



HONG KONG MONETARY AUTHORITY
香港金融管理局

Briefing to the Legislative Council Panel on Financial Affairs

**4 May 2026
[Translation]**

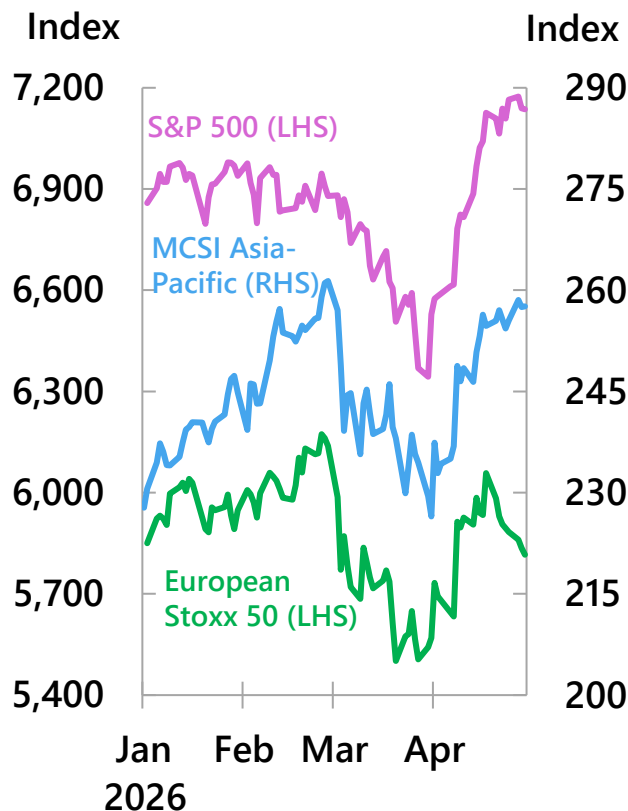


- 1. Assessment of Risk to Hong Kong's Financial Stability**
2. Banking Supervision
3. Development of Financial Market
4. Financial Infrastructure
5. Investment Performance of the Exchange Fund
6. The Hong Kong Mortgage Corporation Limited

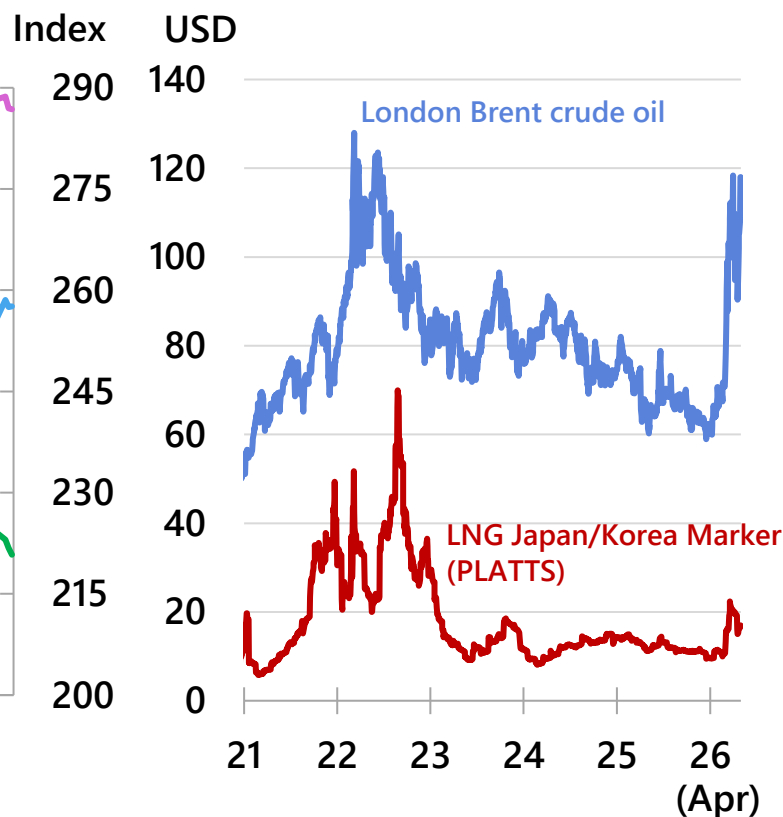
The Middle East conflict triggers substantial volatilities in global financial and energy markets



