note: DE – Germany, FR – France, IT – Italy, ES – Spain, PT – Portugal, GR – Greece, IE – Ireland
 The latest figures are up to Q3/2024 for government, whilst the rest are up to Q4/2024.
 Source: European Central Bank

17

Japan: Financial markets

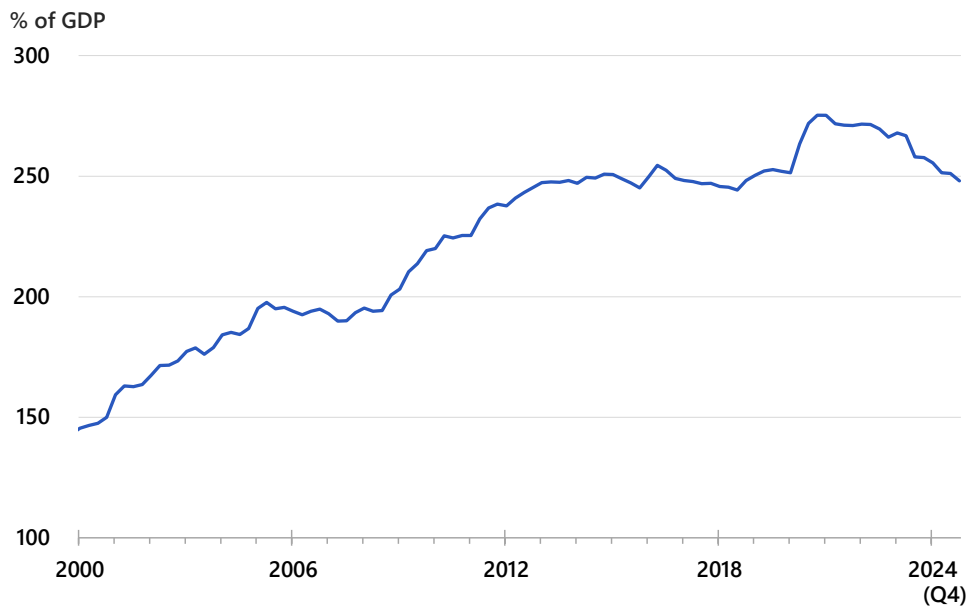


(*) The control band for Japanese 10-year government bond yield was -0.5% to 0.5% until 28 July 2023
 (^) As a cap between end-July and end-October 2023; as a reference upper bound between November 2023 and 18 March 2024; abandoned on 19 March 2024

Source: Bloomberg

18

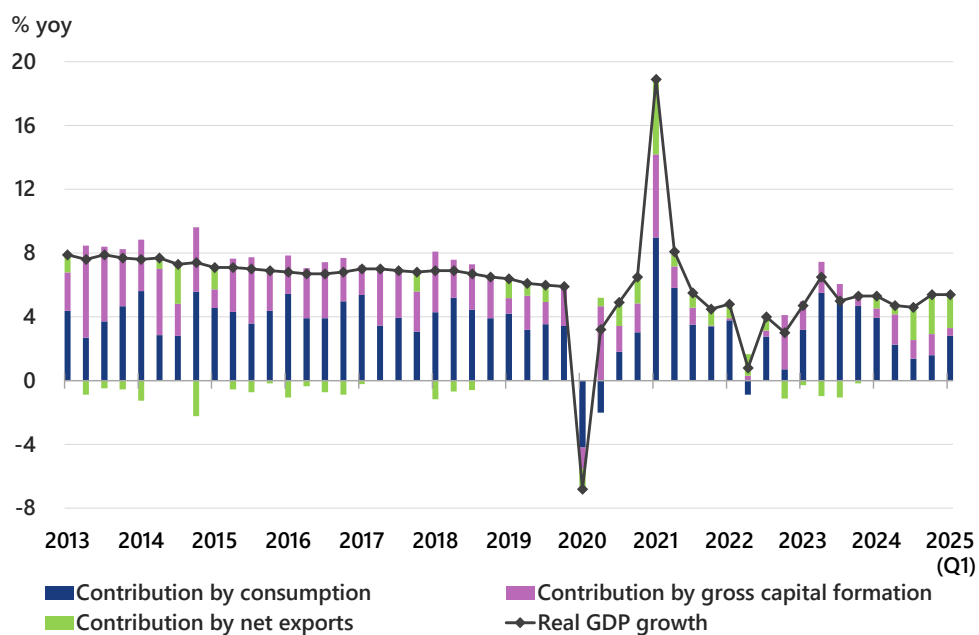
Japan: Public debt



Sources: Bank of Japan and CEIC

19

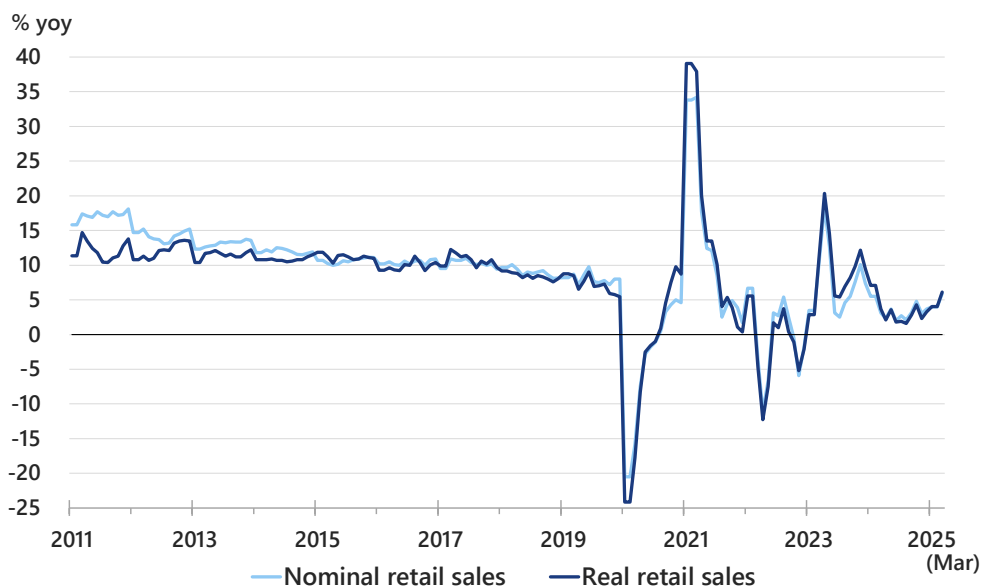
Mainland China: Real GDP growth



Source: CEIC

20

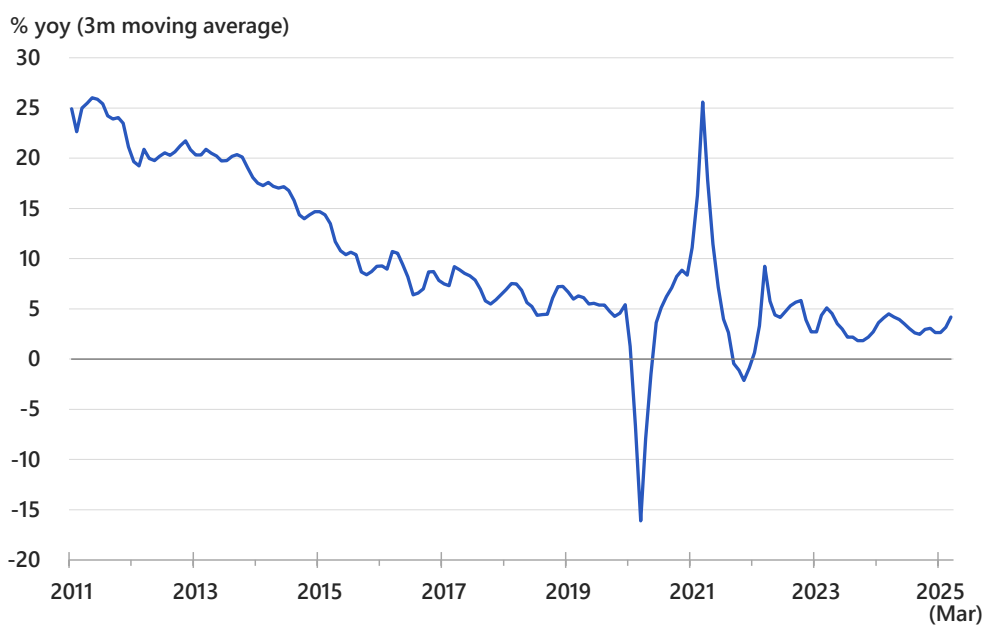
Mainland China: Retail sales



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

21

Mainland China: Fixed asset investment



Sources: CEIC and HKMA staff estimates

22

Mainland China: Import and export growth



% yoy (3m moving average)



