



HONG KONG MONETARY AUTHORITY  
香港金融管理局

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

**2 February 2026  
[ Translation ]**

# Hong Kong Monetary Authority



- The Hong Kong Monetary Authority (HKMA)'s main functions are:
  - Maintaining currency stability within the framework of the Linked Exchange Rate System
  - Promoting the stability and integrity of the financial system, including the banking system
  - Helping to maintain Hong Kong's status as an international financial centre, including the maintenance and development of Hong Kong's financial infrastructure
  - Managing the Exchange Fund



- 1. Assessment of Risk to Hong Kong's Financial Stability**
2. Banking Supervision
3. Development of Financial Market
4. Financial Infrastructure
5. Investment Performance of the Exchange Fund
6. The Hong Kong Mortgage Corporation Limited

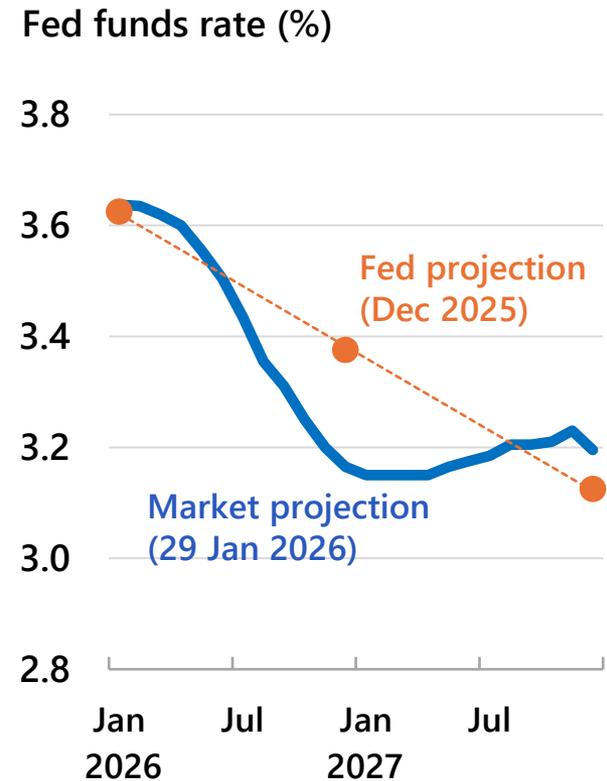
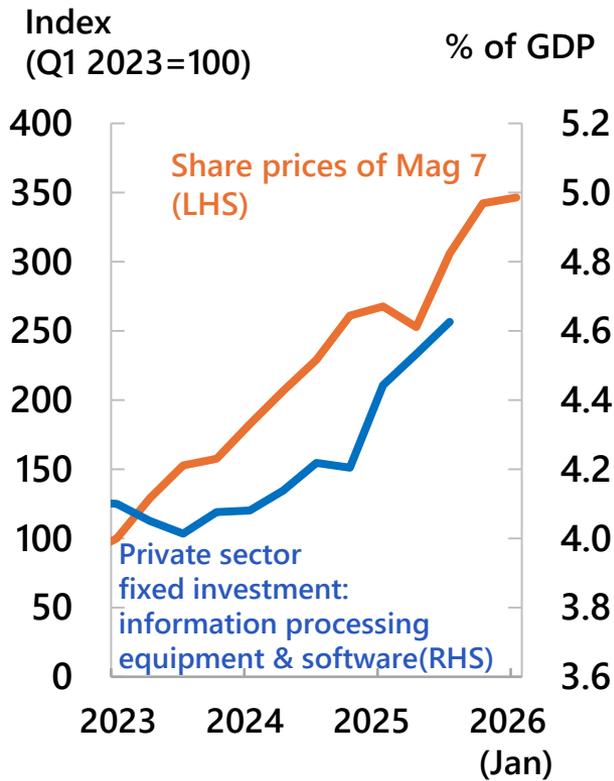
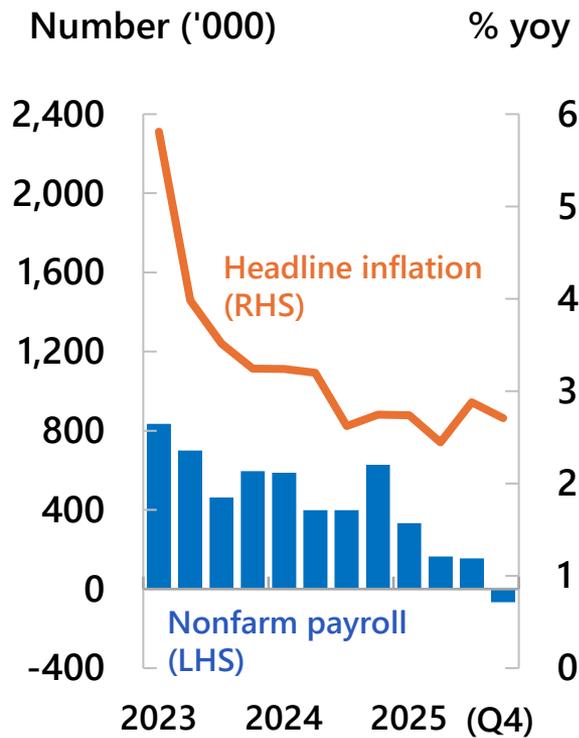
# US economic trajectory remains uncertain



Elevated US inflation, weakened labour market

Investment boom in artificial intelligence continues

Diverged views between market and the Fed on the interest rate outlook



Source: US Bureau of Labour Statistics

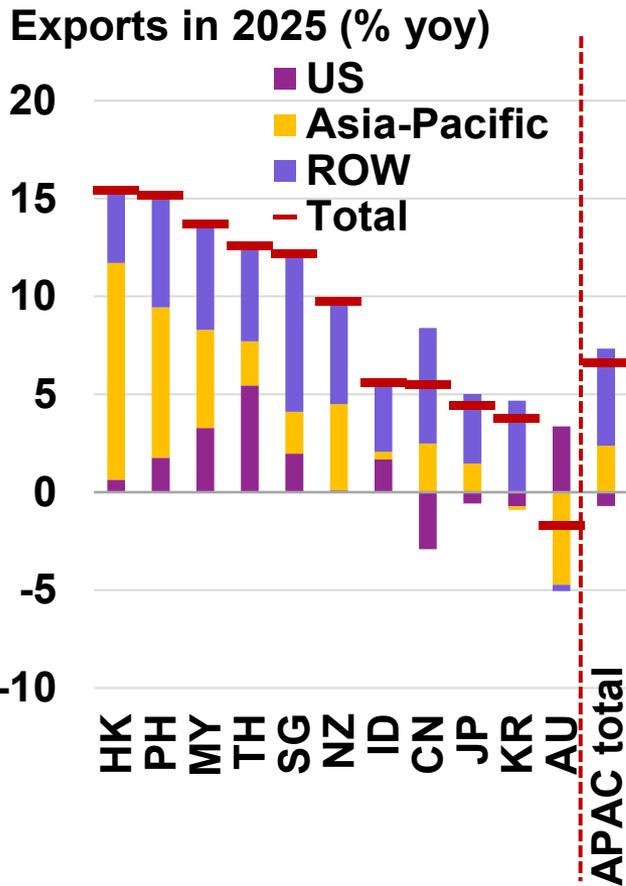
Sources: US Bureau of Economic Analysis and Bloomberg