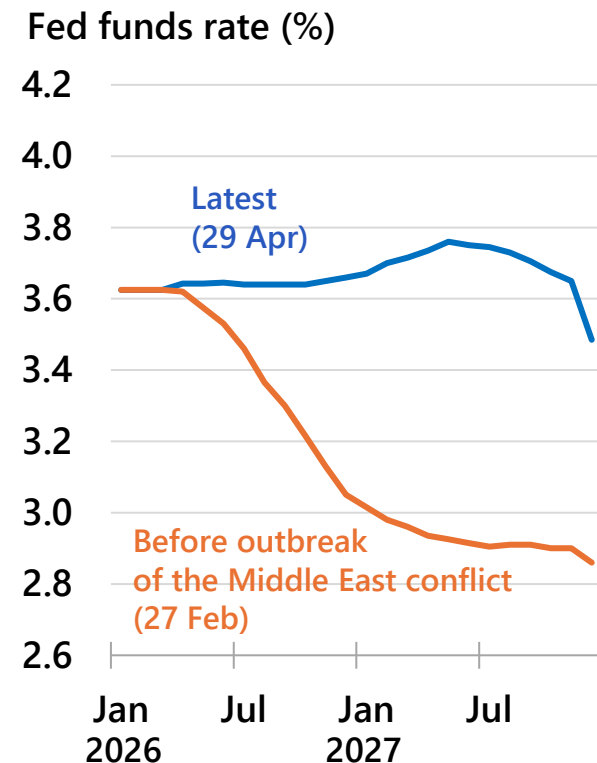
Global equities were volatile



Energy costs surge



More uncertainty in US interest rate outlook



Source: Bloomberg

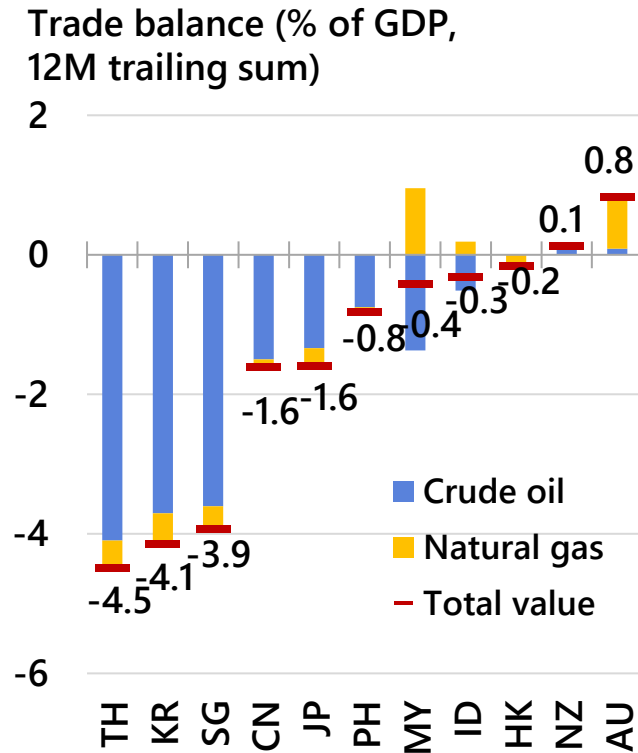
Source: Bloomberg

Source: Bloomberg

Rising energy costs bring shocks but demand for tech products will support exports from the Asia-Pacific region



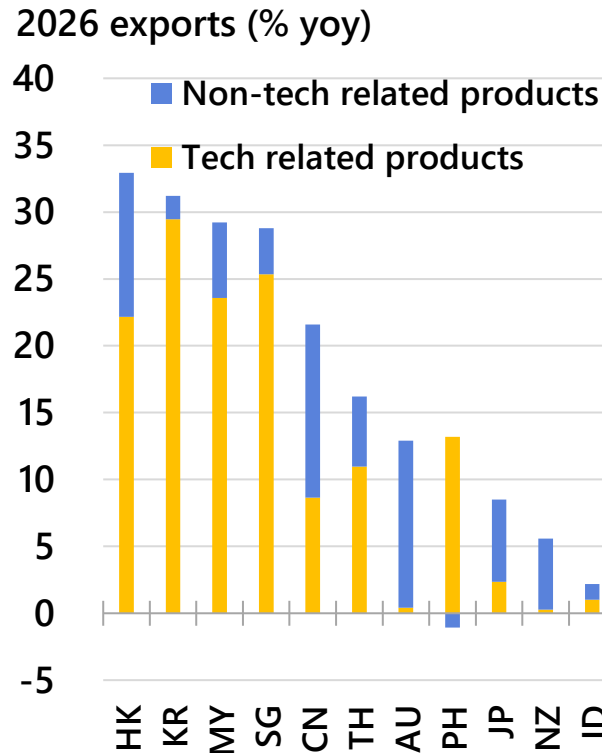
Rising energy costs will affect economies across the region