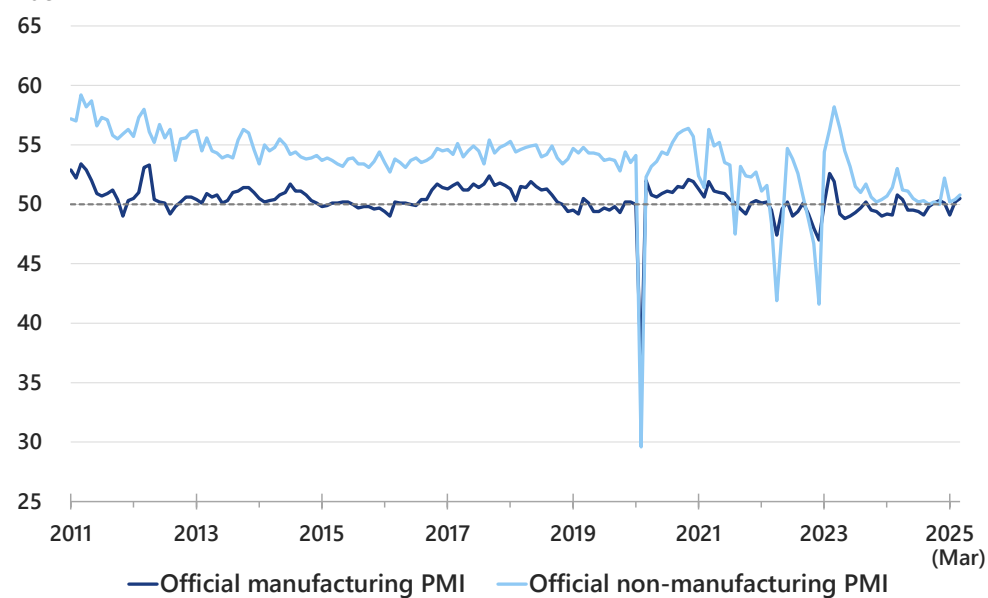
Sources: CEIC and HKMA staff estimates

23

Mainland China: Purchasing Managers' Index



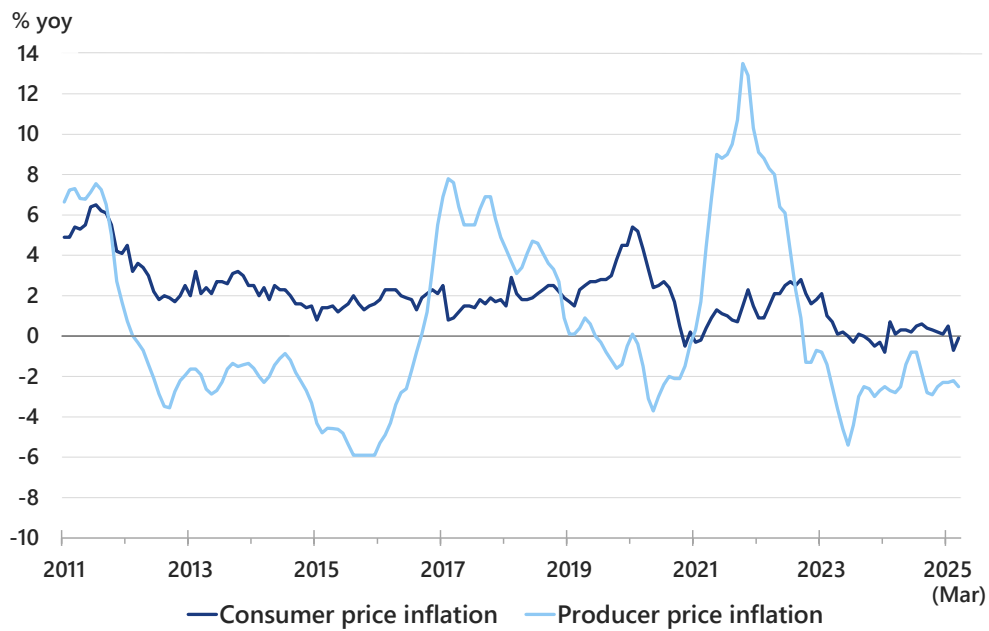
Index



Source: CEIC

24

Mainland China: Inflation



Source: CEIC

25

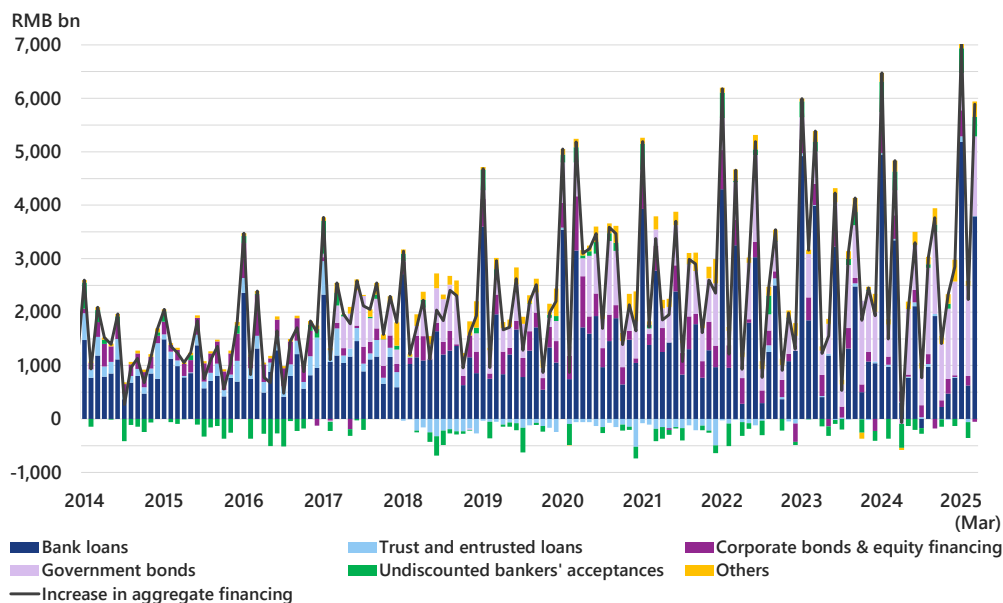
Mainland China: Money and loan growth



Source: CEIC

26

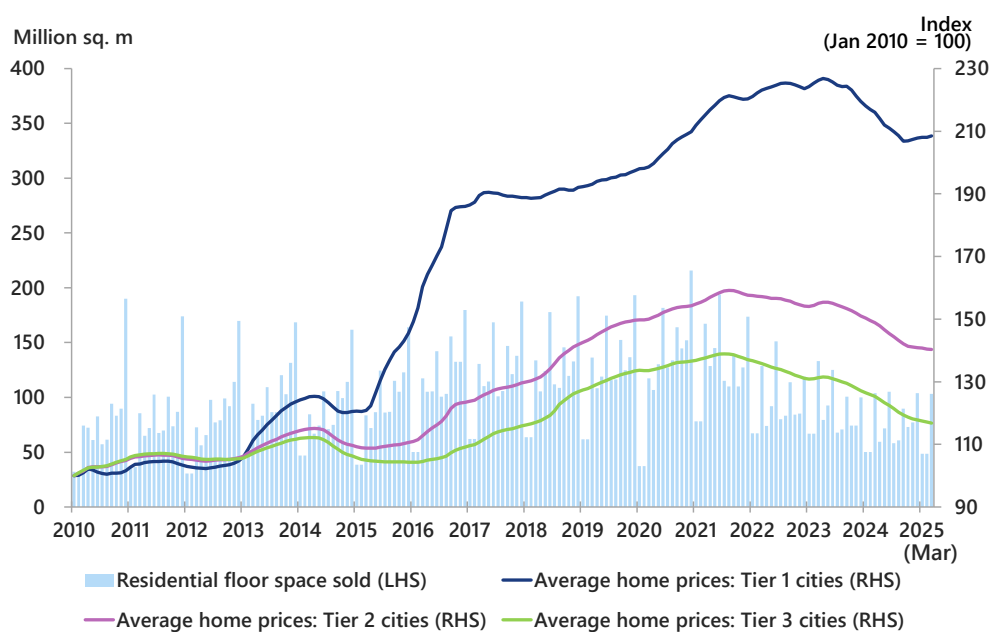
Mainland China: Aggregate financing flow



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

27

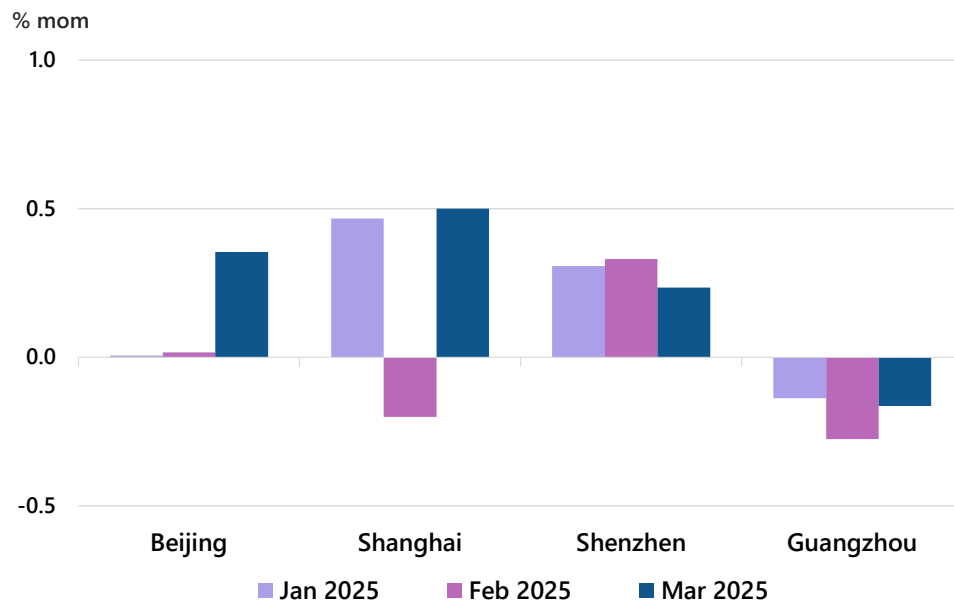
Mainland China: Property price and transaction volume



Sources: CEIC and HKMA staff estimates

28

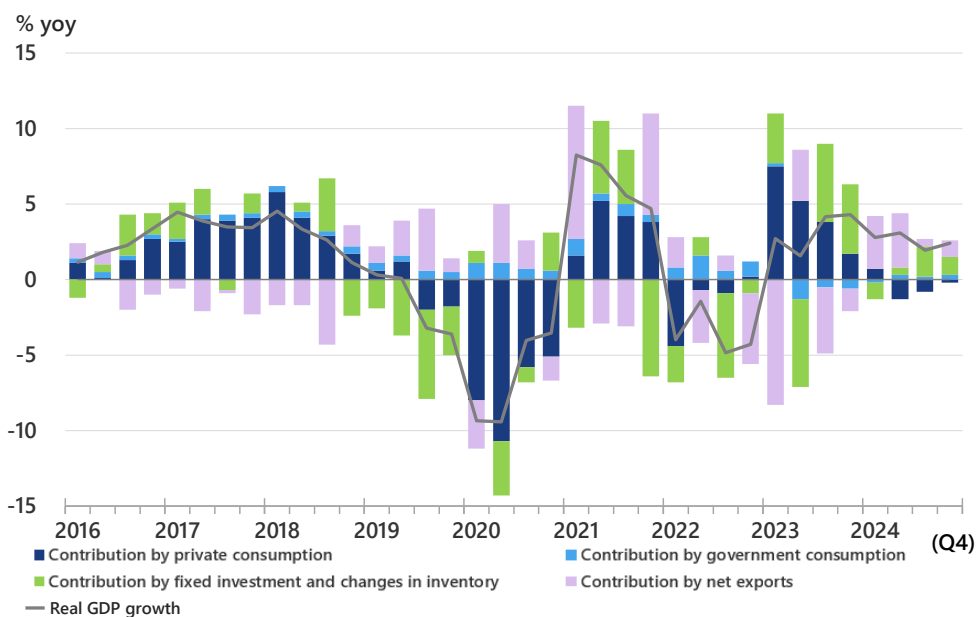
Mainland China: Housing price changes in major cities



Sources: CEIC, WIND and HKMA staff estimates

29

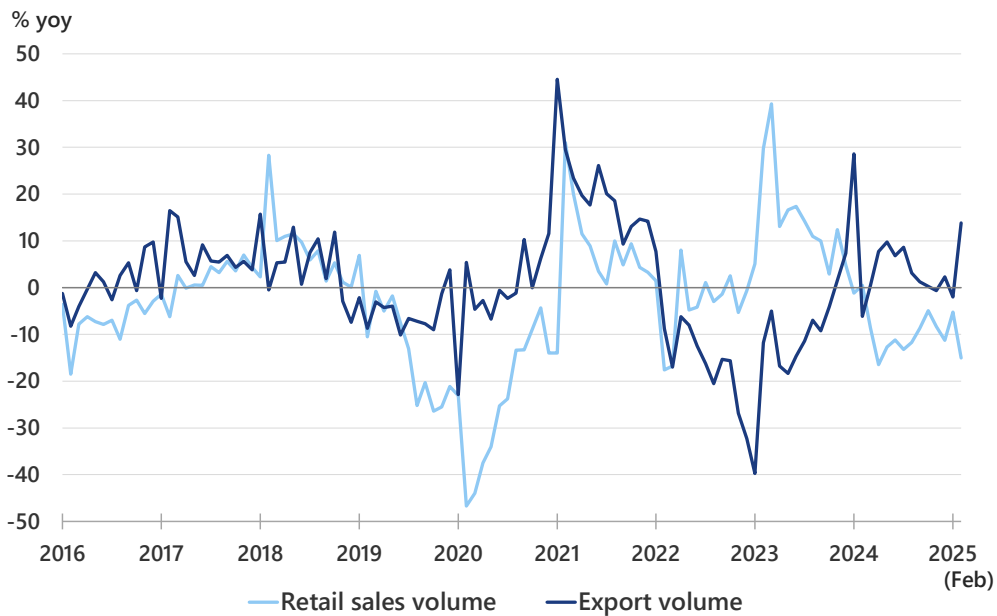
Hong Kong: Real GDP growth



Source: Census and Statistics Department (C&SD)