Sources: US Federal Reserve and Bloomberg

# The Asia-Pacific region remains resilient in the face of the US tariff measures

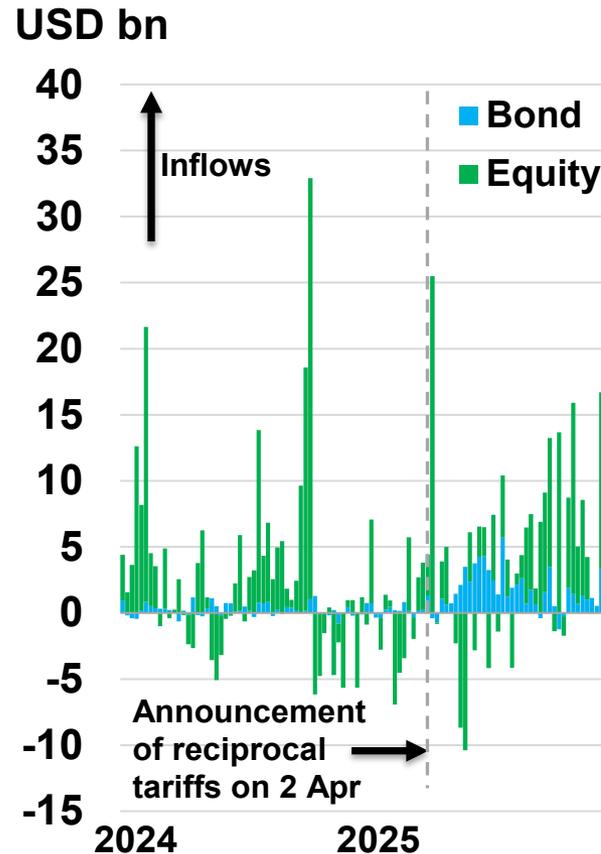


Asia-Pacific exports remained resilient amid export market diversification



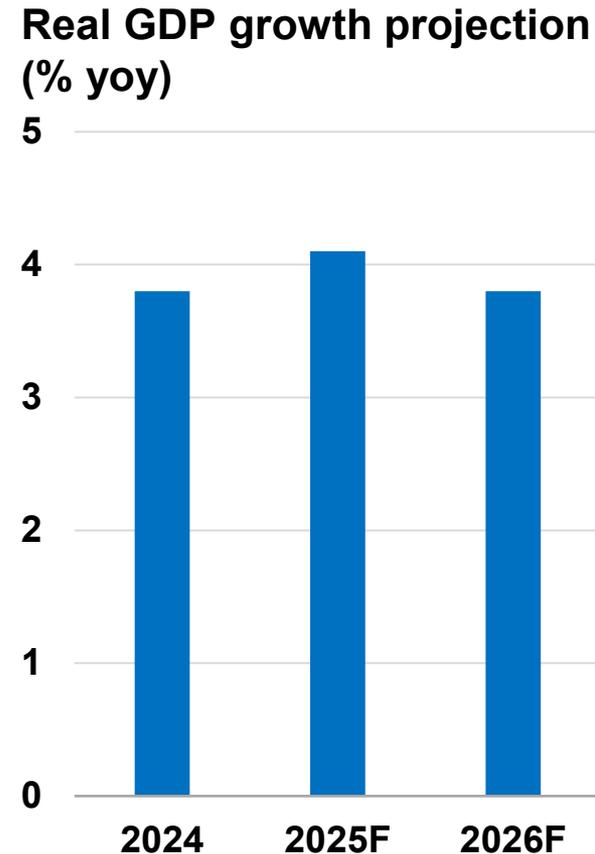
Source: CEIC

Asia-Pacific portfolio investment funds registered inflows



Source: EPFR

Economic growth in Asia-Pacific is expected to be largely stable

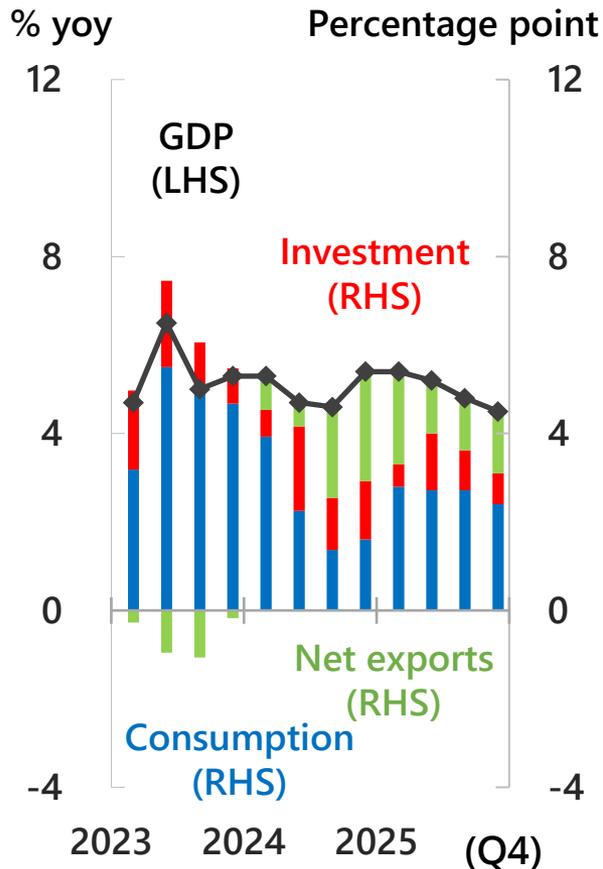


Source: Consensus Forecasts

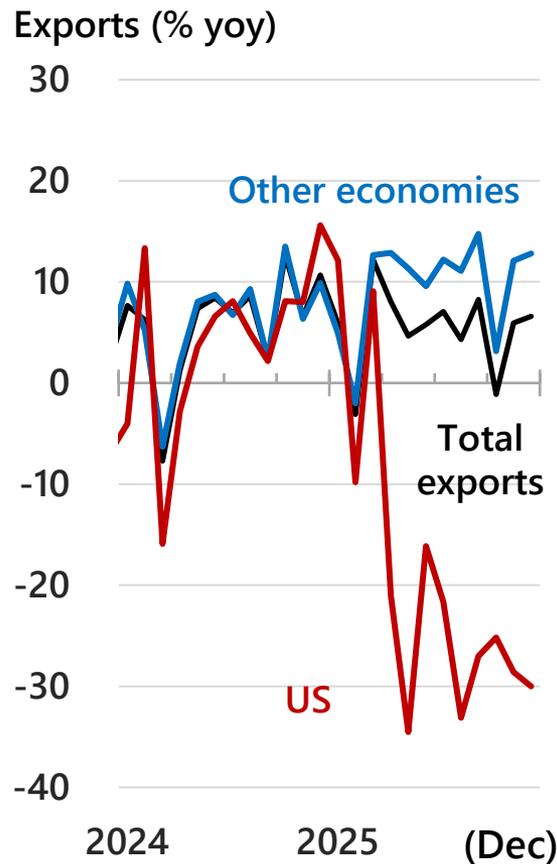
# Mainland economy continues to maintain a positive trend in the long run



Economic growth aligned with target



Mainland exports remained resilient



The 15<sup>th</sup> Five-Year Plan focuses on domestic demand expansion and technological innovation

**The 15<sup>th</sup> Five-Year Plan Recommendations**

- Building a modernised industrial system
- Enhancing technological self-reliance; developing new quality productive forces
- Building a robust domestic market and expanding domestic demand

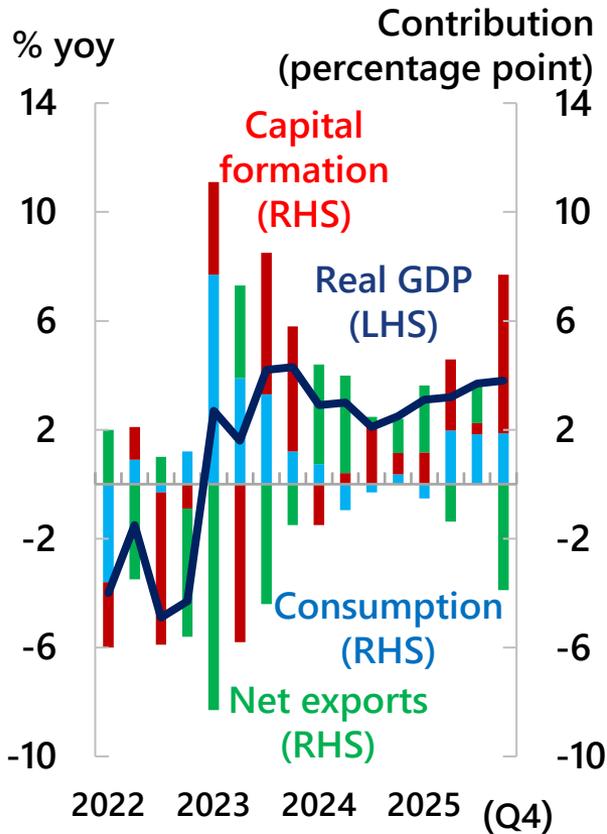
**Central Economic Work Conference**

- Expanding domestic demand, advancing innovation, fostering new growth drivers
- Implementing more proactive fiscal policy
- Adopting moderately loose monetary policy
- Stabilising the real estate market

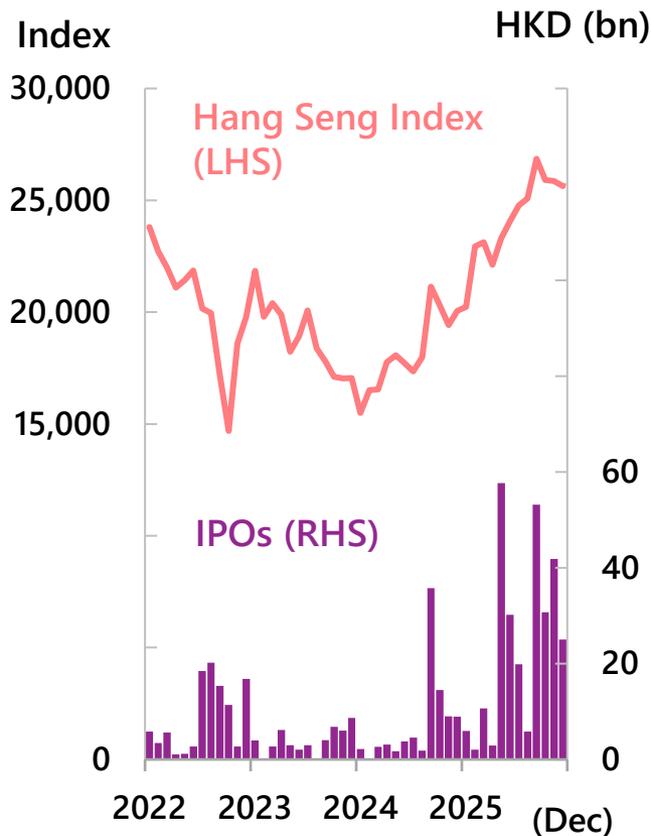
# The Hong Kong economy continues to grow steadily