Note: For oil and gas, the latest observations are Q3 2025 for CN, and Q4 2025 for other economies.

Sources: Bloomberg, CEIC and HKMA staff calculations

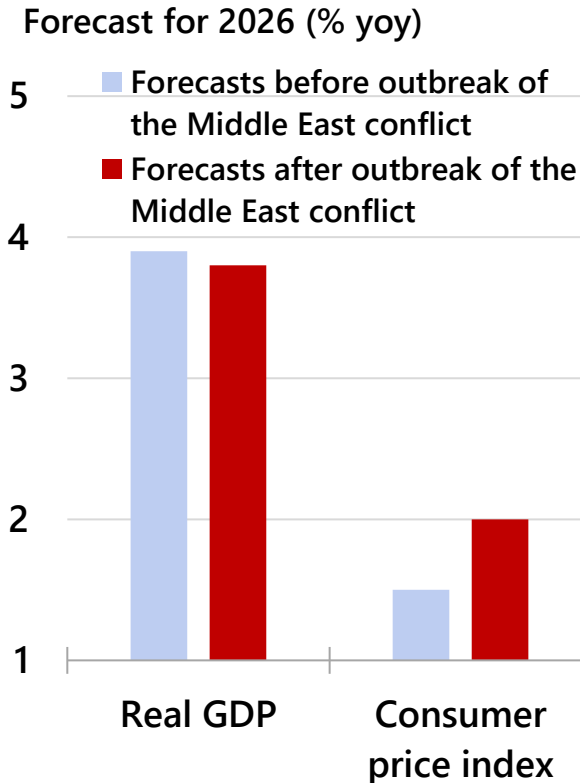
Demand for tech products will support exports from the region



Note: Figures are January 2026 for PH and January-February 2026 for all other economies.