30

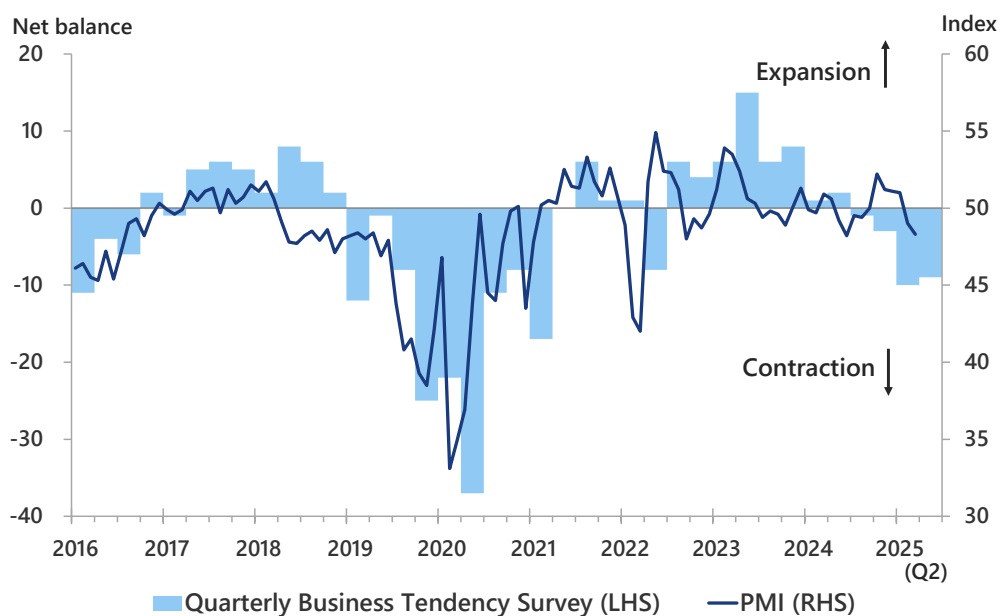
Hong Kong: Economic activity



Source: C&SD

31

Hong Kong: Business outlook



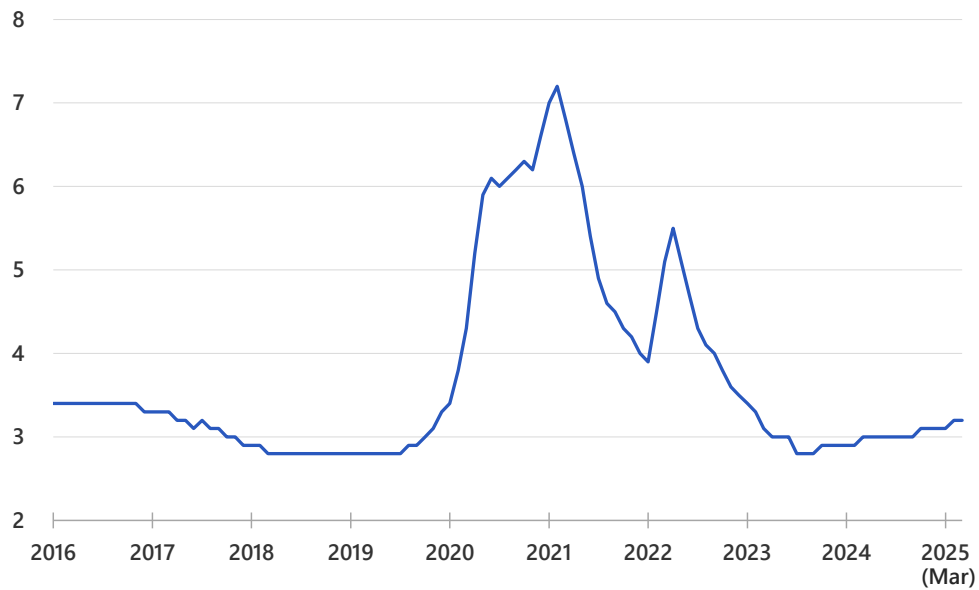
Sources: C&SD and S&P Global

32

Hong Kong: Unemployment rate



% of labour force



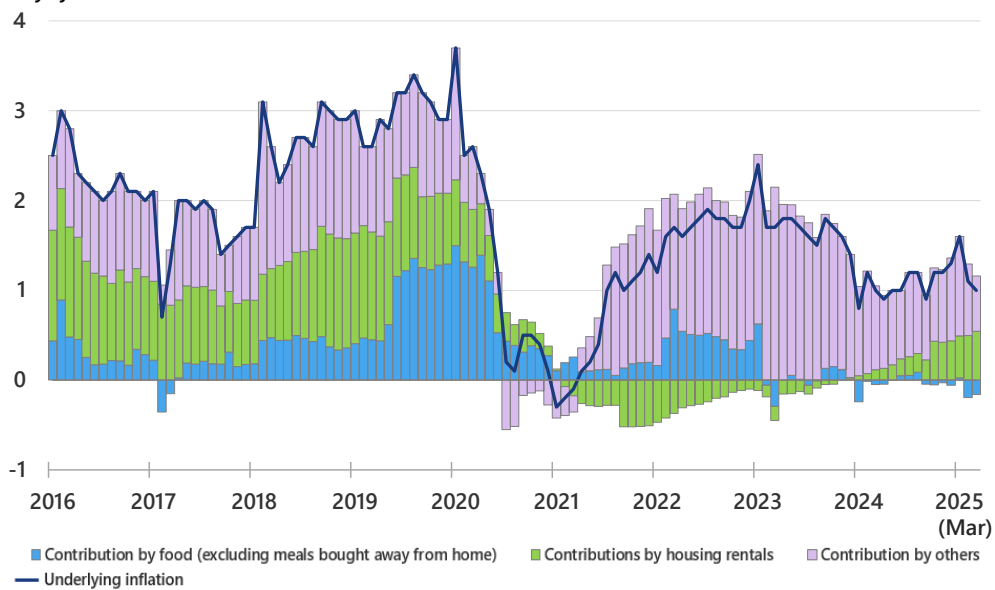
Source: C&SD

33

Hong Kong: Inflation



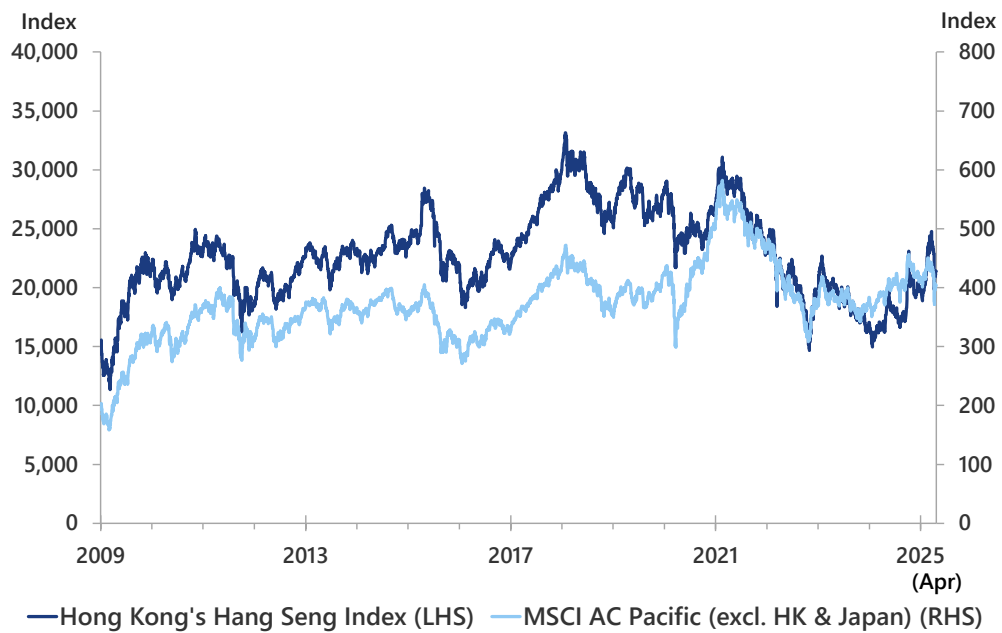
% yoy



Sources: C&SD and HKMA staff estimates

34

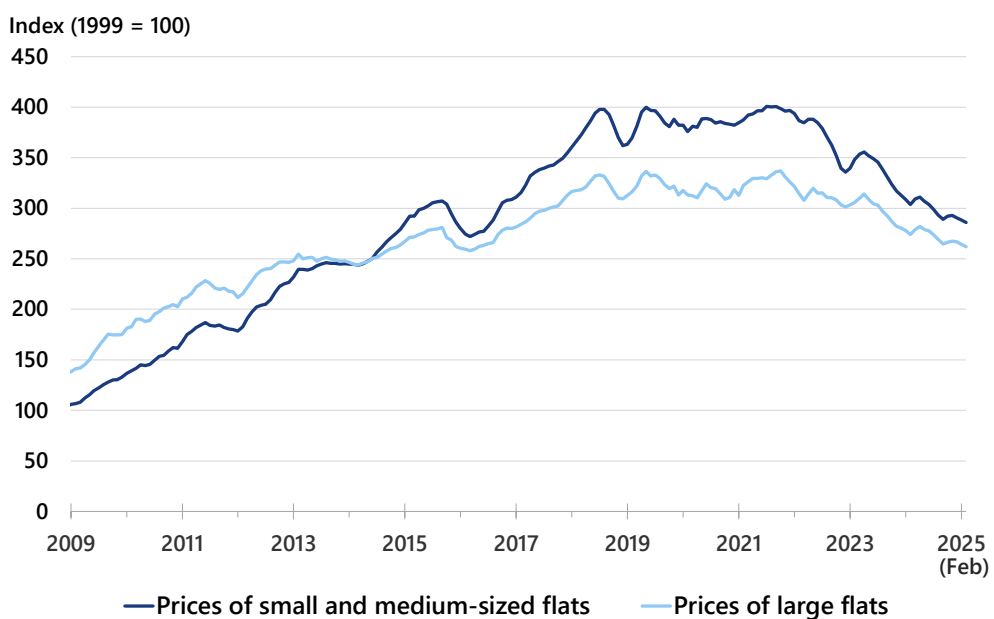
Hong Kong: Equity market



Source: Bloomberg

35

Hong Kong: Residential property prices



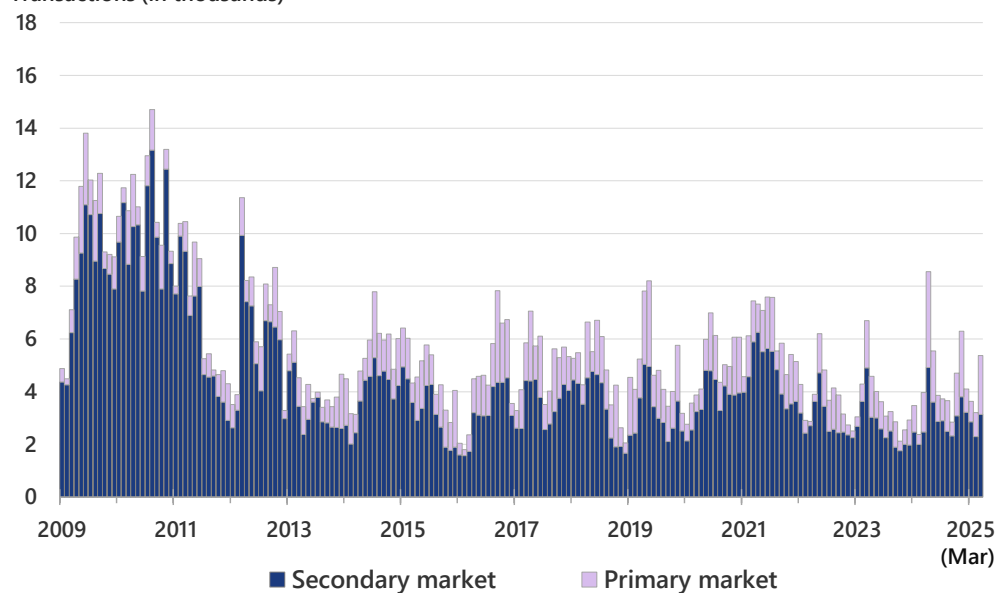
Source: Rating and Valuation Department (R&VD)

36

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



Transactions (in thousands)