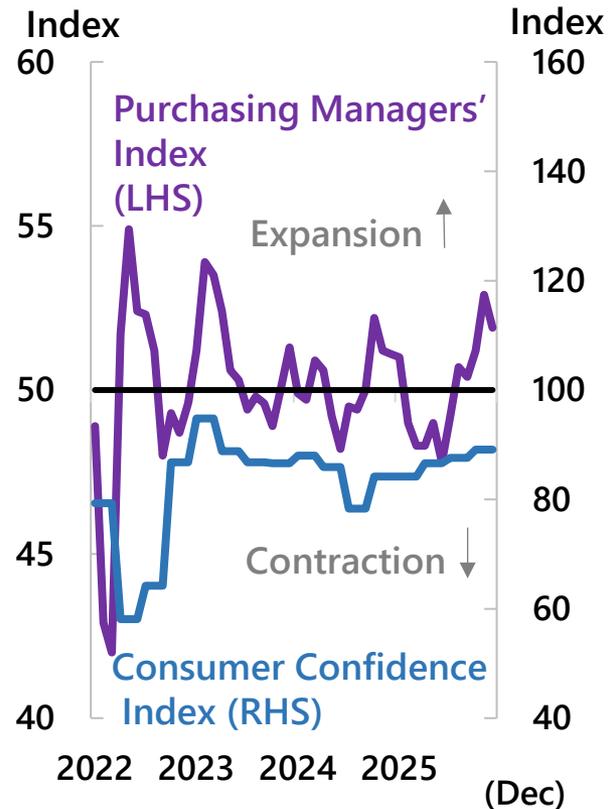
Economic growth remained solid



HK equity index and funds raised in IPOs increased



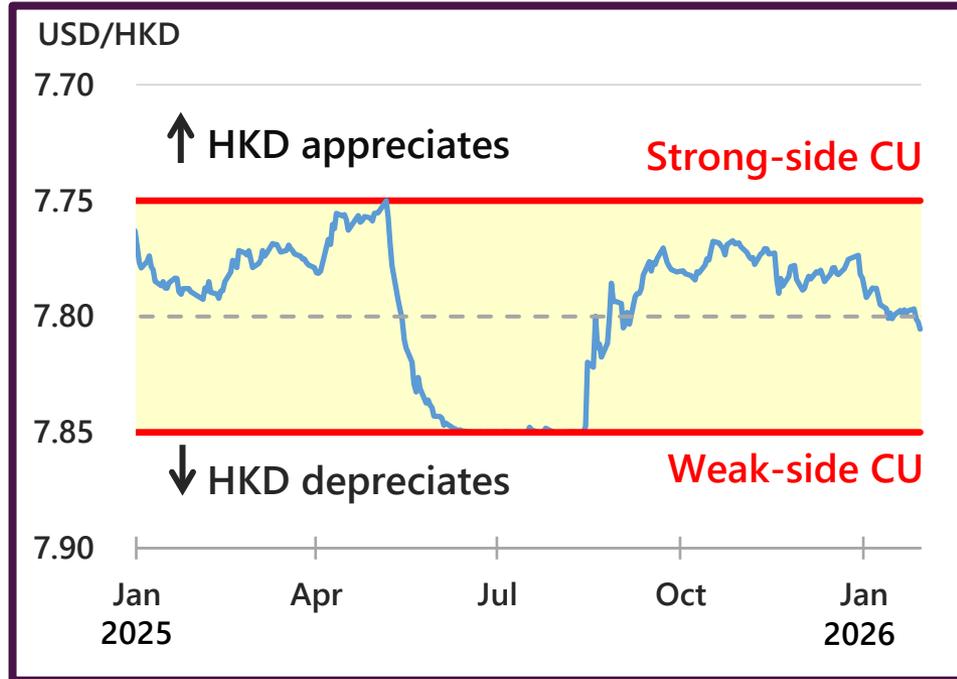
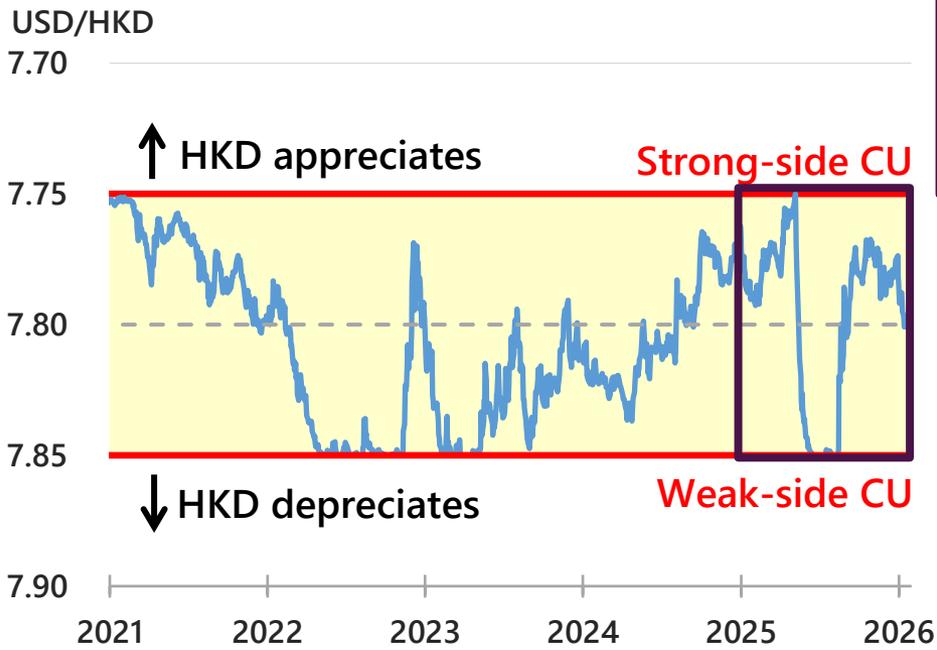
Private sector sentiment improved



Note: The component breakdown of 2024 and 2025 is estimated by the HKMA based on the latest available data.



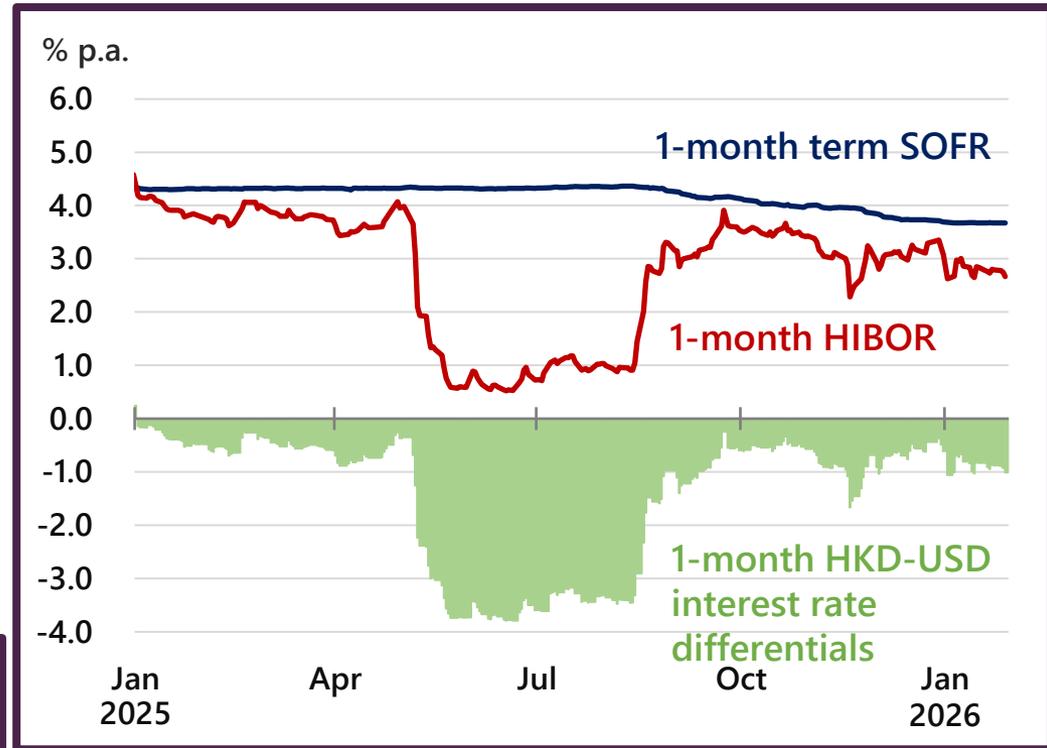
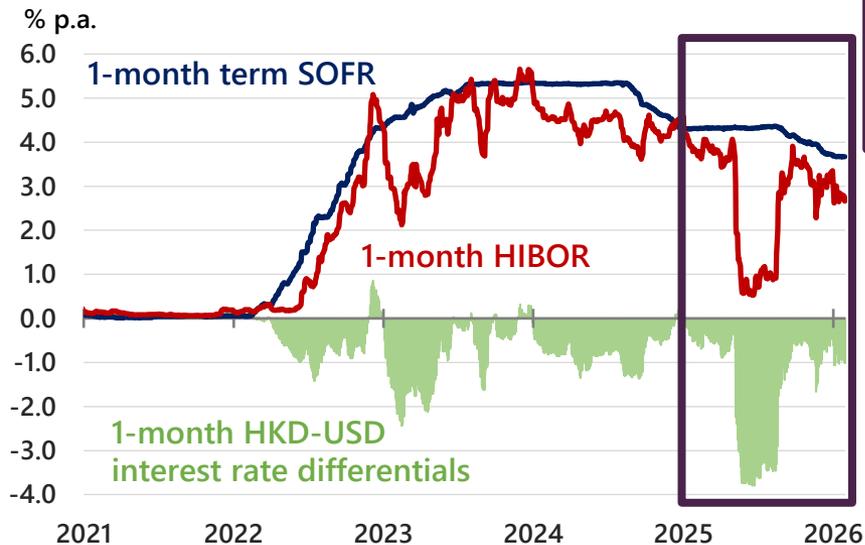
# HKD exchange rate remains stable



Year	Triggering of CU	Changes in Aggregate Balance (HKD bn)
2022 May - Nov	41 times (weak-side)	-242.1
2023 Feb - May	8 times (weak-side)	-51.5
2025 May	4 times (strong-side)	+129.4
2025 June - Aug	12 times (weak-side)	-119.9