Sources: CEIC, International Trade Center and HKMA staff calculations

The Middle East conflict brings greater impact on inflation in the region

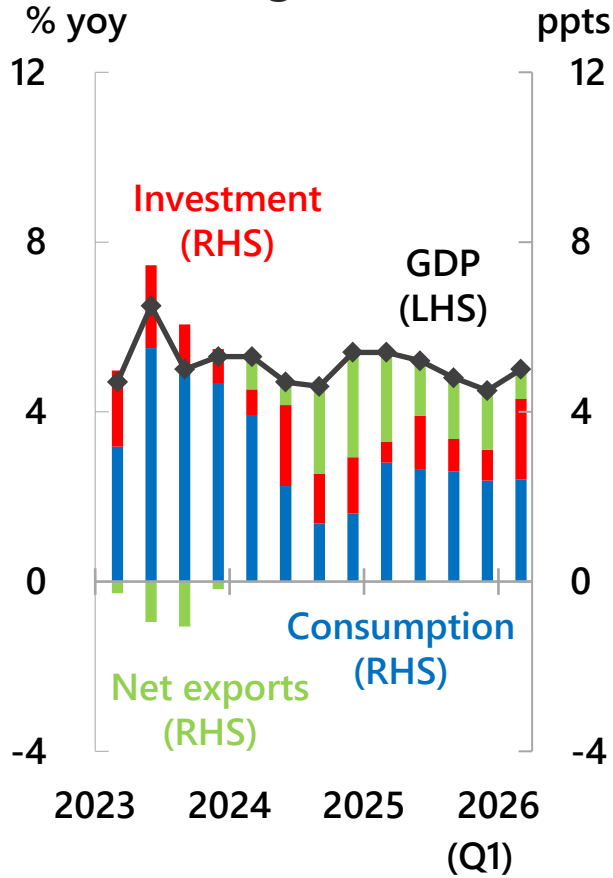


Source: Consensus Forecasts



Mainland economy enters 2026 on a firm footing

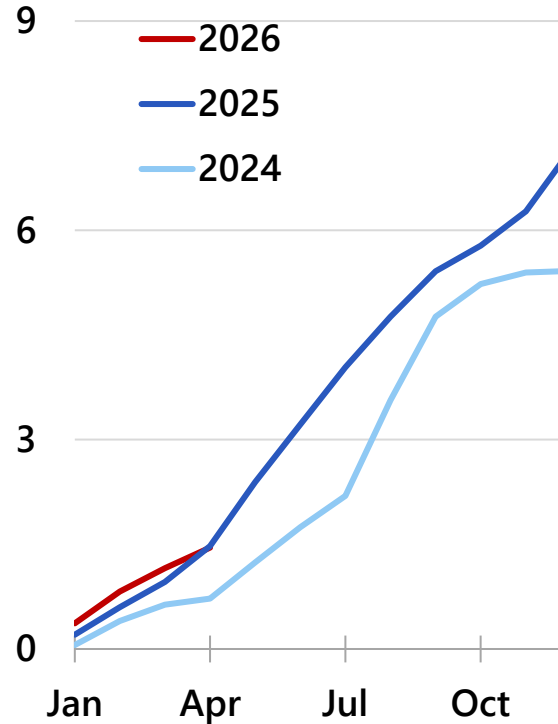
Stronger-than-expected economic growth in Q1



Sources: National Bureau of Statistics (NBS), CEIC and HKMA staff estimates

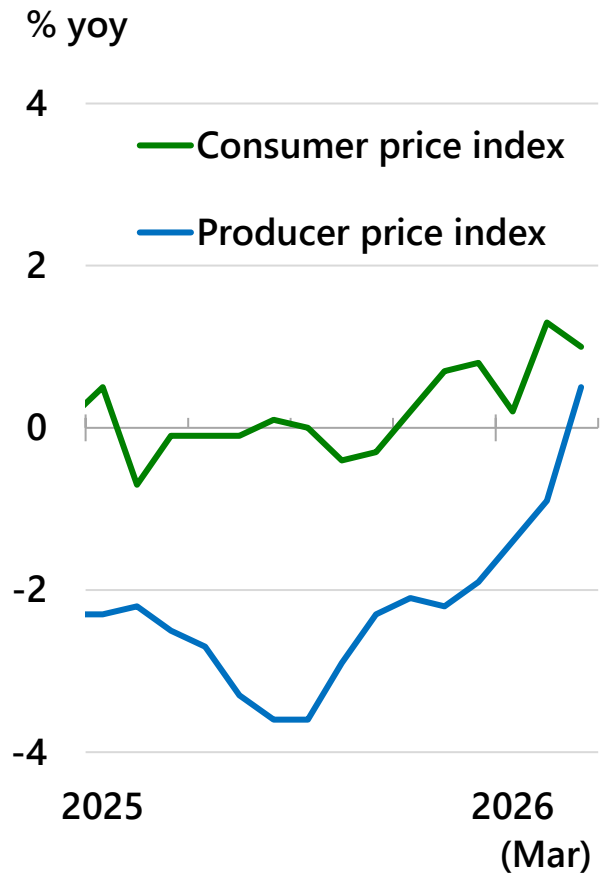
Front-loaded fiscal support in Q1

Cumulative new issuance of special treasury bonds and LGSB (RMB trillion)