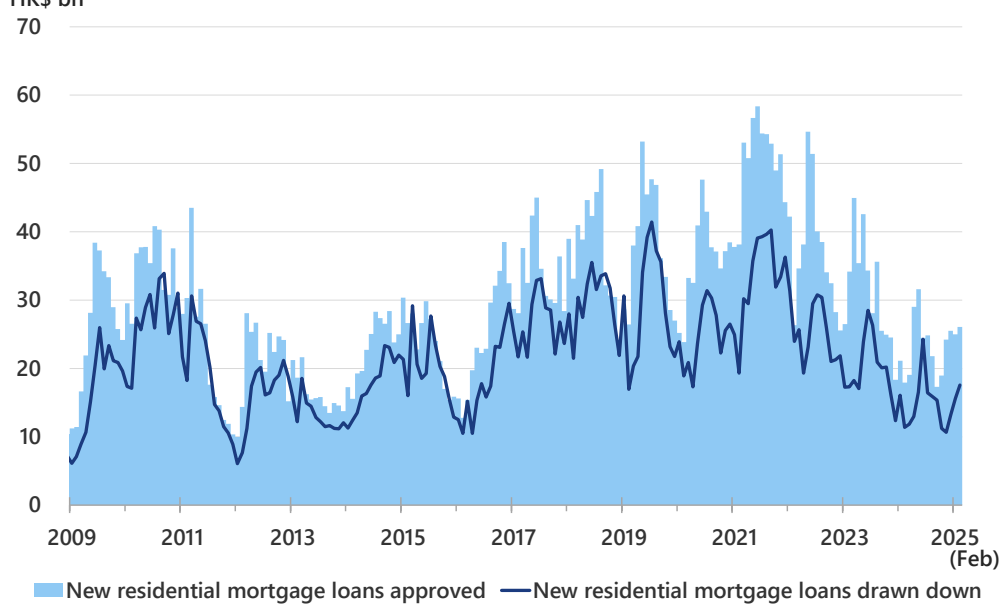
Source: Land Registry

37

Hong Kong: New residential mortgage loans



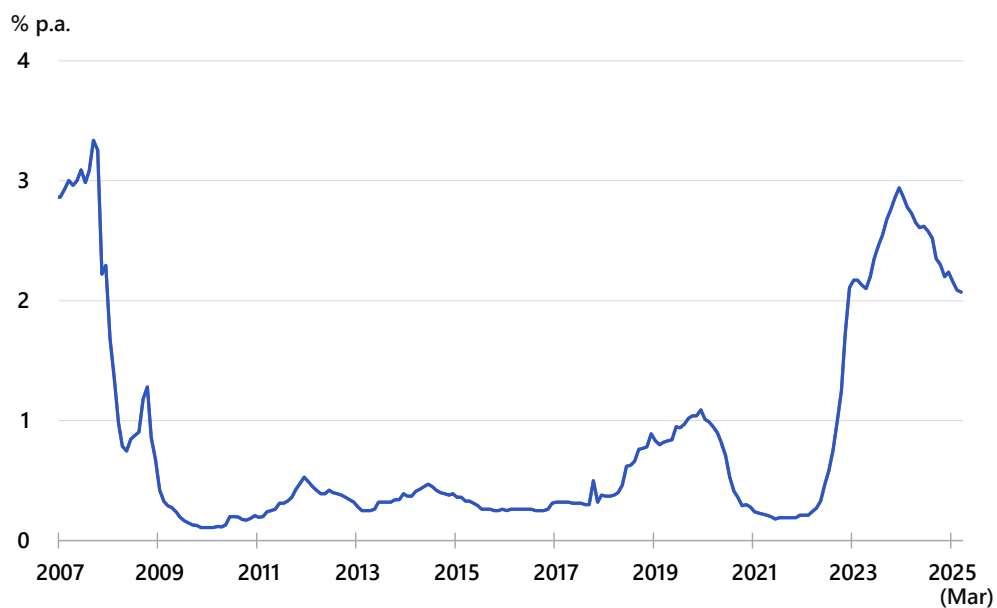
HK\$ bn



Source: HKMA

38

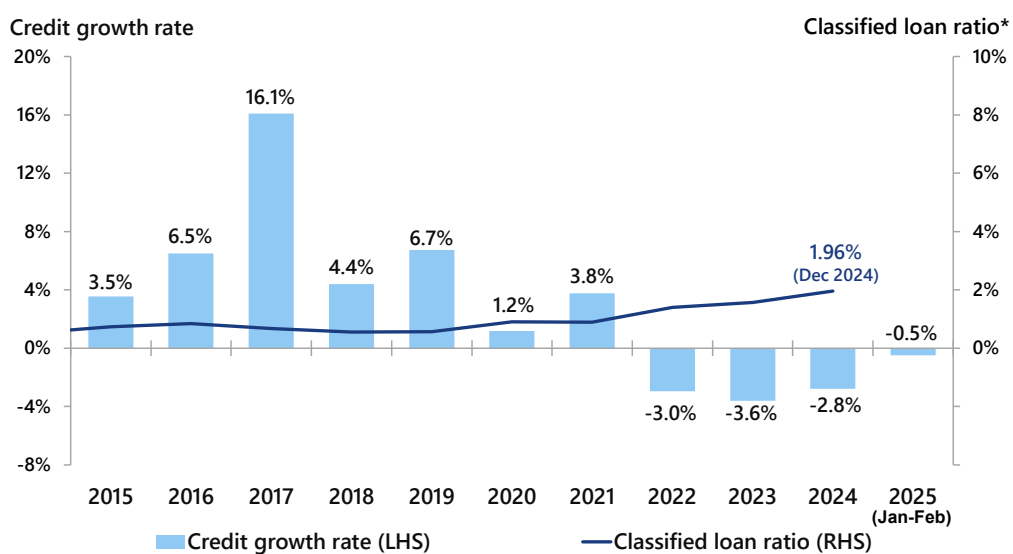
Hong Kong: Composite interest rate



Source: HKMA

39

Hong Kong: Loan growth and asset quality



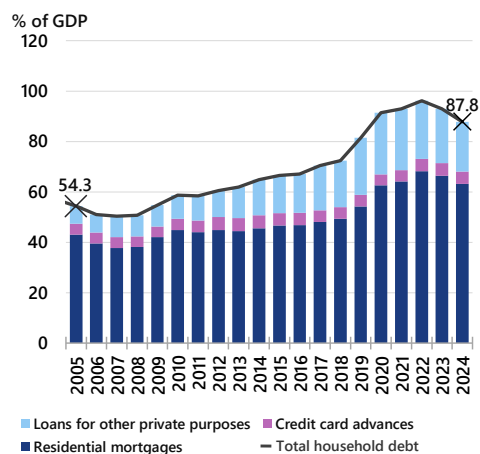
* Classified loan ratio of all authorized institutions
Source: HKMA

40

Hong Kong: Household debt

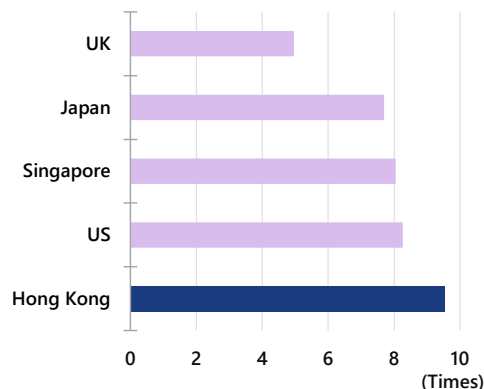


Gross household debt



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

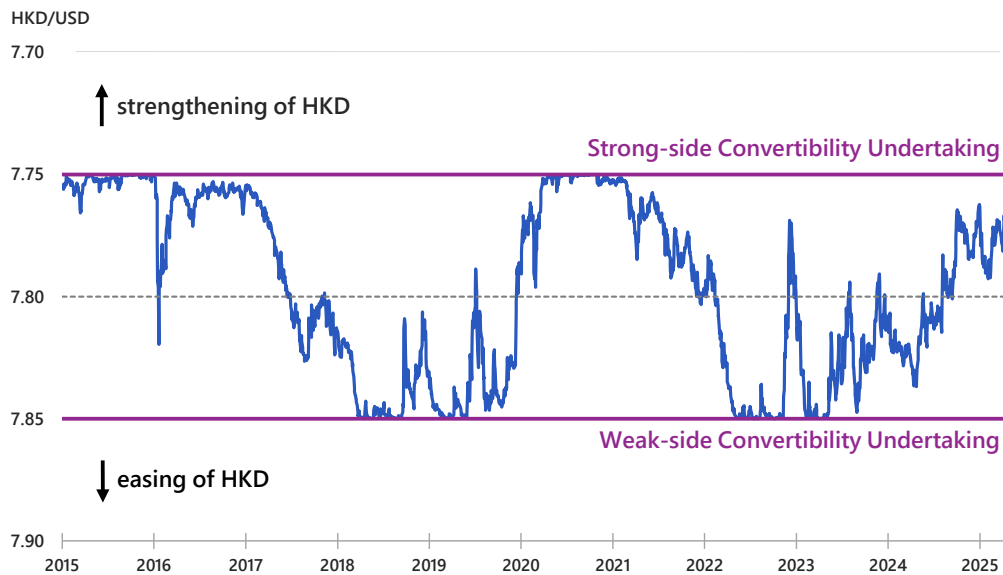


Notes: (1) Household net worth (or net household assets) is the difference between gross household assets and gross household liabilities. (2) Taking Hong Kong as an example, the above number means that Hong Kong household net worth is around 10 times its gross household liabilities. (3) Figures for Hong Kong, Japan, and the UK refer to end-2023, while figures for US and Singapore refers to end-2024.
Sources: HKMA staff estimates and statistical agencies or central banks of selected economies

Currency Stability

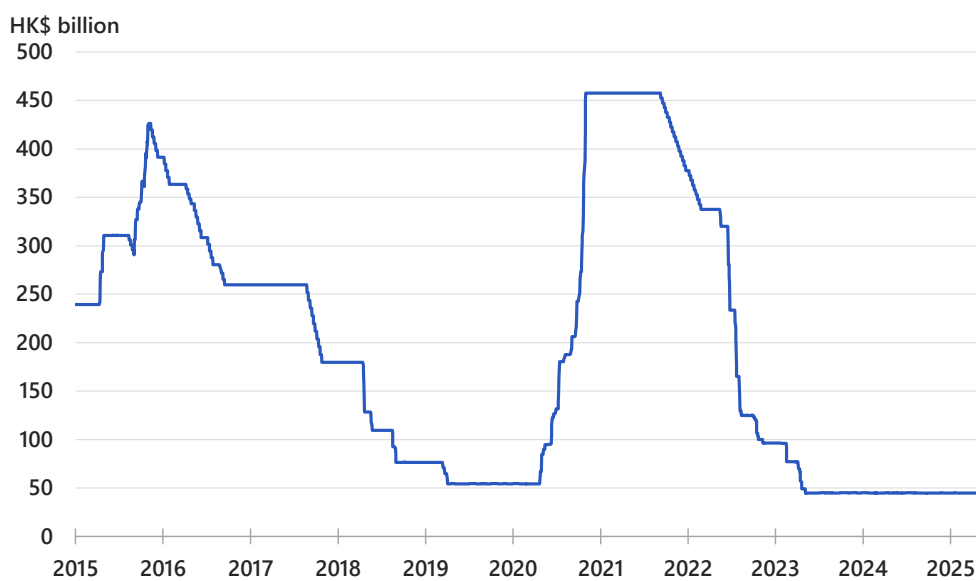


Hong Kong dollar spot exchange rate



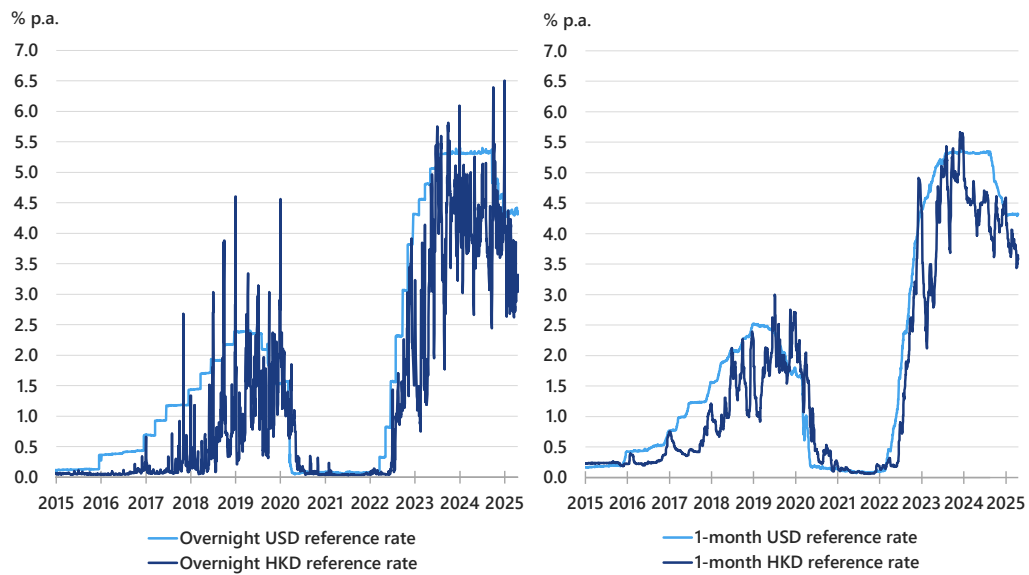
43

Aggregate Balance



44

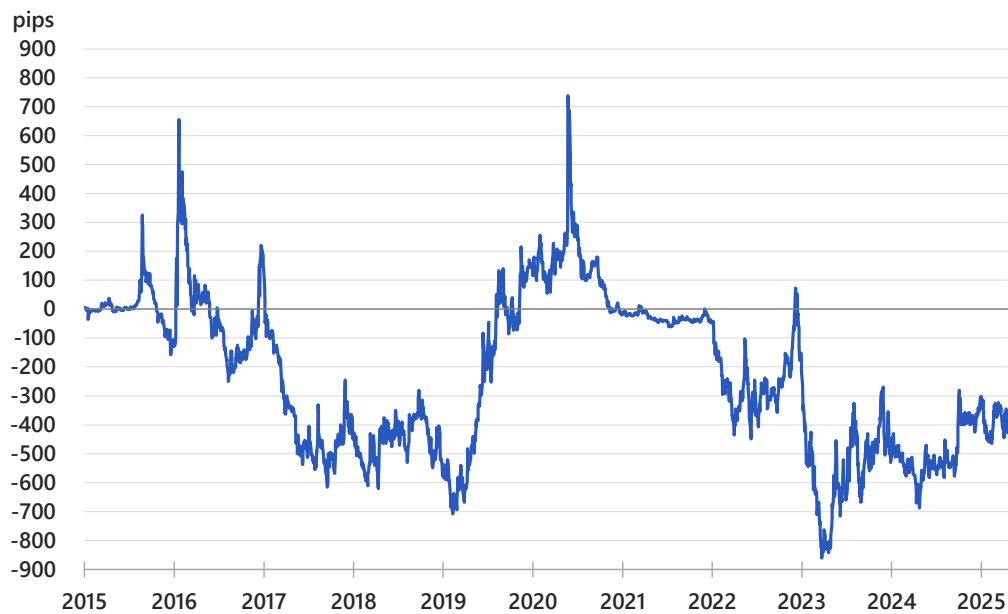
Interest rates



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.