# HKD interest rates softened



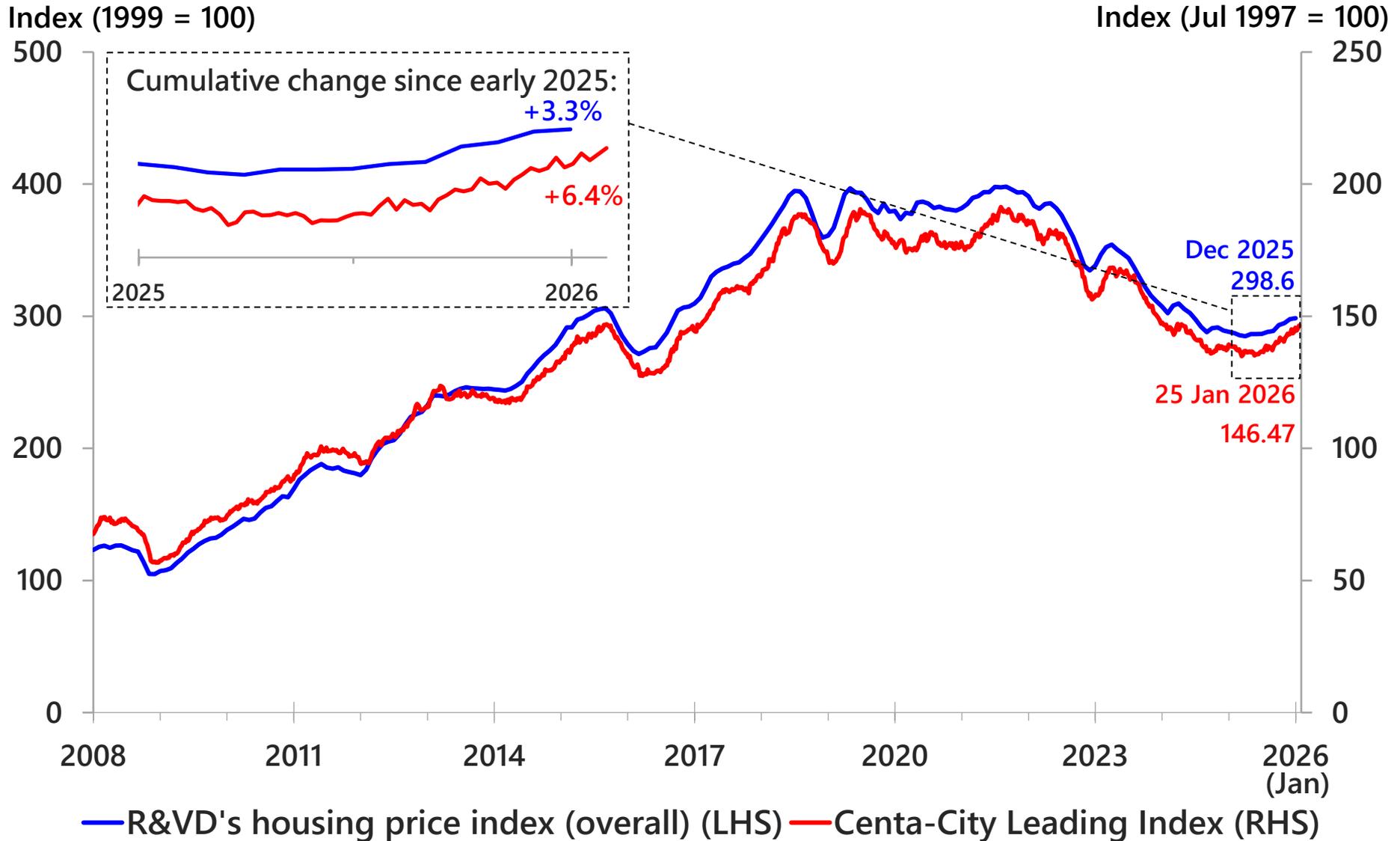


# Bank deposits continue to grow

Change during the period (%)

	<b>Total deposits</b>	<b>HKD deposits</b>
<b>First three quarters of 2025</b>	+10.2%	+4.1%
<b>October 2025</b>	-0.4%	-0.9%
<b>November</b>	+0.7%	+0.2%
<b>December</b>	+1.2%	+0.4%
<b>Full year 2025</b>	+11.8%	+3.8%

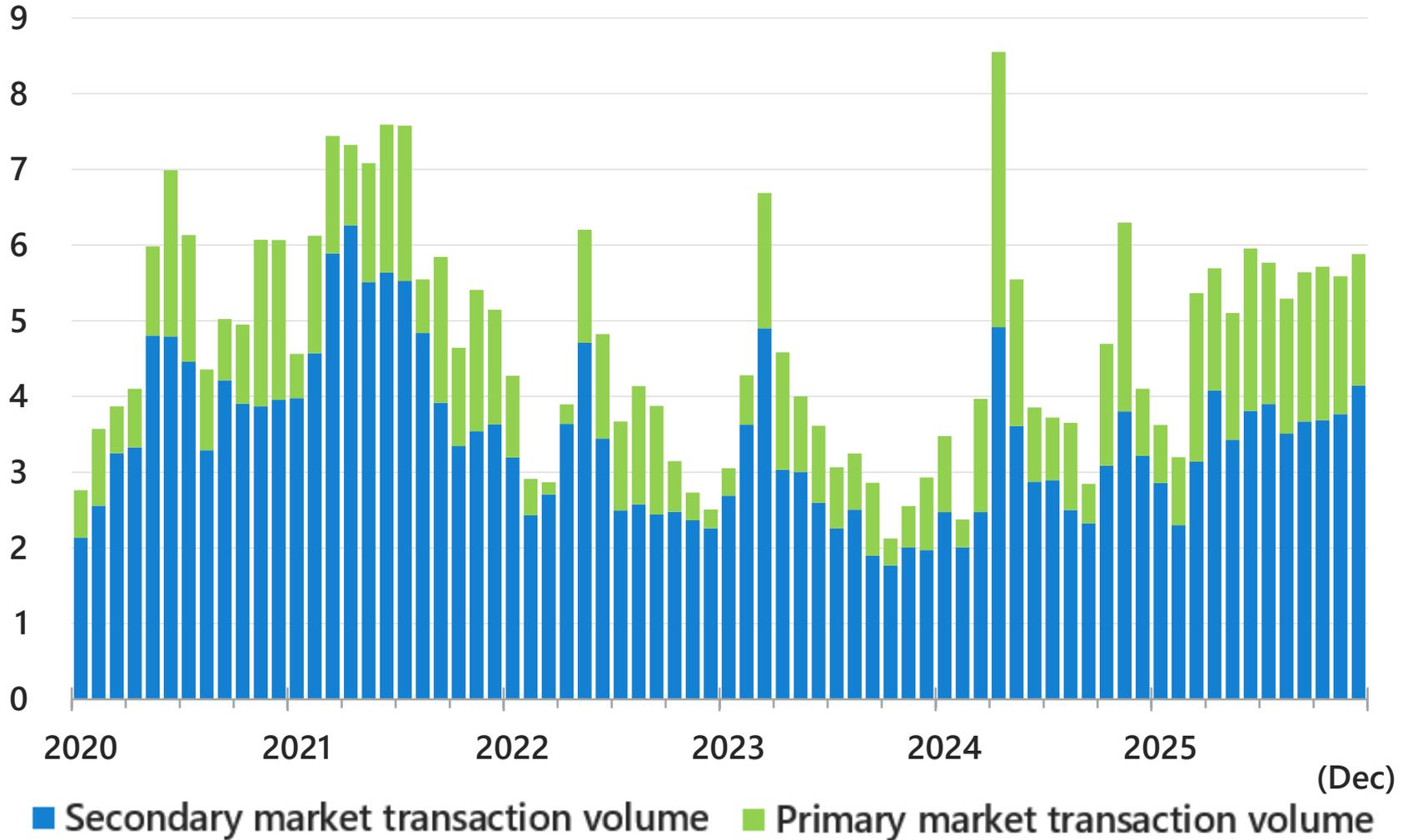
# Housing prices stabilised





# Property transactions edged up

Number of transactions ('000)



# **Economic development in Hong Kong gains momentum and the financial system remains stable**



- Looking ahead to 2026, the US Fed may cut rates further but the interest rate path remains to be observed
- The outlook for goods exports in the Asia-Pacific region will continue to benefit from the rapid development in artificial intelligence
- Under the 15th Five-Year Plan, the Chinese Mainland will steadily advance high quality development
- The Hong Kong economy is expected to continue to grow, and will align with national development strategies more proactively
- The HKMA will continue to closely monitor market developments and maintain financial stability in Hong Kong