Note: LGSB refers to Local Government Special Bonds.
Source: WIND

Mild pick-up in inflation



Sources: NBS and CEIC

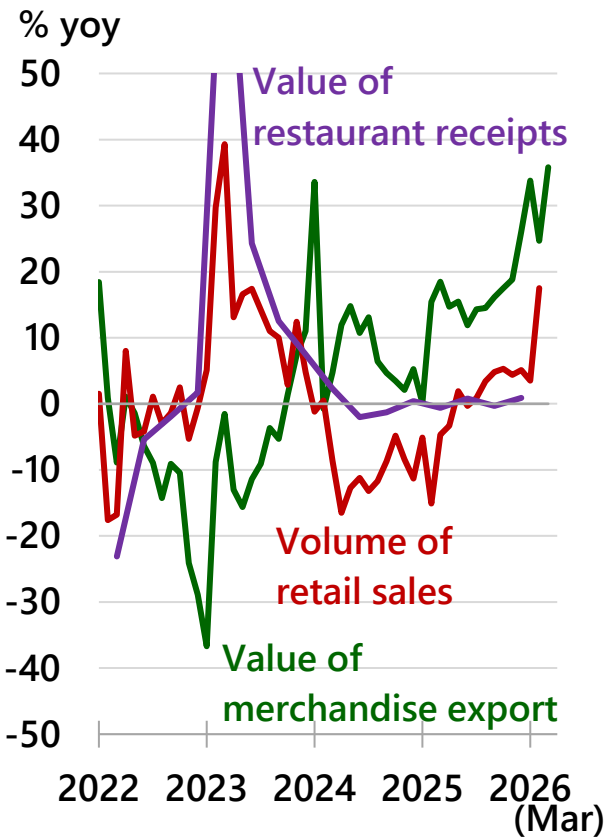


The Hong Kong economy maintains solid growth momentum

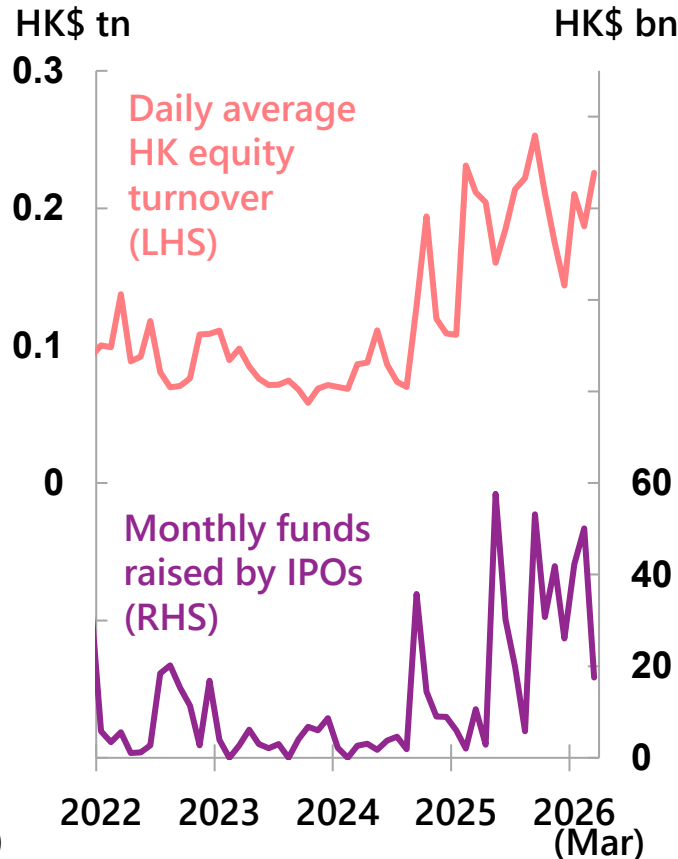
Merchandise exports and consumption strengthen