45

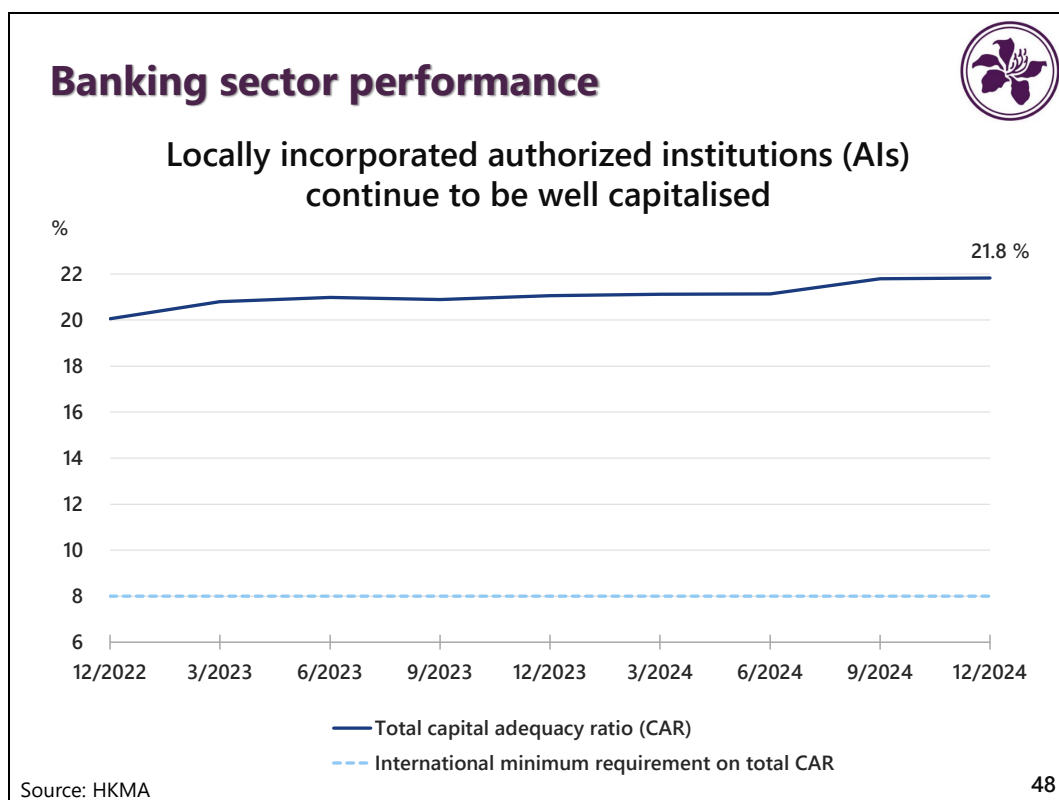
12-month Hong Kong dollar forward points



46



Banking Stability

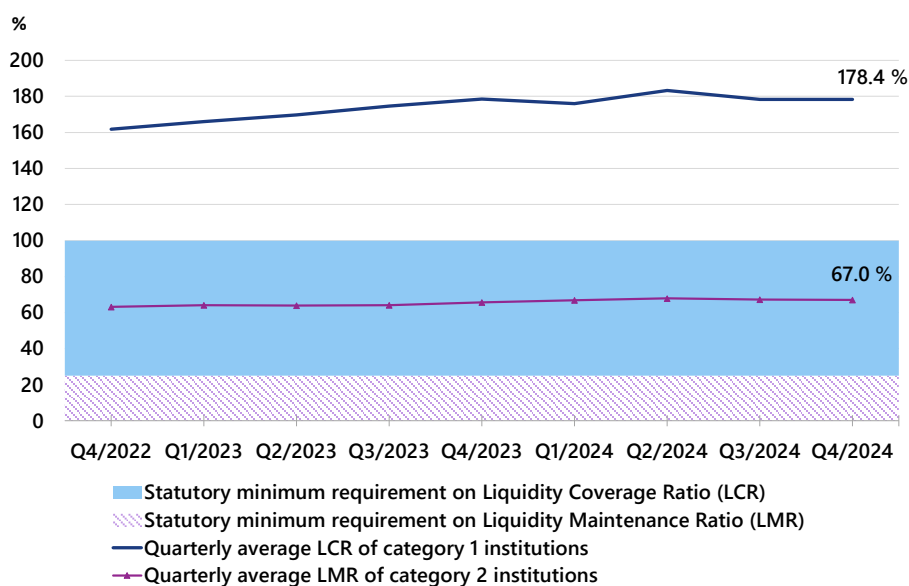


- The banking sector continues to be well capitalised. The consolidated CAR of locally incorporated AIs stood at 21.8% at end-December 2024, well above the international minimum requirement of 8%.

Banking sector performance



Liquidity position remains strong



Source: HKMA

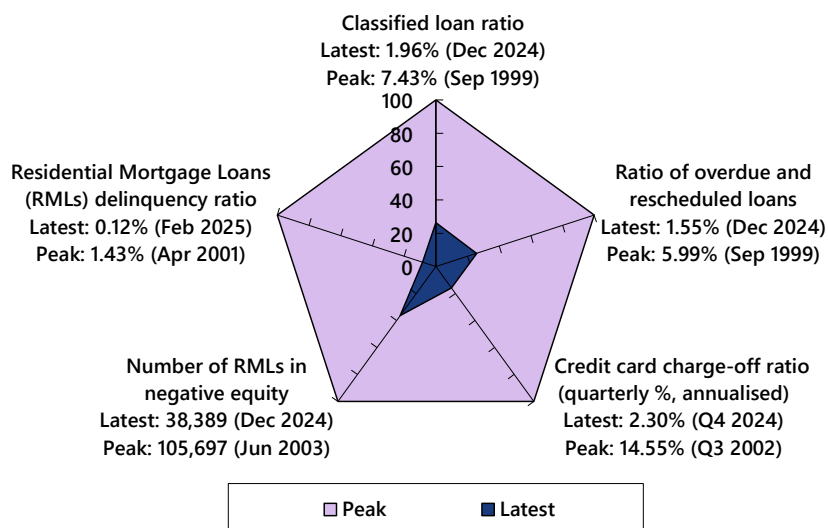
49

- In the fourth quarter of 2024, the quarterly average LCR of category 1 institutions was 178.4%, well above the statutory minimum requirement of 100%. For category 2 institutions, their quarterly average LMR was 67.0 % during the same period, also well above the statutory minimum requirement of 25%.
- The Hong Kong banking sector continues to maintain strong capital position, ample liquidity and prudent operations, providing effective protection for depositors.

Banking sector performance



Credit risk remained manageable



Source: HKMA

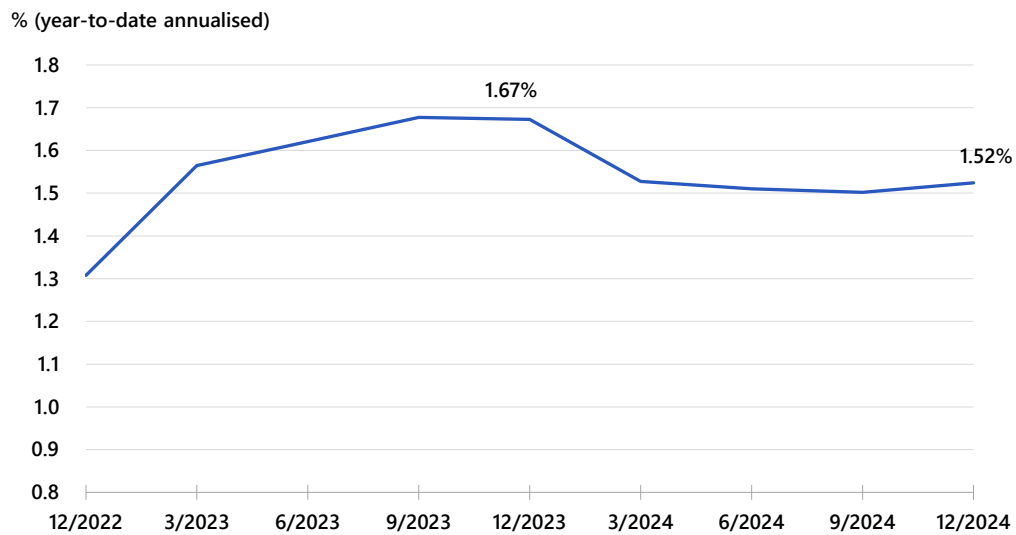
50

- The classified loan ratio of the banking sector decreased to 1.96% at end-December 2024 from 1.99% at end-September 2024. The credit risk remained manageable.

Banking sector performance



Net interest margin (NIM) narrowed



Source: HKMA

51

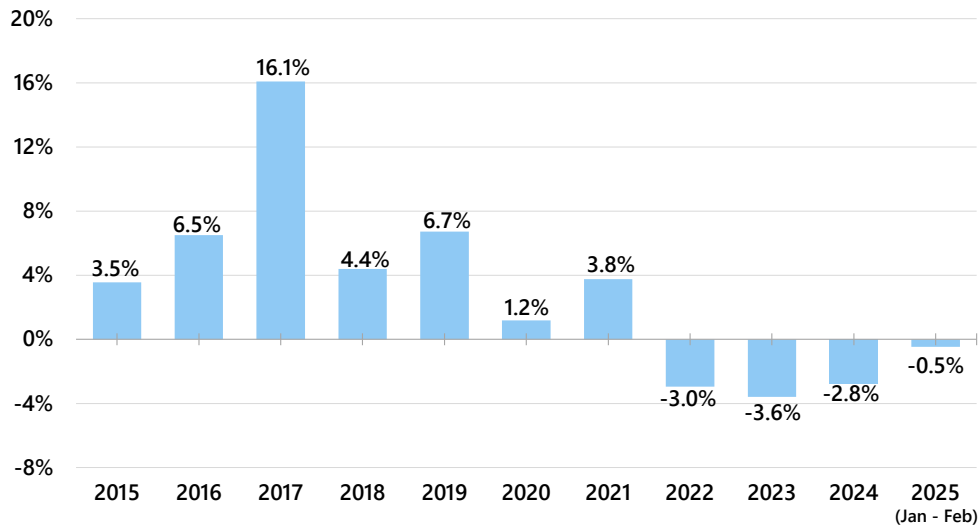
- The NIM of retail banks' Hong Kong businesses narrowed to 1.52% in 2024 compared with 1.67% in 2023.

Banking sector performance



Loan contraction eased

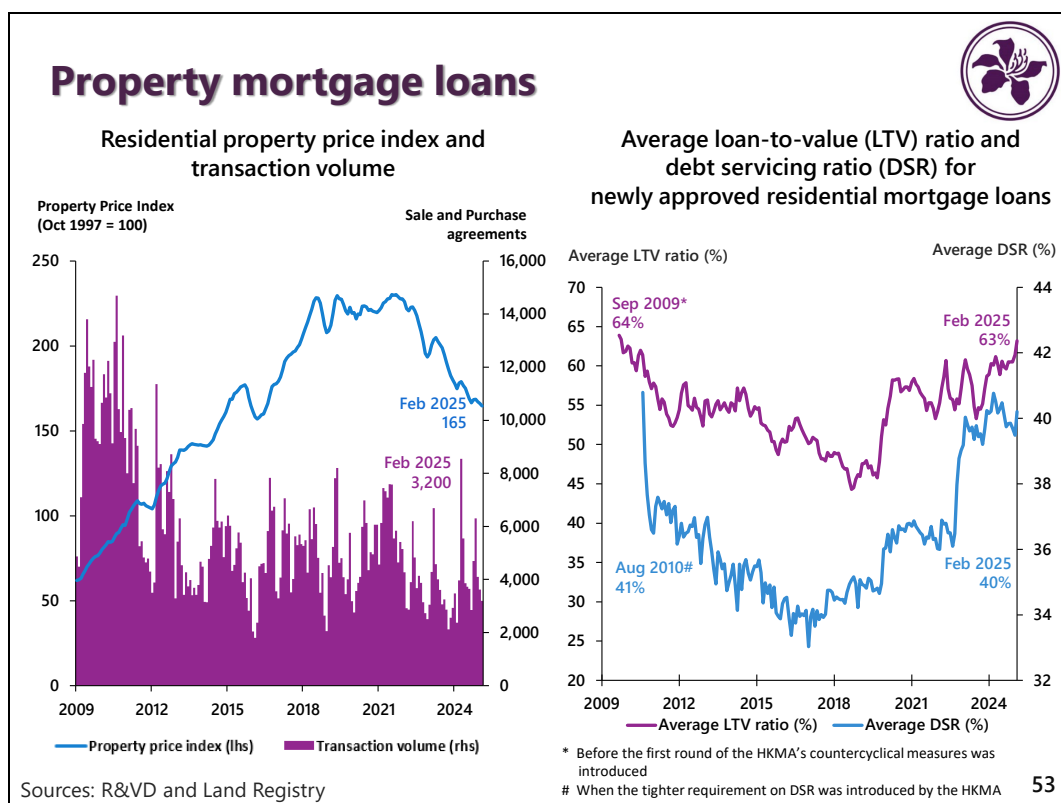
Credit growth rate



Source: HKMA

52

- Total loans decreased slightly by 0.5% in the first two months of 2025, compared with a 1.8% decline during the same period in 2024.



Latest statistics on residential mortgage loans (RMLs)

	Monthly average in 2023	Monthly average in 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025
Number of sale and purchase agreements	3,584	4,425	2,848	4,697	6,298	4,103	3,626	3,200
Number of new RML applications	8,032	6,986	4,977	7,289	7,995	6,306	6,516	6,542
Number of new RMLs approved	6,396	5,052	3,771	4,130	5,209	5,342	5,039	5,218

Latest statistics on residential property prices

Property price index		Period	Property price index
Rating and Valuation Department (10/1997=100)	Latest position	2/2025	164.7
	Recent peak	9/2021	230.2
	Peak in 1997	10/1997	100.0
Centaline (6/7/1997=100)	Latest position	20/4/2025	136.4
	Recent peak	8/8/2021	191.3
	Peak in 1997	19/10/1997	103.5

Supporting SMEs



- On 8 April 2025, the HKMA and the banking sector introduced sector-specific SME measures in light of challenging external environment:
 - **Import and export and manufacturing sectors:** Flexible extension to trade facilities (e.g. 90 or 120 days); keep close contact with businesses
 - **Construction sector:** Collaborative mechanism to provide flexible financial arrangements to corporates facing cashflow pressure
 - **Transport sector:** Introduce financing products that are better suited to the sector and offer more flexible repayment arrangements
- Other measures to support economic development:
 - **Lease extension:** Strengthen the promotion of the Extension of Government Leases Ordinance
 - **Northern Metropolis development:** Explore ways to provide suitable financing to tie in with the Government's implementation of large-scale land disposal and other developments

Legislative Proposals



International Standards Implementation

- **Prudential treatment of cryptoasset exposures**
 - Amendments to Banking (Capital) Rules, Banking (Disclosure) Rules and Banking (Exposure Limits) Rules
 - Target implementation date: 1 January 2026

Banking (Amendment) Bill 2025

- See next page

Enhancements to Banking Ordinance

- Consulted on proposals in relation to simplification of three-tier banking system, regulation of bank holding companies, engagement of skilled persons, extension of the Monetary Authority's investigation and enforcement powers and other technical amendments
- Related legislative amendments under preparation

55

Prudential treatment of banks' cryptoasset exposures

- Pursuant to the industry's feedback on the proposals for the local implementation of the prudential treatment, the HKMA is now in the process of conducting statutory consultations on the draft amendments to the relevant rules. Updates will be made to the Banking (Capital) Rules, the Banking (Disclosure) Rules and the Banking (Exposure Limits) Rules. We plan to submit the legislative amendments to LegCo for negative vetting in July 2025, with the aim of implementing the prudential treatment on 1 January 2026.