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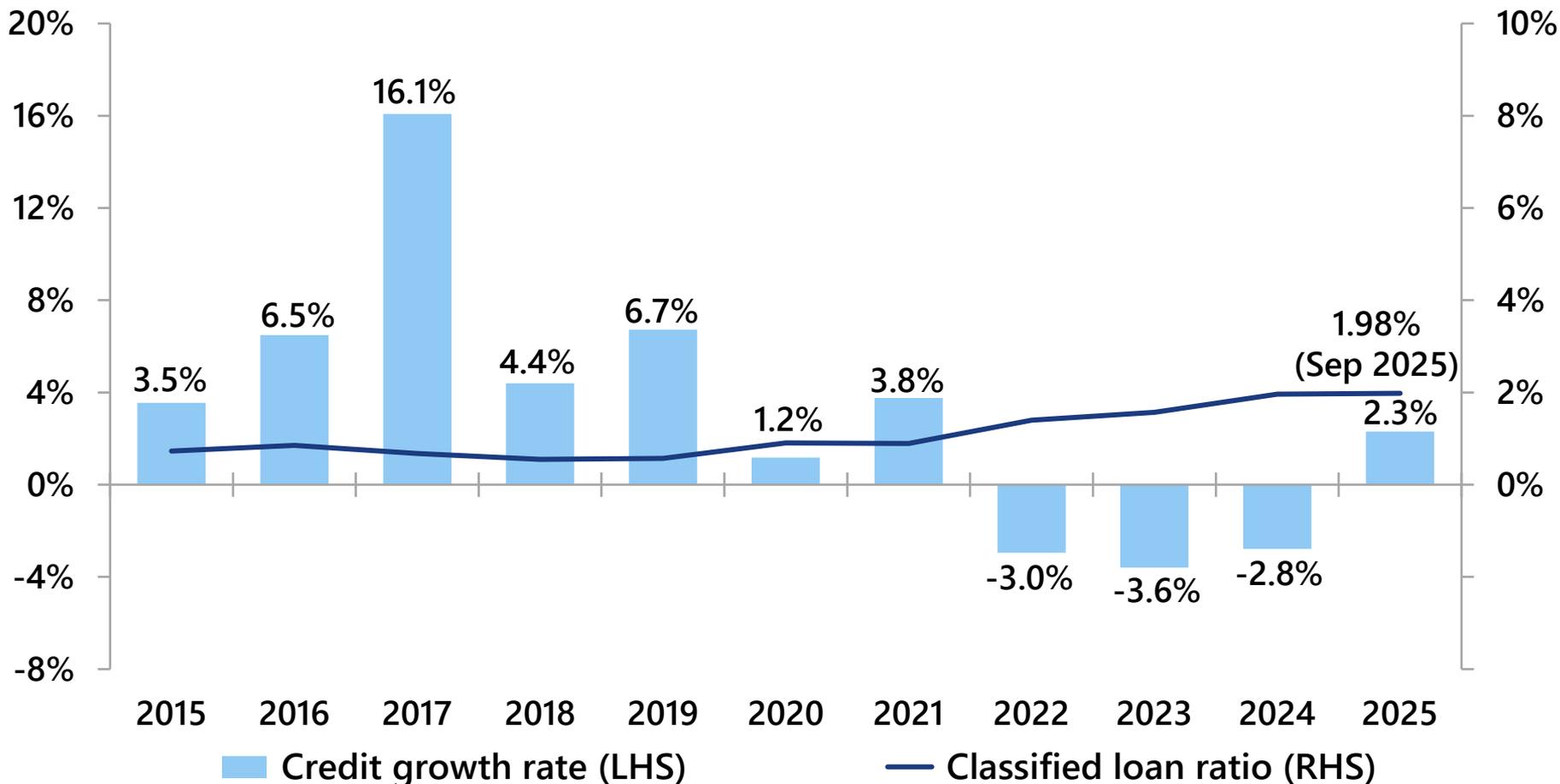
# Banking sector performance



## Total loans increased and credit risk stayed manageable

### Credit growth rate

### Classified loan ratio\*



\* Classified loan ratio of all authorized institutions

Source: HKMA



# Supporting SMEs

- In 2025, the 18 participating banks in the HKMA-HKAB Taskforce on SME Lending:
  - Increased dedicated funds for SMEs to over HK\$420 billion
  - Conducted over 160 outreach activities to engage with trade associations and SMEs from different sectors
  - Organised three large-scale SME forums to promote the banking sector's support for SMEs' digital and green transformation, as well as cross-border business expansion to over 700 participants
- The HKMA, in collaboration with the Commerce and Economic Development Bureau and the Intellectual Property Department, launched the Intellectual Property (IP) Financing Sandbox to assist pilot sectors in leveraging IP assets for financing

# Supporting individuals affected by the Tai Po fire incident

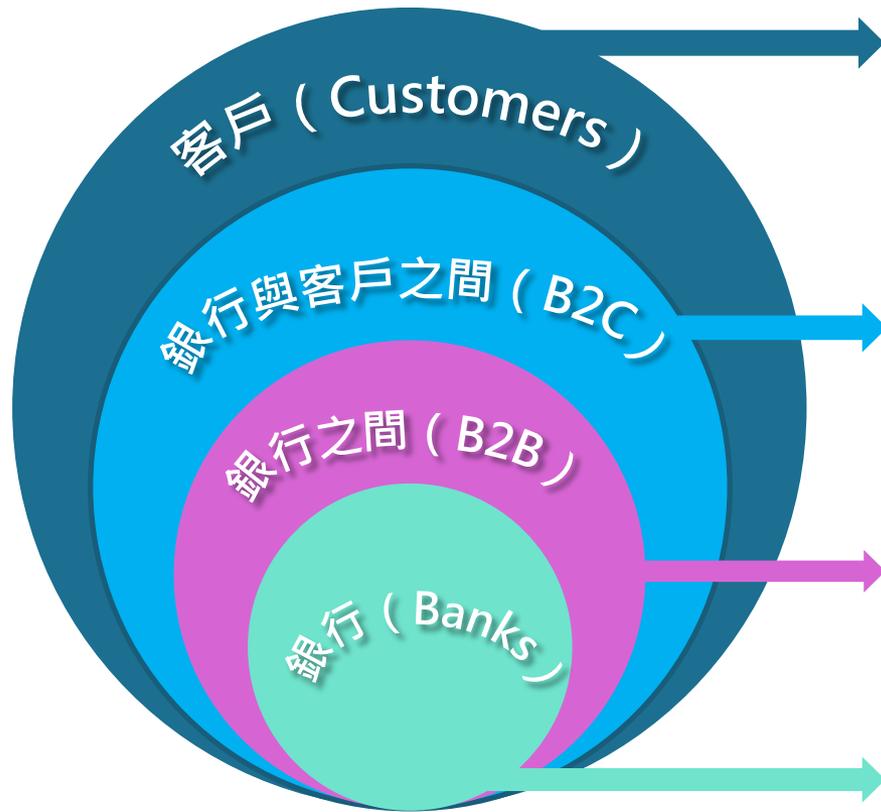


- The HKMA and The Hong Kong Association of Banks (HKAB) immediately mobilised the banking industry to provide emergency support to affected individuals
- The HKMA and HKAB introduced a total of 11 measures on 28 November and 4 December 2025 to provide immediate relief and ongoing support to affected residents as well as construction workers, cleaners and security guards who were injured or passed away in the incident as well as their families
- The HKMA will continue to work closely with the banking industry to ensure affected individuals receive empathic and flexible support



# Fraud Prevention and Detection

- Continue to enhance the multi-strata fraud prevention ecosystem



**Customers:** Conduct targeted educational campaigns to strengthen fraud prevention and self-protection awareness of the public, and to encourage the active use of new anti-scam tools

**Bank-to-customer:** Provide more tools for customers to protect their accounts, provide risk alerts and even suspend transactions to strengthen protection of customer funds comprehensively; develop an approach to handle customer claims for losses arising from Authorized Payment Scams (APS)

**Bank-to-bank:** Facilitate information sharing among banks to more expeditiously intercept suspicious activities

**Banks:** Strengthen the ability in combating fraud, establish dynamic APS Monitoring System to detect suspicious transactions



# Legislative Proposals

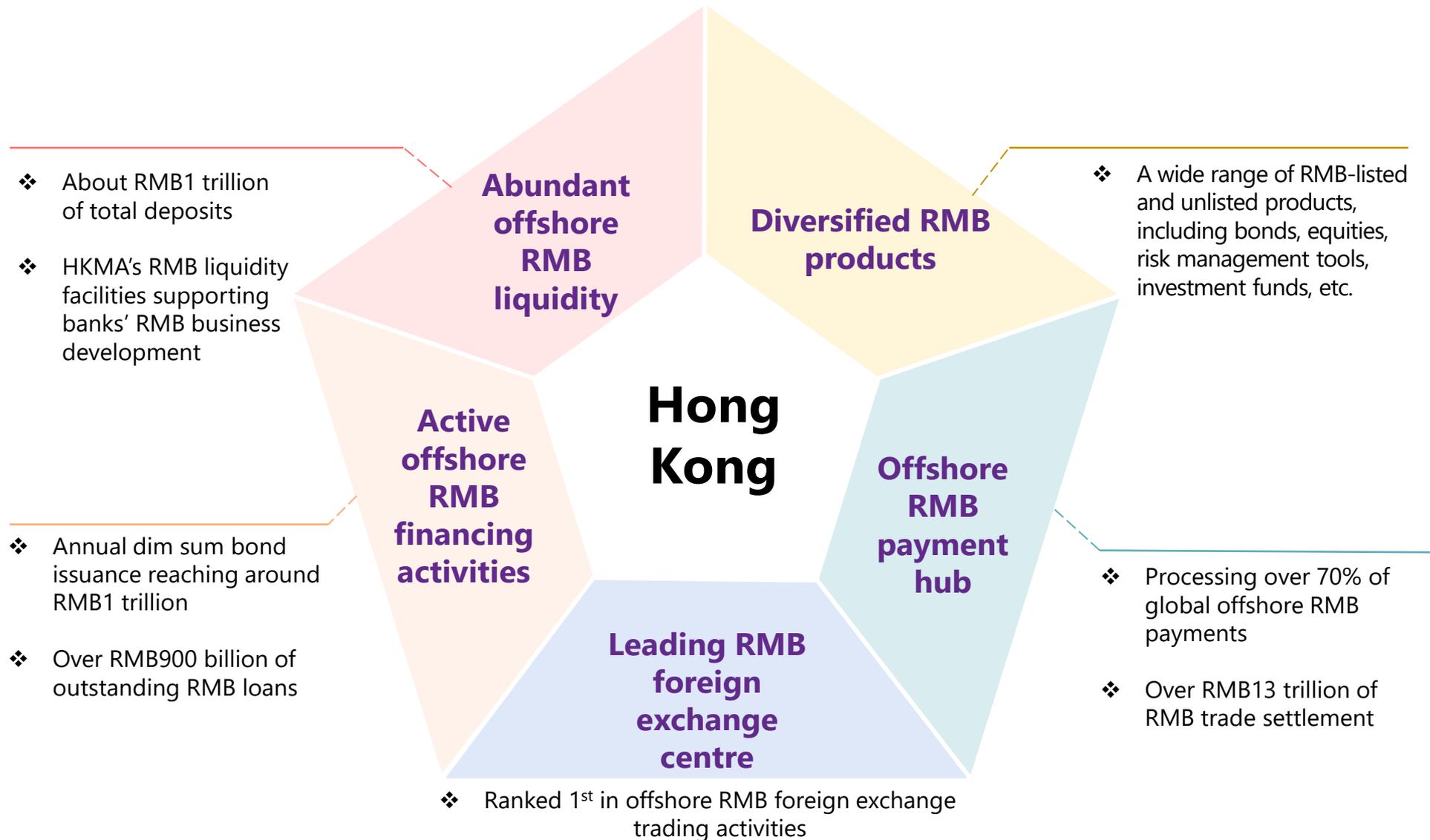
## **Banking Legislation (Miscellaneous Amendments) Bill**