HK equity turnover and IPO fund-raising remain vibrant

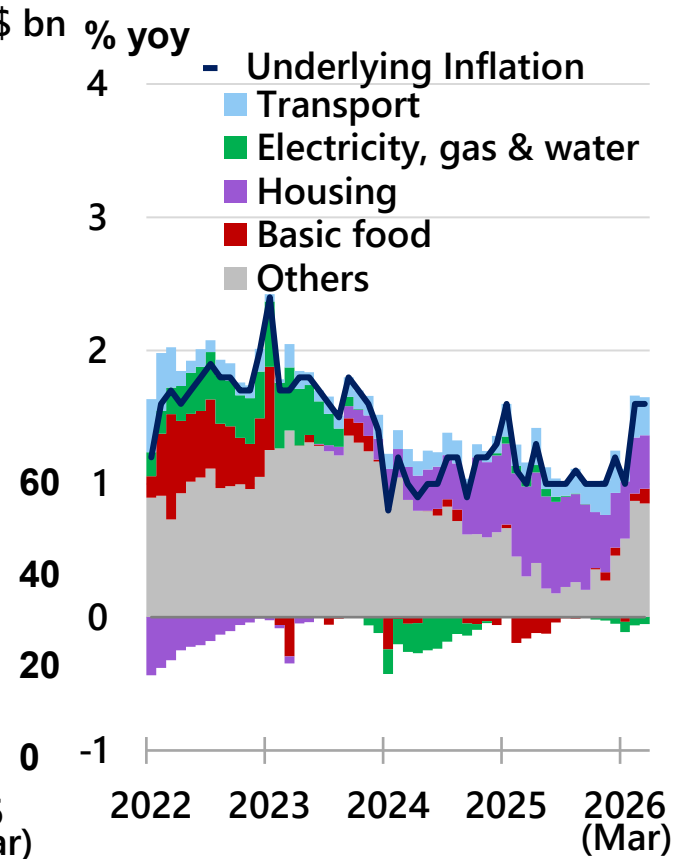
Overall inflation is moderate



Source: Census and Statistics Department.



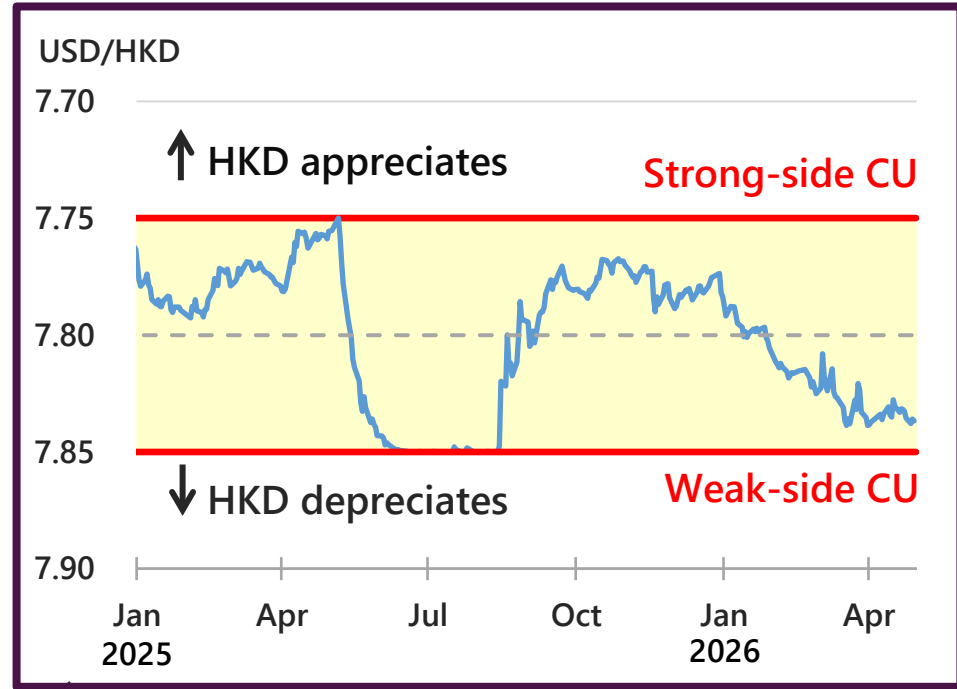
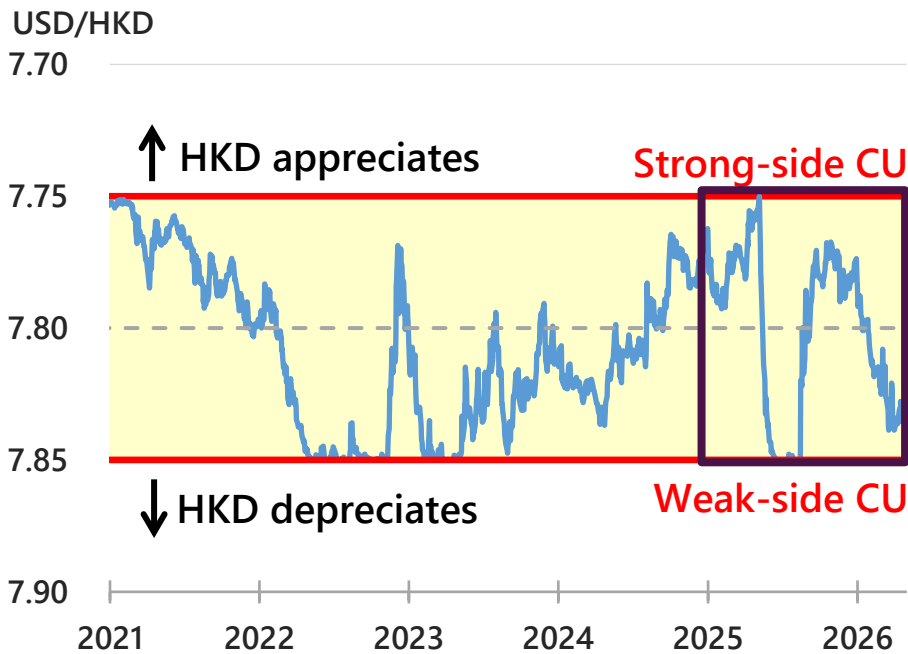
Source: Hong Kong Exchanges and Clearing Limited