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



- Enhancements to Banking Ordinance were proposed to LegCo in April 2025 to facilitate information sharing among banks for the prevention and detection of crime
- Strengthen publicity efforts in enhancing public awareness of fraud and reminding the public not to lend/sell their accounts

Resolution regime



- Concluded public consultation on proposed amendment to the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO)
- Set out and communicated 2025 resolution planning priorities for domestic systemically important banks and other large banks
- Published the HKMA Resolution Stay Implementation Report

57

- The public consultation on proposed enhancements to the Banking Ordinance (Cap. 155), including proposed amendment to the FIRO, was concluded on 28 January 2025. The proposed amendment to the FIRO would add an express reference to the “public interest” as an alternative condition for triggering the resolution of a “within scope financial institution”, which aims 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 feedback received generally indicated support for the proposed amendment.
- The HKMA continues to advance bilateral resolution planning programmes with domestic systemically important banks and other large banks in Hong Kong to enhance their resolvability. As part of the HKMA’s bilateral resolution planning programmes, 2025 resolution planning priorities were set out and communicated to the accountable executives of these banks in early 2025. Priorities are mainly in the areas of: (i) loss-absorbing capacity; (ii) operational continuity in resolution; (iii) early contract termination risk in resolution; (iv) liquidity and funding in resolution; and (v) continuity of access in resolution to financial market infrastructures.
- Early termination risk of financial contracts in resolution is a key aspect of bilateral resolution planning programmes between the HKMA Resolution Office and banks. In April 2025, the HKMA published the Resolution Stay Implementation Review Report, which outlines key observations and experiences from banks implementing the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights—Banking Sector) Rules (Cap. 628C), such as types of the covered contracts and out-of-scope financial contracts, the banks’ compliance approaches, implementation challenges and good practices, as well as future priorities.

Green and sustainable banking



- Second phase of the Hong Kong Taxonomy for Sustainable Finance is under development. The second phase will introduce transition activities, add new green activities, and incorporate climate change adaptation as a new objective
- Following the launch of the Roadmap on Sustainability Disclosure in Hong Kong by the HKSAR Government, the HKMA prepares the groundwork for aligning disclosure requirements for the banking sector with relevant international frameworks and standards
- Completed an industry consultation on transition planning guidelines in February 2025. To finalise guidelines within this year after considering industry feedback

58

- The second phase development of the Hong Kong Taxonomy for Sustainable Finance is in progress. The second phase will introduce transition activities, add new green activities, and incorporate a new environmental objective, namely climate change adaptation. The HKMA plans to publish the second phase prototype for public consultation in the summer of 2025. The HKMA is consulting with a broad range of stakeholders, with a view to launching a taxonomy that can further facilitate the flow of green and sustainable finance.
- In December 2024, the Government launched a roadmap on sustainability disclosure in Hong Kong which sets out Hong Kong's approach to require publicly accountable entities (PAEs) to adopt the ISSB Standards. It provides a well-defined pathway for large PAEs to fully adopt the ISSB Standards no later than 2028. The HKMA will consult the market on its implementation approach for the banking sector in 2025.
- The Basel Committee on Banking Supervision is reviewing its proposed Pillar 3 disclosure framework for climate-related financial risks. The HKMA will leverage on such Pillar 3 framework to enhance banks' disclosures about climate-related financial risks.
- The HKMA conducted an industry consultation from December 2024 to February 2025 on a set of draft transition planning guidelines. The HKMA is analysing the feedback received, and plans to finalise the guidelines this year.

Capacity-building in the banking sector

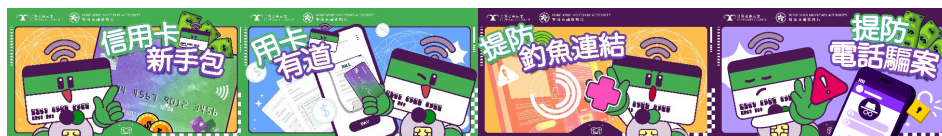


- Organised “Regulator’s Dialogue” to keep bank directors and banking practitioners updated on the latest supervisory developments and cybersecurity landscape
- Organised “Banking Career Talks” to introduce the latest developments and trending job roles in the banking industry to university students
- Recruited over 45 university students under the “Apprenticeship Programme for Private Wealth Management” to equip them with practical skills and work experience for a career in the private wealth management industry

Financial inclusion



- Virtual reality role-playing programmes (VR programme) to support consumer education for vulnerable groups



- Mobile branch services for Light Public Housing residents

60

- The HKMA rolled out a series of VR programme on credit card usage in April 2025 in collaboration with the Consumer Council (the Council). The VR programme aims to raise awareness among vulnerable groups on the proper use of credit cards and to empower their capability in guarding against financial scams. The launch ceremony of the VR programme was held on 11 April 2025. Meanwhile, a desktop version of the VR programme has also been developed, and was uploaded to the webpages of the HKMA and the Council for public access.
- With the encouragement of the HKMA, a retail bank has introduced mobile branch services since 7 April 2025 at the first Light Public Housing site in Yuen Long to provide basic banking services to the local community.

Banking consumer protection



- Banks launched interim measures on “Money Safe” (MS)
- Stepped up mandatory name matching for real-time fund transfers using the payee’s bank account number as identifier
- Strengthen operational resilience under “Credit Data Smart”
- Conducted industry consultation on the Mandatory Reference Checking (MRC) Scheme

61

- Around half of the retail banks are launching interim measures similar to MS in Q2 2025 to provide an extra layer of protection to customers’ bank deposits. Retail banks are expected to fully implement MS by the end of 2025. The HKMA is monitoring implementation of MS and will work with the banking industry to promote its use.
- It has come to the attention of the HKMA that some scammers pretended to be reputable merchants and deceived customers into making real-time fund transfers below HK\$10,000 to evade the name matching process. In view of this, the HKMA issued a circular on 18 February 2025 on “Refined measures on Real-Time Fund Transfers made by customers” to encourage banks to conduct name matching for all transactions using the payee’s bank account number as the identifier for effecting the fund transfer. If banks wish to provide flexibility for not conducting the mandatory name matching process for transactions below a threshold, balancing considerations of operational efficiency, convenience to customers and objective of minimising impact of incorrect transfer, such threshold should not be higher than HK\$1,000. The HKMA is expecting banks to implement the requirement by 31 May 2025.
- The HKMA issued a circular on 19 December 2024 on retail banks’ engagement of more than one consumer credit reference agency under “Credit Data Smart” in order to strengthen operational resilience and ensure continuity of credit business operations of banks.
- In December 2024, the HKMA conducted an industry consultation to gather feedback on the implementation of Phase 1 of the MRC Scheme. With reference to the results of the consultation, the HKMA is working together with the industry associations on further refinements of the MRC Scheme for next phase.

Banking investor protection



- Issued a joint circular with Insurance Authority (IA) on sale of indexed universal life (IUL) insurance products
- Commenced a joint consultation with IA on the proposal to rename insurance products with saving features
- Increased non-private banking customer limit under Cross-boundary Wealth Management Connect Southbound Scheme for non-locally incorporated banks
- Issued guidance to banks on the provision of staking services for virtual assets from custodial services
- Updated guidance on selling of accumulators to facilitate compliance

62

- In view of the growing demand for IUL products from high net worth customers, the HKMA and the IA issued a joint circular on 13 March 2025 to provide regulatory guidance on selling IUL to professional investors to ensure that the imperatives of policy holder protection and fair treatment of customers are upheld.
- The IA and the HKMA commenced a joint industry consultation on 22 April 2025 on the proposal to rename certain insurance products with saving features to avoid potential confusion by the prospective policyholders. After taking into account the comments of the industry associations, the two regulators will consider to issue a joint circular to set out the guidance for the industry.
- In view of feedback from banks and smooth adoption of the previous guidance, the HKMA updated guidance on 21 March 2025 to increase the non-private banking customer limit from 1,000 customers to 3,000 customers for each institution under Southbound Scheme of the Cross-boundary Wealth Management Connect Pilot Scheme to non-private banking customers by non-locally incorporated AIs.
- The HKMA issued guidance on 7 April 2025 to set out the standards expected of banks related to the provision of staking of virtual assets from custodial services to their customers, in light of the market development and growing interest of banks in digital asset-related activities.
- The HKMA issued a circular on 14 March 2025 to consolidate previously issued guidance on selling of accumulators with a view to facilitating the industry's compliance.

Public education and social media

- Launched the "Click the Links, Fall for Scams!" Video Series to remind citizens to be vigilant at all times and beware of falling prey to scams
- To enhance communication with the local and Mainland public, the HKMA launched its official RedNote page, its 7th social media platform, to introduce its functions and work
- Published a series of social media posts highlighting the HKMA's measures on consumer protection, as well as other anti-scam messages
- Deployed music videos, stickers, social media posts, and radio clips to encourage the public to give out e-laisees or use good-as-new banknotes, and beware of fraudulent links during the Chinese New Year
- Conducted trial sessions at Community Living Rooms to let more children experience "\$mart Money Management 321" board game. Launched supplementary teaching materials at a train-the-trainer workshop run jointly with Education Bureau to encourage secondary school teachers to use the game in classes





Financial Infrastructure

Financial infrastructure: overview



Payment systems

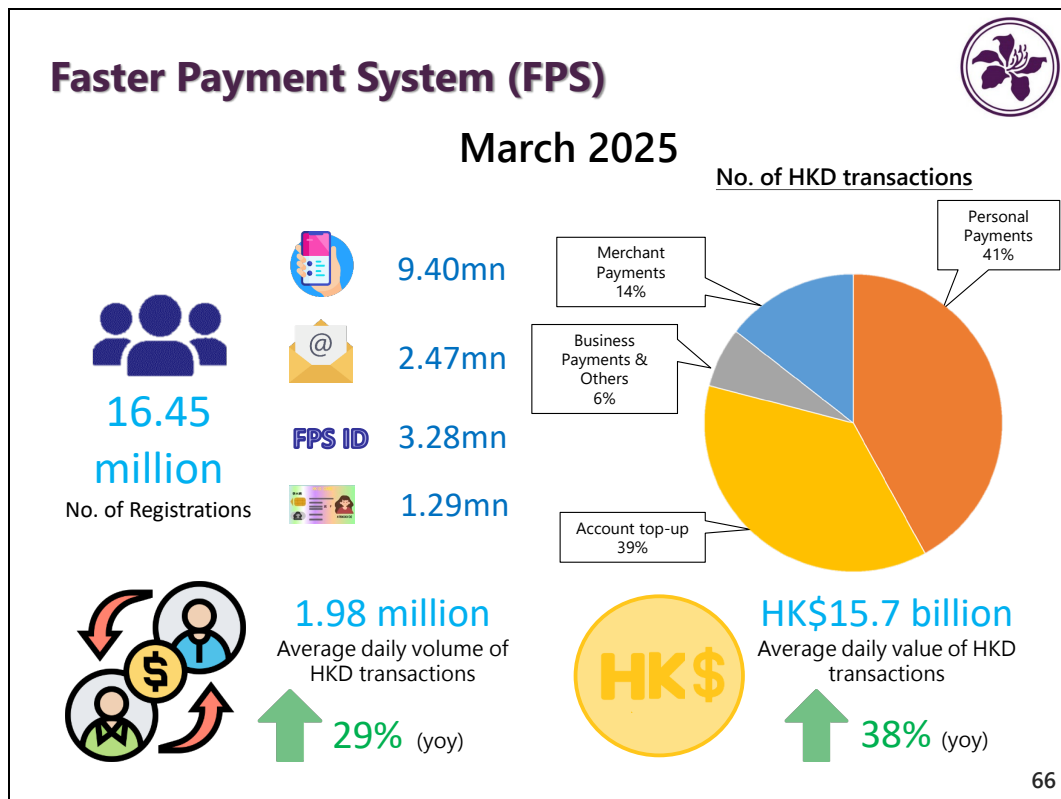
- Average daily turnover of the four Real Time Gross Settlement (RTGS) Systems in 2025 Q1 was HK\$1.37 trillion, RMB3.25 trillion, US\$108.9 billion (record highs for HKD, RMB and USD Systems) and €0.8 billion, respectively.
- Faster Payment System:
 - As of end-March 2025, the number of registrations reached 16.45 million, up by 16% year on year (yoy). The average number of HKD real-time transactions per day reached 1.98 million (+29% yoy), with an average daily transaction value of HK\$15.7 billion (+38% yoy) in March 2025

Central Moneymarkets Unit (CMU)

- Providing settlement and custodian services for debt securities; by end-March 2025, total outstanding debt securities safe kept by CMU reached about HK\$5 trillion equivalent, of which HK\$3.5 trillion equivalent were lodged with CMU
- Supporting Bond Connect (January – March 2025)
 - For Northbound Trading: settlement volume reached RMB2.6 trillion
 - For Southbound Trading: settlement volume reached RMB120.5 billion

Hong Kong Trade Repository

- Collecting over-the-counter (OTC) derivatives transactions information and providing them to regulatory authorities; by end-March 2025, the number of outstanding transactions reached 4.94 million



- The number of registrations and turnover of the FPS have been growing steadily. As of March 2025, the FPS recorded 16.45 million registrations (including 9.40 million in mobile number, 2.47 million in email address, 3.28 million in FPS ID and 1.29 million in HKID number), up by 16% or 2.26 million registrations year on year (yoy). The average number of Hong Kong dollar real-time transactions per day reached 1.98 million (+29% yoy), worth HK\$15.7 billion (+38% yoy) in March 2025.
- The usage of FPS has expanded gradually to merchant payments and top-up transactions from primarily P2P transactions previously.