- Amendments to the Banking Ordinance and its subsidiary legislation in relation to:
  - simplification of the three-tier banking system
  - regulation of bank holding companies
  - engagement of skilled persons
  - modernisation of the Monetary Authority's enforcement powers
  - a range of other technical amendments
- Serves to enhance regulatory clarity and effectiveness, while reducing compliance burden
- Refinements will also be made to the Financial Institutions (Resolution) Ordinance, The Hong Kong Association of Banks Ordinance and The Hong Kong Association of Banks By-laws
- Targets to introduce into LegCo in 2026



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# Overview of Hong Kong's offshore RMB business



# Hong Kong's offshore RMB business: key developments



- The HKMA strives to enhance Hong Kong's offshore RMB business hub position, facilitating RMB usage by financial institutions and corporates, and supporting national strategy to promote RMB internationalisation. Recent key developments include:
  - **Enhancing liquidity:** offering an RMB200 billion RMB Business Facility to (i) provide banks with stable and relatively low-cost RMB funding, (ii) enable banks to support broader RMB usage in real economic activities in Hong Kong and other offshore markets
  - **Promoting product development:** advancing the development of RMB fixed income products and instruments; launching more RMB risk management and liquidity management tools under the Bond Connect and Swap Connect
  - **Strengthening financial infrastructure:** enhancing Hong Kong's competitiveness in RMB-denominated securities custodian and settlement services through the sustained development of CMU
  - **Supporting real economy and enhancing outreach:** collaborating with the banking industry to promote wider usage of RMB in trade, investment and financing, risk management and treasury activities; stepping up overseas promotion

# Deepening financial co-operation between Hong Kong and the Mainland



- The HKMA, in collaboration with the PBoC, introduced a series of enhancement measures for the Connect schemes in 2025, including:
  - **Northbound Bond Connect:** (i) Launched offshore RMB bond repurchase (repo) and cross-boundary repo businesses using Northbound Bond Connect bonds as collateral; (ii) included Northbound Bond Connect bonds as margin collateral for all derivative transactions cleared by OTC Clearing Hong Kong Limited
  - **Southbound Bond Connect:** Expanded investor scope to include four types of non-bank financial institutions — securities firms, insurance companies, fund companies, and wealth management companies
  - **Swap Connect:** Extended the tenor of interest rate swap contracts to 30 years; introduced the onshore Loan Prime Rate as an additional reference rate; expanded the daily net quota to RMB45 billion; and expanded the onshore dealer list
  - **Wealth Management Connect:** Introduced various facilitative arrangements to enhance the sales and promotion services under WMC2.0, including “one-off consent” and “three-party dialogue”

# Supporting Mainland enterprises in “going global”



- The pace of Mainland enterprises “going global” has increased considerably in midst of global supply chain reconfiguration. The HKMA is working on multiple fronts to help Mainland enterprises “go global”, while enhancing the competitiveness of the financial industry in the midst of a shifting supply chain landscape -
  - **Corporate treasury centres (CTCs):** Studying enhancements to the tax arrangements applicable to CTCs together with relevant government agencies (target to complete study within first half of 2026); enhancing promotion at the same time
  - **Digitalisation of trade and related financing business:**
    - **Legal enhancements:** Supporting the Government in consulting the industry on the proposed legislative amendments to facilitate digitalisation of trade documents; target to submit suggested amendments to LegCo within 2026
    - **Use of data:** Project Cargo<sup>x</sup> launched; 20 recommendations made to modernise Hong Kong's trade finance ecosystem
  - **Financial institutions and corporates “going global” together:** Developing business opportunities in emerging markets together with banking and business communities; galvanising industry capabilities to support the development of the “go global” platform



# Developing the bond market

- Hong Kong remains the key leading bond arranging hub in the region, with over US\$130 billion worth of international bond issuances arranged in Hong Kong during 2024, capturing around 30% of the regional total
- The SFC and the HKMA jointly published in September 2025 a *Roadmap for the Development of Fixed Income and Currency (FIC) Markets*, proposing initiatives in the following four areas, so as to develop the market together with relevant stakeholders –
  - **Promote primary market issuance:** On top of supporting the HKSAR Government in implementing various bond issuance programmes, the HKMA attracted various overseas government and development banks (e.g. Government of Indonesia, Development Bank of Kazakhstan, Asian Development Bank, etc.) to issue bonds in various currencies and arrangements in Hong Kong. The HKMA will continue its outreach to market participants to attract financing activities
  - **Enhance secondary market liquidity,** with a focus on OTC derivatives and repos
  - **Expand offshore RMB business:** The HKMA will refine RMB liquidity arrangements and provide new tools, such as the cross-border repo announced by PBoC in September 2025
  - **Facilitate innovation in fixed income market infrastructure:** The Government has issued three series of tokenised bonds since 2023, and the HKMA will continue to collaborate with the industry and CMU OmniClear to provide a reliable platform for the issuance of tokenized bonds, and to further elevate the use of technology by exploring innovations

# Developing Hong Kong's financial platform



## Green finance

- Implementing the Green and Sustainable Finance Cross-Agency Steering Group's 2026-28 priorities
- Preparing for the 2026 Hong Kong Green Week, with a view to further raising the profile of Hong Kong as a sustainable finance and knowledge hub

## Stablecoins and Digital assets

- The HKMA is pressing ahead with the licensing process under the Stablecoin Ordinance, seeking to issue the first batch of licence(s) in the near future

## Outreach

- In addition to maintaining connections with the developed markets, the HKMA actively enhances engagement with ASEAN and Middle East central banks to deepen financial and co-operation



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# Financial infrastructures and fintech initiatives (1)



## Financial infrastructures

- Operation of all financial infrastructures remains safe and efficient
- Faster Payment System (FPS):
  - Registrations and turnover have been growing steadily
  - Payment Connect was launched in June 2025 to support residents in Hong Kong and the Chinese Mainland in making real-time cross-boundary remittances
- Central Moneymarkets Unit (CMU) is developing post-trade equity servicing capabilities, and has forged strategic collaboration with Hong Kong Exchanges and Clearing Limited to propel CMU's transformation into a multi asset class platform

## Fintech – Commercial Data Interchange (CDI)

- In January 2026, the Expert Panel on Cargo<sup>x</sup> published a Recommendation Report to present 20 recommendations, structured under three strategic pillars of "Data", "Infrastructure" and "Connectivity", along with a roadmap for modernising the trade finance landscape in Hong Kong

# Financial infrastructures and fintech initiatives (2)



## Fintech 2030

- Launched “Fintech 2030”, focusing on four strategic pillars, namely Data and Payment, Artificial Intelligence, Resilience, and Tokenisation