Sources: Census and Statistics Department and HKMA staff estimates.



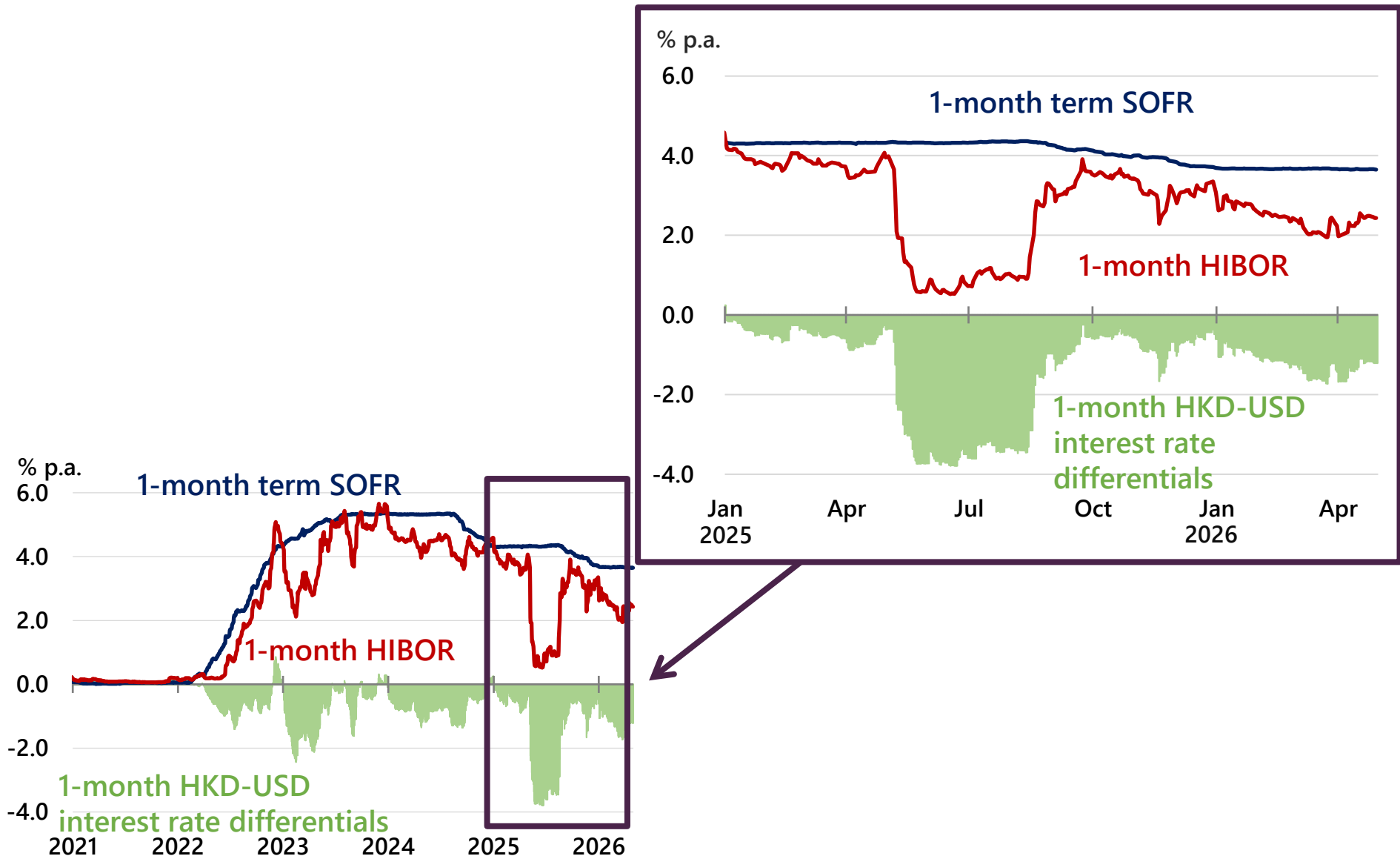
HKD exchange rate softens