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 initiatives on various fronts :
 - Actively explore linkage connectivity with other central securities depositories (CSDs)
 - Expand CMU Membership
 - Expand product and service spectrum to cope with market demand
 - New platform with strengthened system capability and functionality, especially on collateral management, is being developed

67

- 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.
- The HKMA has reviewed the strategic position of the CMU will further commercialise its business and operations.

Latest fintech initiatives



Digital Payment and Tokenisation

- Project mBridge: Reached the Minimum Viable Product (MVP) stage in June 2024
- Project Ensemble: Launched the Project Ensemble Sandbox in August 2024 to experiment tokenisation use cases with the industry; connected with the relevant system of the Banque de France (BdF) and completed experiments in September 2024; commenced two new collaborations with the Central Bank of Brazil and the Central Bank of Thailand in October 2024
- Project e-HKD+: Commenced Phase 2 of the e-HKD Pilot Programme in September 2024

68

Project Ensemble

- The project seeks to explore innovative financial market infrastructure that will facilitate seamless interbank settlement of tokenised money.
- The Architecture Community was established in May 2024, which aims to develop a set of industry standards to support interoperability among CBDC, tokenised money and tokenised assets, and make recommendations on specific topics.
- 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 technical, legal 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 to explore innovative use cases with the industry 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 also include 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 regarding the project.

Latest fintech initiatives



Commercial Data Interchange (CDI)

- Since its official launch, CDI has facilitated more than 50,000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$41.9 billion as of end-March 2025
- Working to connect with the Land Registry in phases from 2025, leveraging the linkage between CDI and the Government's Consented Data Exchange Gateway
- Conducting a proof-of-concept project on the Commercial Credit Reference Agency (CCRA) 2.0, featuring corporate credit scoring and benchmarking based on historical CCRA data, as well as credit modelling based on CDI data elements, providing analytics insights for a more efficient SME lending journey
- Partnering with the Airport Authority Hong Kong to explore sharing consented air cargo logistics data on the Hong Kong International Airport Cargo Data Platform via CDI, with a view to enhancing the digital ecosystem for trade finance

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



- SVF usage continued to grow in Q4 2024:
 - Average daily transaction number: 24.11 million (+9.4% year on year (yoy))
 - Average daily transaction value: HK\$2,431 million (+35.9% yoy)

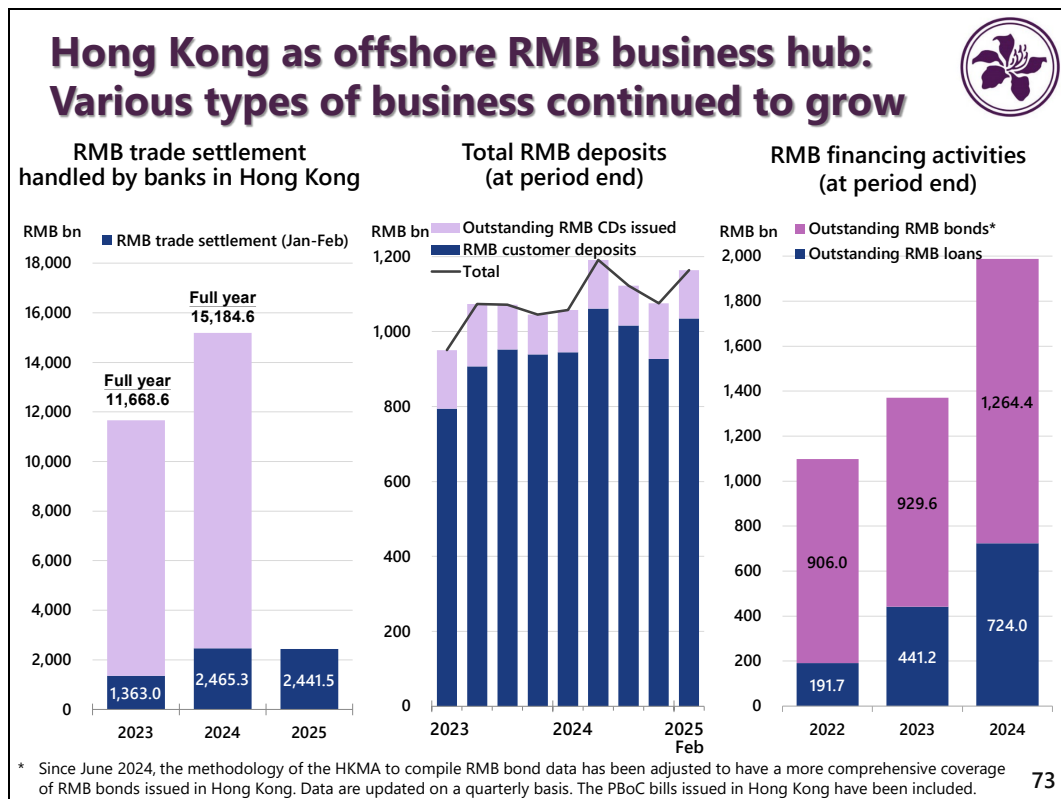
Regulatory development of the over-the-counter (OTC) derivatives market



- Following the publication of the consultation conclusion paper on enhancements to the Hong Kong OTC derivatives reporting regime with the updated international reporting standards (i.e. the mandatory report of Unique Transaction Identifier, Unique Product Identifier and Critical Data Elements), the HKMA and the Securities and Futures Commission published the updated supplementary instructions in December 2024 and participated in several industry forums during Q1 2025 to introduce relevant instructions to the industry. The proposed enhancements will be gazetted in Q2 2025 for implementation on 29 September 2025



Hong Kong as an International Financial Centre



- As at end-February 2025, RMB customer deposits and outstanding RMB certificates of deposit (CDs) amounted to RMB1,035.3 billion and RMB128.8 billion respectively, totalling RMB1,164.1 billion.

Connectivity with the Mainland financial market



- The series of new policy measures to deepen financial cooperation between Hong Kong and the Mainland as jointly announced by the HKMA and the People's Bank of China in January 2025 have been implemented progressively. These include introducing the HKMA RMB Trade Financing Liquidity Facility, further enhancing Southbound Bond Connect, developing the offshore RMB repurchase business, including Northbound Bond Connect bonds as eligible margin collateral for all derivative transactions at OTC Clearing Hong Kong Limited, contributing to Guangdong-Hong Kong-Macao Greater Bay Area (GBA) financial facilitation, etc. The market response has been positive. The HKMA will continue to maintain close communication with the market and relevant financial regulators to explore further deepening financial co-operation and market connectivity between the two places
- Northbound Trading under Bond Connect grew steadily. In the first two months of 2025, average daily turnover amounted to RMB45.6billion (4% year-on-year growth).
- 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. The first batch of 14 eligible Hong Kong Licensed Corporations commenced business in December 2024. By end-February 2025, around 145,000 GBA individual investors have opened cross-boundary WMC accounts, including around 93,000 Southbound investors and around 52,000 Northbound investors. The HKMA is working with relevant authorities and the industry to continue to explore and study further enhancements on WMC

Developing the asset and wealth management industry



- Hong Kong's private equity industry has remained robust, with over US\$228 billion of total capital under management as at end-December 2024*, representing a 4% year-on-year increase. Take-up of the limited partnership fund regime continued to increase – 1,088 funds had been established as at end-February 2025
- 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, single family offices and carried interest

Supply chain working group



- The HKMA established a working group in June 2024 to study how to enhance the competitiveness of Hong Kong's financial industry, and support the new global supply chain configuration. The working group has completed the first phase of its work and drawn up the following preliminary recommendations:
 1. Embrace digital trade;
 2. Explore opportunities from green supply chain;
 3. Encourage corporates to set up treasury centres in Hong Kong; and
 4. Enhance the banking industry's regional business capabilities to meet customers' development needs
- As announced in the 2025-26 Budget, legislative amendments will be considered to facilitate digitalisation of trade documents. The HKMA will also collaborate with relevant stakeholders to implement the recommendations

Developing the bond market (1)



- Hong Kong is the leading bond issuance centre in Asia. According to the International Capital Market Association, Hong Kong has been, for the ninth time over the last decade, the largest arranging hub for Asian international bond issuances
- In 2024, Hong Kong captures over US\$130 billion and around 30% of the regional total volume

Developing the bond market (2)



- Building on the success of assisting the Government to issue the world's first tokenised government green bond and first multi-currency digital bond in 2023 and 2024 respectively, which have proven Hong Kong's flexible and conducive environment for innovative issuance formats and created demonstrative effect for the market, the HKMA will assist the Government to issue more regularised tokenised bonds to provide the market with a steady supply of high quality issuances. The HKMA is preparing for issuing the third batch of tokenised government bonds
- To promote the broader adoption of tokenisation technology in capital markets, in addition to encouraging digital bond issuances via the Digital Bond Grant Scheme, as announced in the 2025-26 Budget, the HKMA will seek to identify potential enhancements to the current legal and regulatory regime to further scale adoption; and explore tokenising existing government bonds issued

Developing the bond market (3)



- The HKMA is supporting the Government in the implementation of the 2025-26 bond issuance plan under the Infrastructure Bond Programme and Government Sustainable Bond Programme, including the continuation of the bond tender arrangement introduced last year to promote the formation of the HKD and RMB yield curves through regular issuance of Government bonds

Promoting green and sustainable finance (1)



- Total green and sustainable debt instruments issued in Hong Kong exceeded US\$84billion in 2024*, of which the volume of green and sustainable bonds arranged in Hong Kong amounted to US\$43 billion, capturing more than 45% 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; as of mid-March 2025, it has provided financial support for over 560 green and sustainable debt instruments issued in Hong Kong with a total underlying issuance volume of over US\$150 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 :
 - Enhanced *Questionnaire on Climate and Environmental Risk for Non-listed Companies* based on industry feedback, and continuing to improve the e-portal, to make available easy-to-use sustainability disclosure tools to companies in Hong Kong, so as to support the implementation of the Hong Kong Sustainability Disclosure Standards launched by the Government in December 2024
 - Facilitating the development of transition finance by providing more guidance, including covering transition activities in Hong Kong Taxonomy for Sustainable Finance and offering sector-specific operational guidance to industry practitioners

81

- 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 ISSB Standards in 2023, providing the global baseline for corporate disclosure of climate and sustainability-related information. In December 2024, the Government launched a roadmap on sustainability disclosure in Hong Kong, setting out Hong Kong's approach to require publicly accountable entities (PAEs) to adopt the ISSB Standards, with a well-defined pathway for large PAEs to fully adopt the ISSB Standards no later than 2028.
- 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
 - 2025 Hong Kong Green Week will take place from 8 to 12 September 2025. The theme of this year is “Forging a Sustainable Future Together”. The week-long event will cover a wide array of sustainability-related topics, providing stakeholders from various regions and sectors with a platform for dialogue and collaboration. Preparations are underway, with event details available on www.hkgreenweek.hk

Outreach and hosting of international meetings



- The HKMA is actively pursuing collaboration initiatives with central banks in the Middle East. Following the second bilateral meetings with the two central banks of the UAE and Saudi Arabia in Hong Kong and the visit to Qatar in 2024, the HKMA plans to continue deepening financial co-operation and connectivity with key markets in the Middle East this year
- Following visits to Thailand and Malaysia in 2024, the HKMA visited the Philippines and plans to visit other ASEAN countries in 2025, with a view to exploring new market opportunities for the development of Hong Kong as an international financial centre
- The HKMA has been actively preparing for the fourth Global Financial Leaders' Investment Summit, which will be held annually as a flagship financial event in the Asia Pacific region
- The ASEAN+3 Deputies meeting will be hosted in November 2025 in Hong Kong