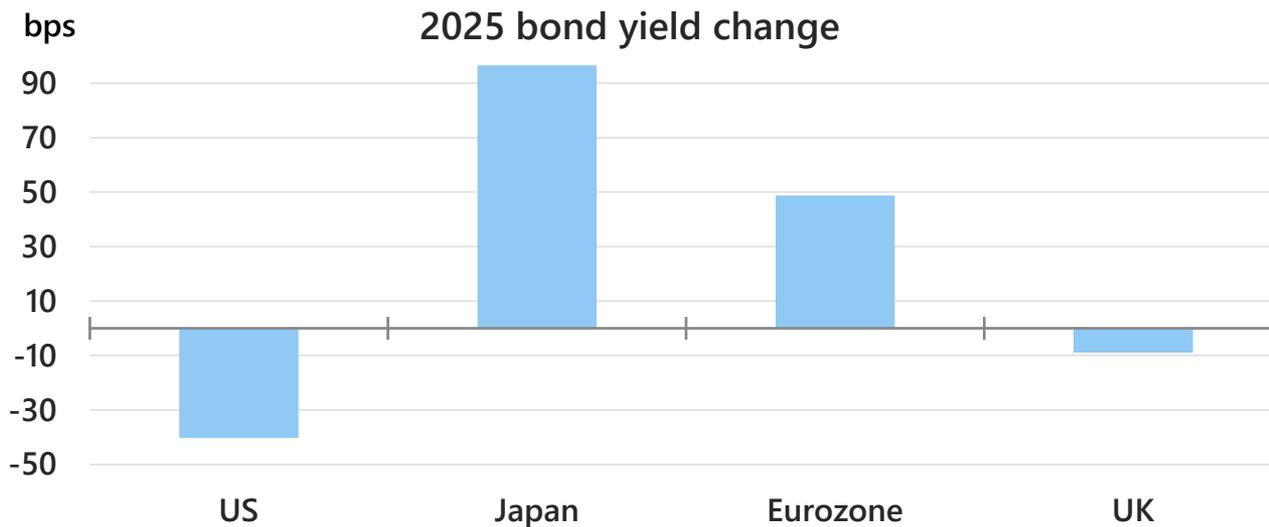
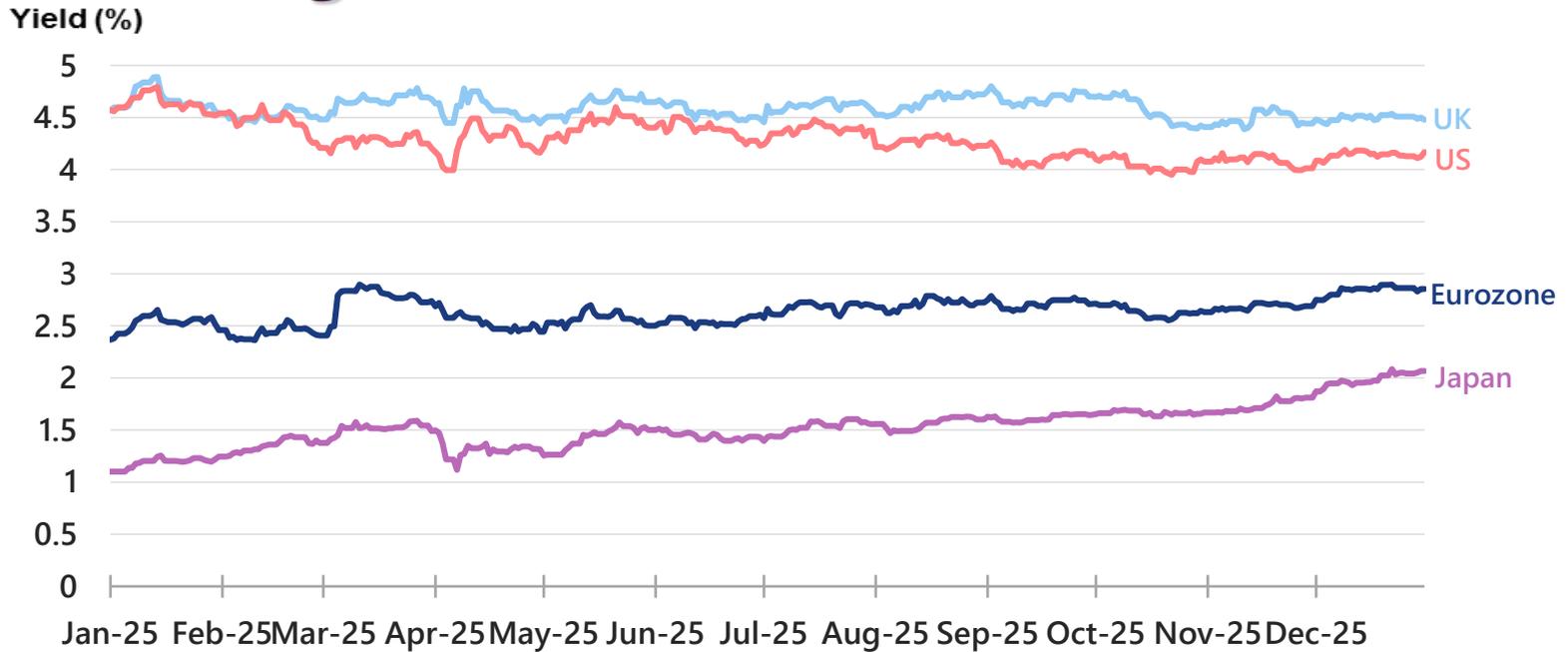
## Tokenisation

- Project Ensemble: Launched Ensemble<sup>TX</sup> and announced the commencement of the project’s pilot phase in November 2025, enabling real-value transactions involving tokenised deposits and digital assets
- Project e-HKD+: Completed the e-HKD Pilot Programme in October 2025 and outlined the future direction of e-HKD



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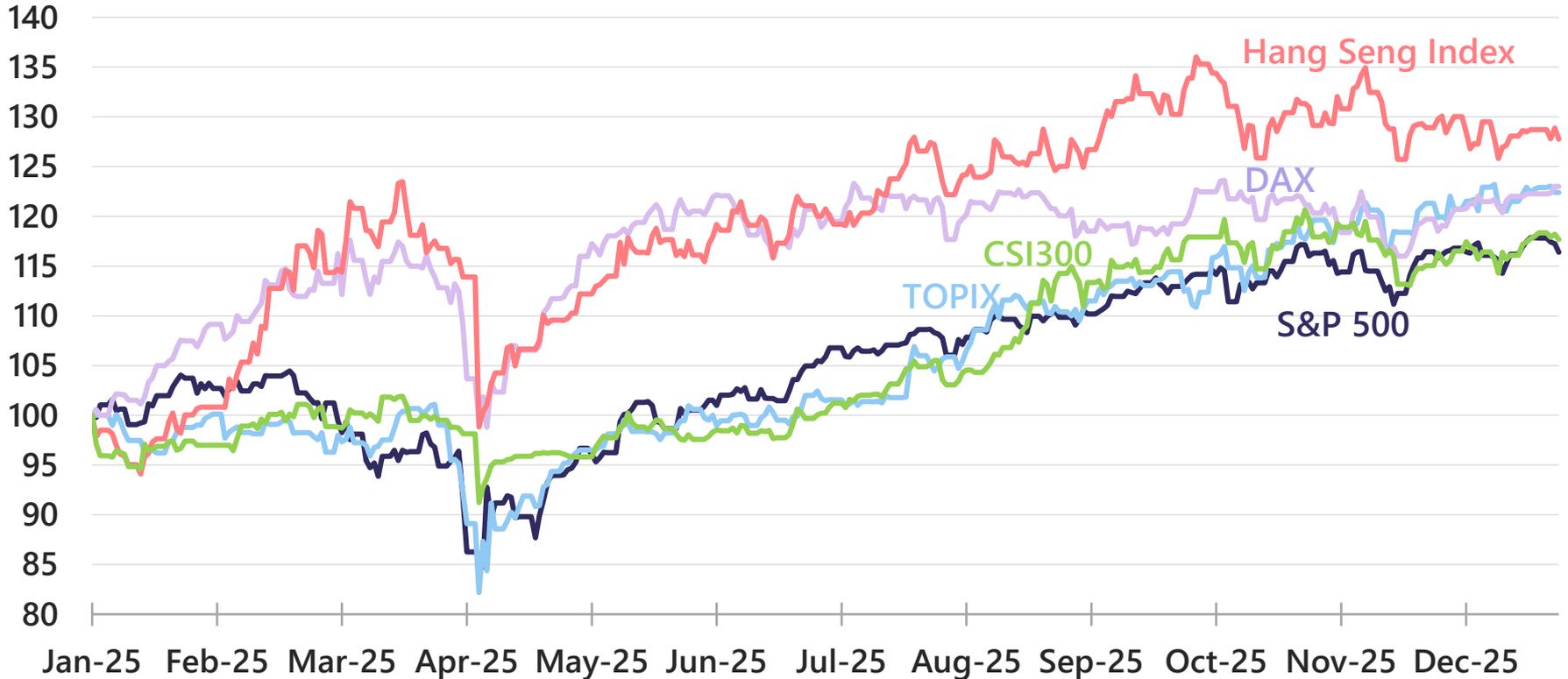
# Major 10-year sovereign bond yields remained high