Crypto-assets and stablecoins



- In December 2024, the Financial Services and the Treasury Bureau and the HKMA introduced the Stablecoins Bill into the LegCo, and the relevant Bills Committee completed its clause-by-clause examination of the Bill in April 2025. We will continue to support the work of the LegCo in scrutinising the Bill, with a view to implementing the licensing regime for stablecoin issuers as soon as possible, and promoting the sustainable and responsible development of the digital assets sector in Hong Kong
- The HKMA continues to maintain dialogue with participants of the stablecoin issuer sandbox. Through conducting limited-scope testing with participants, the HKMA can better understand their business models and communicate supervisory expectations. We will develop supervisory guidelines by making reference to the experience and feedback from sandbox, with a view to enhancing supervisory efficiency and effectiveness

Government Bond Programme



Retail bonds – outstanding as at end-March 2025

- Two Silver Bonds, totalling HK\$96.3 billion

Institutional bonds – outstanding as at end-March 2025

- 12 institutional bonds, totalling HK\$80.0 billion
- One Islamic bond, totalling US\$1 billion

Hong Kong Academy of Finance (AoF)



- **Financial leadership development:** A series of seminars was hosted in Q1 2025 featuring prominent experts in China's macroeconomy and political science to discuss global macro trends, China-US relations and Mainland's economic outlook
- **Financial Leaders Programme:** The 2025 programme has begun in early April, with a total of 23 senior executives from the key sub-sectors of the financial industry joining as participants
- **Research and knowledge exchange activities:** The Hong Kong Institute for Monetary and Financial Research (HKIMR) released a report on Generative Artificial Intelligence (GenAI) and seven other papers on monetary and financial research topics. The AoF/HKIMR, the HKMA and Europe's Centre for Economic Policy Research co-organised an International Conference on GenAI on 10 April 2025



Investment Environment and Performance of the Exchange Fund

87

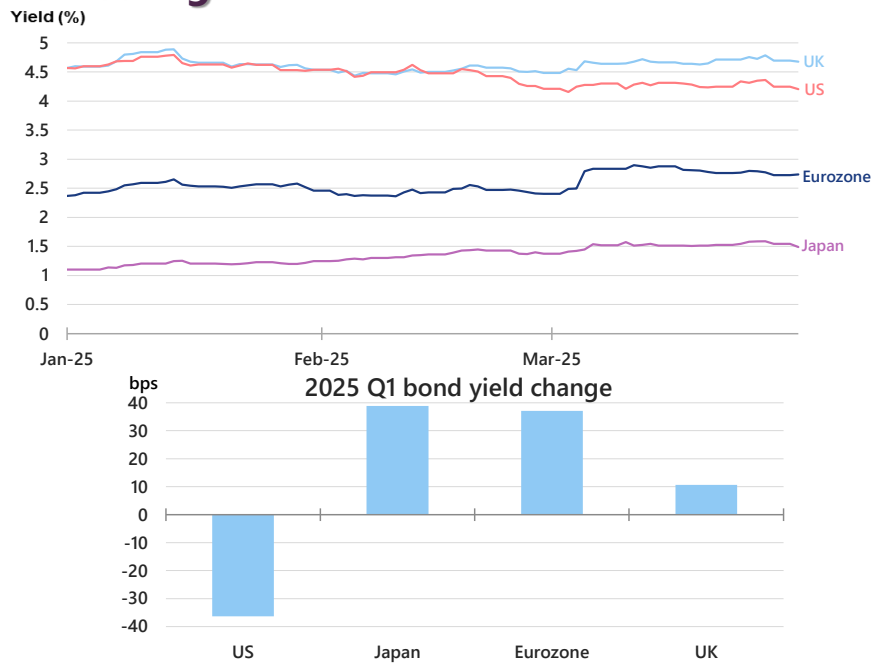
A more complex investment environment in Q1 2025



- Market turned more volatile on the back of slowing economic growth and rising trade tensions. Tariff policies raised concerns about inflation and the potential for a prolonged trade war, further complicating the investment landscape
- **Interest rates:** US Fed kept rates on hold, while other central banks gradually cut interest rates. Increased demand for less risky assets led to a decline in US bond yields generally, with the 10-year US Treasury yield dropping 36 bps to 4.21% at quarter end
- **Equity markets:** Performance of global equity markets varied. S&P 500 dipped into correction territory in March after reaching a record high of 6,144 in February, ending the quarter down 4.6% due to rising inflation concerns and geopolitical tensions. In contrast, European markets benefitted from strong corporate earnings and increase in fiscal spending. In China, policies promoting domestic consumption and artificial intelligence boosted investor sentiments, which also contributed to a rebound in the Hong Kong stock market
- **Exchange rates:** US dollar broadly weakened against other major currencies as uncertainty surrounding tariff policies intensified concerns about economic growth

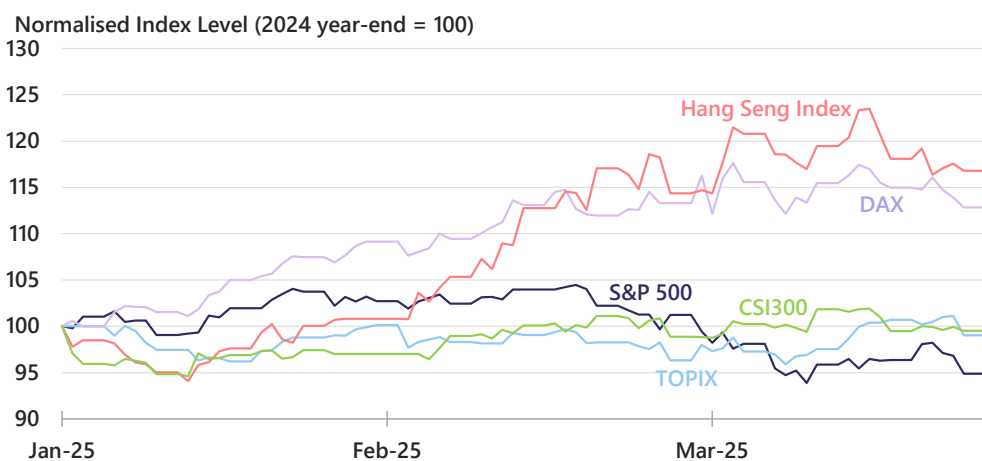
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Major 10-year sovereign bond yields remained high



89

Performance of major stock markets varied

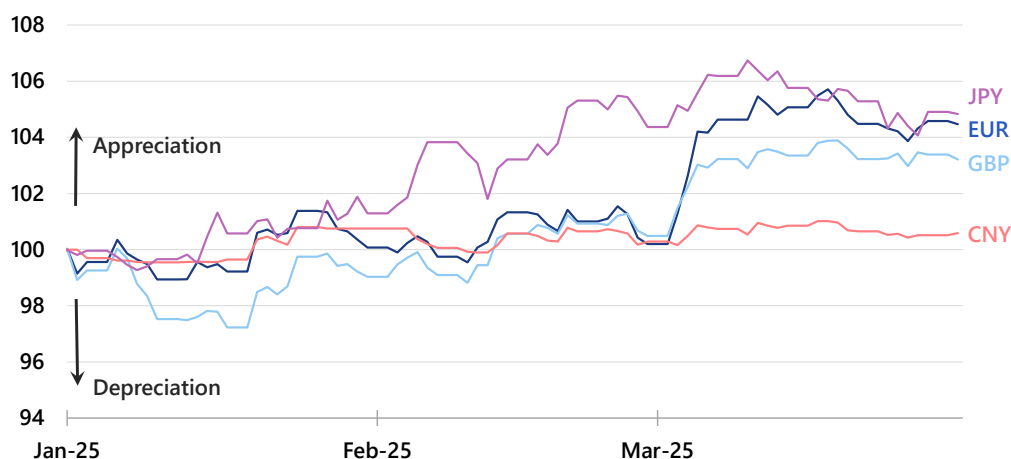


90

Major currencies strengthened against USD



Normalised FX Level Against USD (2024 year-end=100)



91

Investment Income



	2025	2024	2023	2022
	(unaudited)			
(HK\$ billion)	Q1	Full year	Full year	Full year
Bonds	40.6	135.9	144.7	(53.2)
Hong Kong equities*	16.4	21.8	(15.5)	(19.5)
Other equities	(2.8)	69.1	73.6	(61.0)
Foreign exchange[#]	13.0	(35.6)	(0.5)	(40.0)
Other investments[@]	-	27.6	23.7	(31.7)
Investment income/(loss)	67.2	218.8	226.0	(205.4)

* 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 2025 are not yet available.

92

Income and Expenditure



	2025	2024	2023	2022
	(unaudited)			
(HK\$ billion)	Q1	Full year	Full year	Full year
Investment income/(loss)	67.2	218.8	226.0	(205.4)
Other income	-	0.2	0.2	0.2
Interest and other expenses	(13.3)	(63.1)	(54.5)	(18.8)
Net income/(loss)	53.9	155.9	171.7	(224.0)
Fee (paid to)/received from				
Fiscal Reserves				
– Operating and Capital Reserves*	(4.5)	(13.2)	(17.5)	(35.0)
– Future Fund	- #	(16.2)	(18.0)	9.0
Fee payment to HKSAR Government funds and statutory bodies*	(4.2)	(15.7)	(16.5)	(22.1)

* The rate of fee payment is 4.4% for 2025, 3.7% for 2024, 3.7% for 2023 and 5.6% for 2022.

The 2025 fee payment to the Future Fund will be disclosed when the composite rate for 2025 is available. (The composite rate was 3.9% for 2024, 4.8% for 2023 and -3.0% for 2022.)

93

Exchange Fund Abridged Balance Sheet



	At 31 Mar 2025 (unaudited)	At 31 Dec 2024	At 31 Dec 2023	At 31 Dec 2022
ASSETS				
Deposits	385.4	332.9	345.6	368.8
Debt securities	2,772.4	2,825.0	2,798.6	2,773.3
Hong Kong equities*	152.2	133.0	125.0	150.4
Other equities	392.0	441.0	485.3	472.4
Other assets [†]	276.9	349.1	262.0	243.1
Total assets	3,978.9	4,081.0	4,016.5	4,008.0
	=====	=====	=====	=====
LIABILITIES AND EQUITY				
Certificates of Indebtedness	606.5	598.9	593.2	606.0
Government-issued currency notes and coins in circulation	12.9	13.0	12.9	13.2
Balance of the banking system	44.6	44.8	45.0	96.2
Exchange Fund Bills and Notes issued	1,309.3	1,383.7	1,244.5	1,200.3
Placements by banks and other financial institutions	33.3	72.1	99.1	99.5
Placements by Fiscal Reserves [‡]	659.7	669.7	695.4	765.2
Placements by HKSAR Government funds and statutory bodies	385.1	391.1	468.7	449.0
Placements by subsidiaries	53.3	45.7	31.2	30.6
Other liabilities	93.7	127.1	179.5	190.8
Total liabilities	3,198.4	3,346.1	3,369.5	3,450.8
Accumulated surplus	779.6	734.0	646.1	556.4
Revaluation reserve	0.9	0.9	0.9	0.8
Total equity	780.5	734.9	647.0	557.2
Total liabilities and equity	3,978.9	4,081.0	4,016.5	4,008.0
	=====	=====	=====	=====

* 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\$204.8 billion at 31 March 2025 (HK\$202.7 billion at 31 December 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\$273.8 billion at 31 March 2025 (HK\$245.8 billion at 31 December 2024, HK\$299.4 billion at 31 December 2023 and HK\$255.2 billion at 31 December 2022).

94



Historical Investment Income

(HK\$ billion)

Year	Full Year	Q4	Q3	Q2	Q1
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**	218.8	(20.3)	129.0	47.8	62.3
2025* (unaudited)	N/A	N/A	N/A	N/A	67.2

* Excluding valuation changes of the Strategic Portfolio.

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

95



**The Hong Kong
Mortgage Corporation Limited**

96

Mortgage Insurance Programme (MIP)



- In 2025, as of 15 April, around 4,800 applications were approved. Over 90% of approved applications were from first-time homebuyers
- From August 2024, eligible homeowners' applications for renting out their self-occupied properties may be approved on case-by-case basis to help them meet special needs arising from changes in personal or family circumstances. About 1,300 applications were approved as of 15 April 2025

97

SME Financing Guarantee Scheme (SFGS)



- Relaunched the principal moratorium arrangement in November 2024. The application period will last for one year, allowing enterprises to apply for principal moratorium for up to 12 months
- As of 15 April 2025, around 44,100 applications were approved under the 80% and 90% Guarantee Products, amounting to about HK\$149.0 billion. The application period has been extended to end-March 2026

98

Dedicated 100% Loan Guarantee Schemes



- The scheme for battery electric taxis encourages taxi owners to replace their existing taxis with battery electric taxis. As of 15 April 2025, 165 applications were approved, amounting to about HK\$56 million

99

Reverse Mortgage Programme



As of 15 April 2025, 8,301 applications had been received:

- Average age of borrowers: 68 years old
- Average monthly payout: HK\$16,300
- Payment terms: 10-year (21.1%); 15-year (14.0%); 20-year (11.6%); life (53.3%)
- Average property value: HK\$5.6 million
- Average property age: 32 years

100

HKMC Annuity Limited



Provisional business results:

	Since launch	2024	2024 (Jan – Mar)	2025 (Jan – Mar)
No. of policies	37,676	10,835	619	7,107
Total premium amount (HK\$ billion)	21.3	4.4	0.4	2.8
Average premium amount (HK\$)	560,000	530,000*	720,000	530,000*

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