# Major stock markets saw broad-based gains



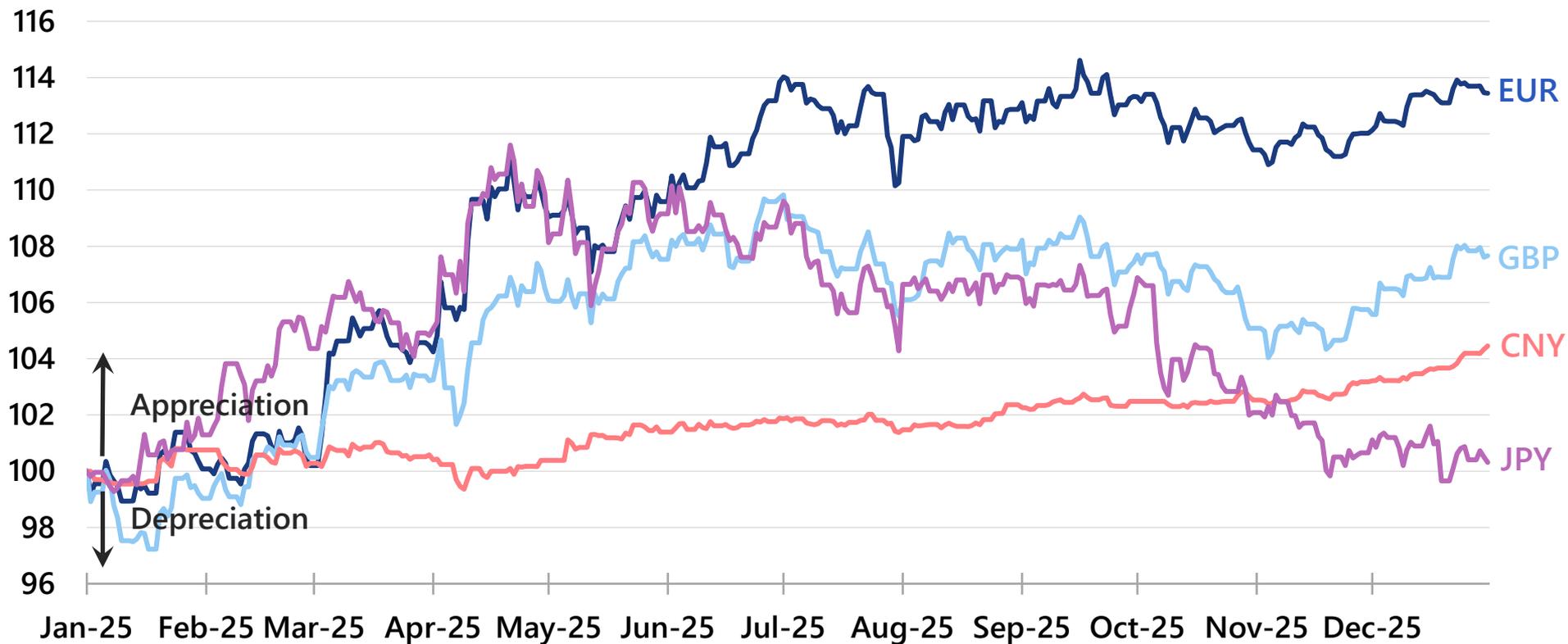
Normalised Index Level (2024 year-end = 100)



# USD broadly weakened against major currencies



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





# Investment Income

←————— 2025 —————→ |      2024      2023  
 (unaudited)

(HK\$ billion)	Full year	Q4	Q3	Q2	Q1	Full year	Full year
<b>Bonds</b>	<b>142.2</b>	<b>29.6</b>	<b>37.3</b>	<b>34.7</b>	<b>40.6</b>	<b>135.9</b>	<b>144.7</b>
<b>Hong Kong equities*</b>	<b>33.9</b>	<b>(6.2)</b>	<b>17.2</b>	<b>6.5</b>	<b>16.4</b>	<b>21.8</b>	<b>(15.5)</b>
<b>Other equities</b>	<b>74.1</b>	<b>14.6</b>	<b>32.1</b>	<b>30.2</b>	<b>(2.8)</b>	<b>69.1</b>	<b>73.6</b>
<b>Foreign exchange<sup>#</sup></b>	<b>38.4</b>	<b>8.2</b>	<b>(26.6)</b>	<b>43.8</b>	<b>13.0</b>	<b>(35.6)</b>	<b>(0.5)</b>
<b>Other investments<sup>@</sup></b>	<b>42.4</b>	<b>-</b>	<b>10.8</b>	<b>19.6</b>	<b>12.0</b>	<b>27.6</b>	<b>23.7</b>
<b>Investment income</b>	<b>331.0</b>	<b>46.2</b>	<b>70.8</b>	<b>134.8</b>	<b>79.2</b>	<b>218.8</b>	<b>226.0</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 asset investments held under the Long-Term Growth Portfolio. This figure reflects the valuations at the end of September 2025. Valuation changes of these investments from October to December are not yet available.

# Income and Expenditure

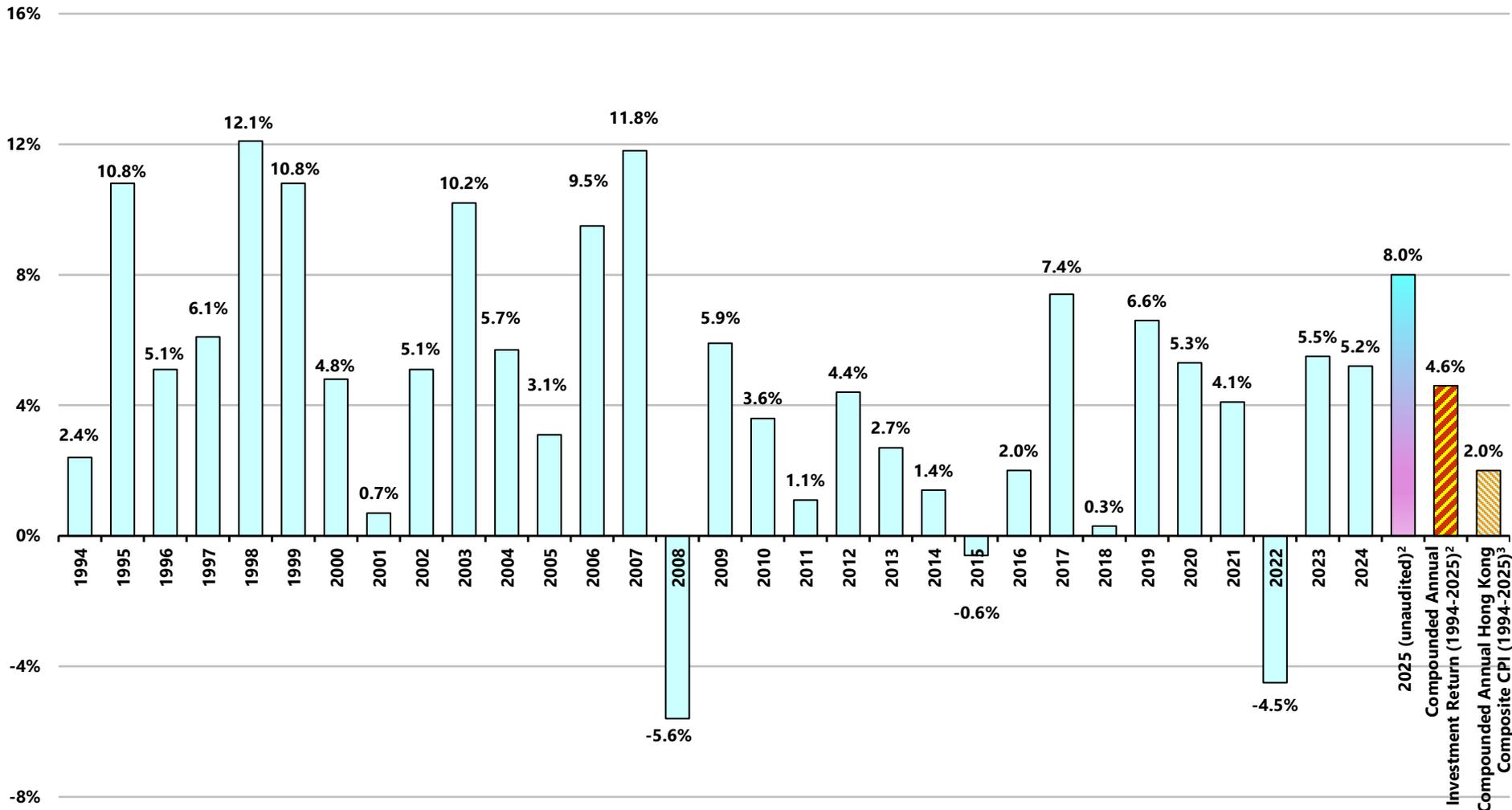


	← 2025 →					2024	2023
	(unaudited)						
(HK\$ billion)	Full year	Q4	Q3	Q2	Q1	Full year	Full year
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Other income	0.2	0.1	-	0.1	-	0.2	0.2
Interest and other expenses	<u>(43.7)</u>	<u>(11.1)</u>	<u>(7.6)</u>	<u>(11.7)</u>	<u>(13.3)</u>	<u>(63.1)</u>	<u>(54.5)</u>
Net income	287.5	35.2	63.2	123.2	65.9	155.9	171.7
Fee payment to Fiscal Reserves							
– Operating and Capital Reserves*	(16.5)	(4.2)	(3.8)	(4.0)	(4.5)	(13.2)	(17.5)
– Future Fund	- #	- #	- #	- #	- #	(16.2)	(18.0)
Fee payment to HKSAR Government funds and statutory bodies*	(14.7)	(2.9)	(3.5)	(4.1)	(4.2)	(15.7)	(16.5)

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

# The 2025 fee payment to the Future Fund will be published when the composite rate for 2025 is available. (The composite rate was 3.9% for 2024 and 4.8% for 2023.)

# Investment Return of The Exchange Fund (1994-2025)<sup>1</sup>



<sup>1</sup> Investment return calculation excludes the holdings in the Strategic Portfolio.

<sup>2</sup> The return includes the performance of LTGP up to the end of September 2025. The audited full year return will be published in the 2025 annual report.

<sup>3</sup> Composite CPI is calculated based on the 2019/2020-based series.



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# Mortgage Insurance Programme (MIP) and Reverse Mortgage Programme (RMP)



<b>Applications Approved</b>	<b>2024</b>	<b>2025</b>
<b>MIP</b>	20,604	15,766*
<b>RMP</b>	1,033	937

\* Demand for the MIP declined as more home purchasers can obtain mortgage loans with higher loan-to-value ratio from banks, following the relaxation of the HKMA's macroprudential measures in 2024

# SME Financing Guarantee Scheme (SFGS) & Dedicated 100% Loan Guarantee Schemes (DLGS)



	2024	2025
<b>80% and 90% Guarantee Products:</b>		
<b>Applications Approved</b>	6,037	5,815
<b>Loan Amount (HK\$ billion)</b>	13.5	13.5
<b>DLGS for Battery Electric Taxis:</b>		
<b>Applications Approved</b>	103	534
<b>Loan Amount(HK\$ billion)</b>	0.036	0.173