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

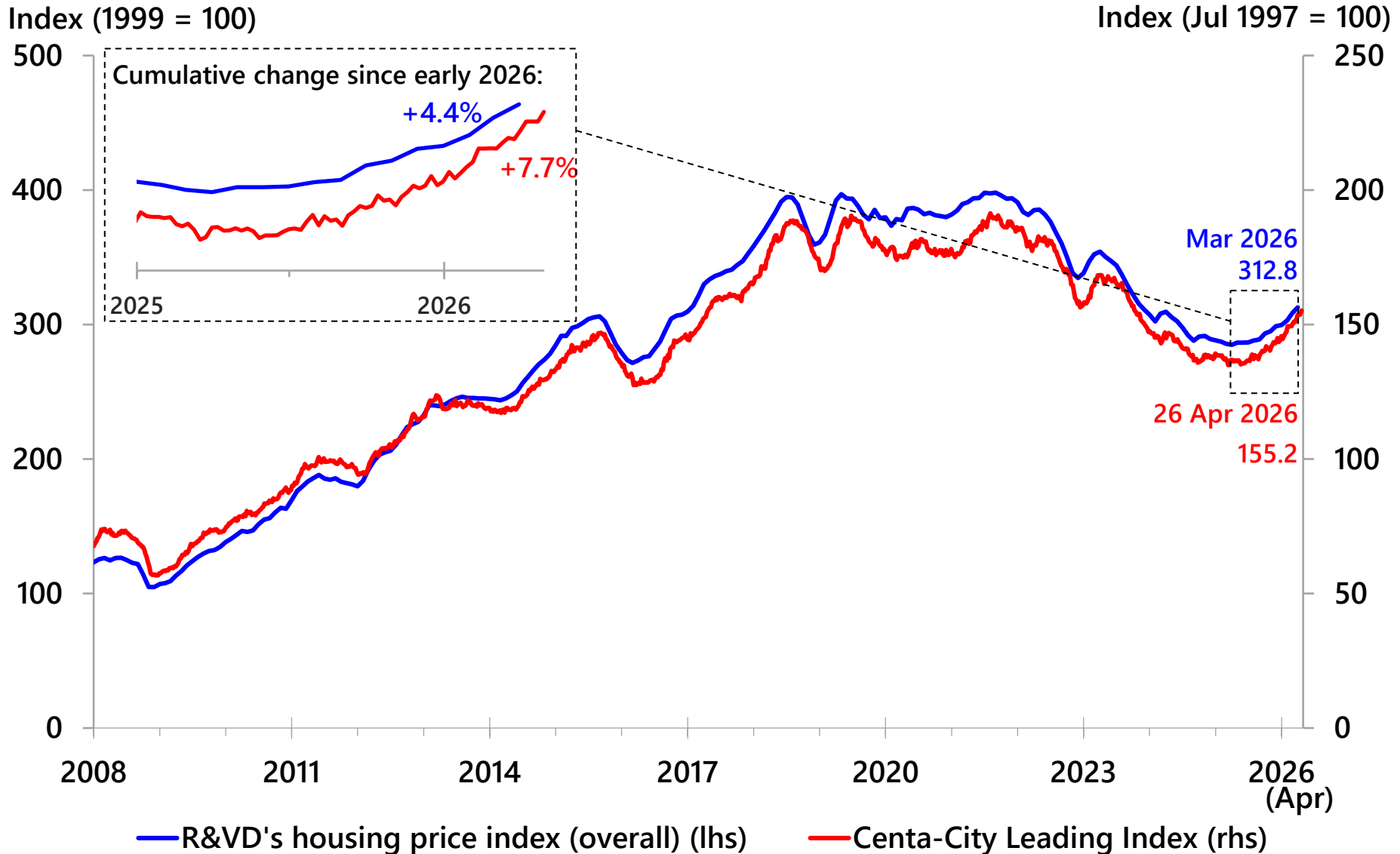


HKD interest rates remain stable





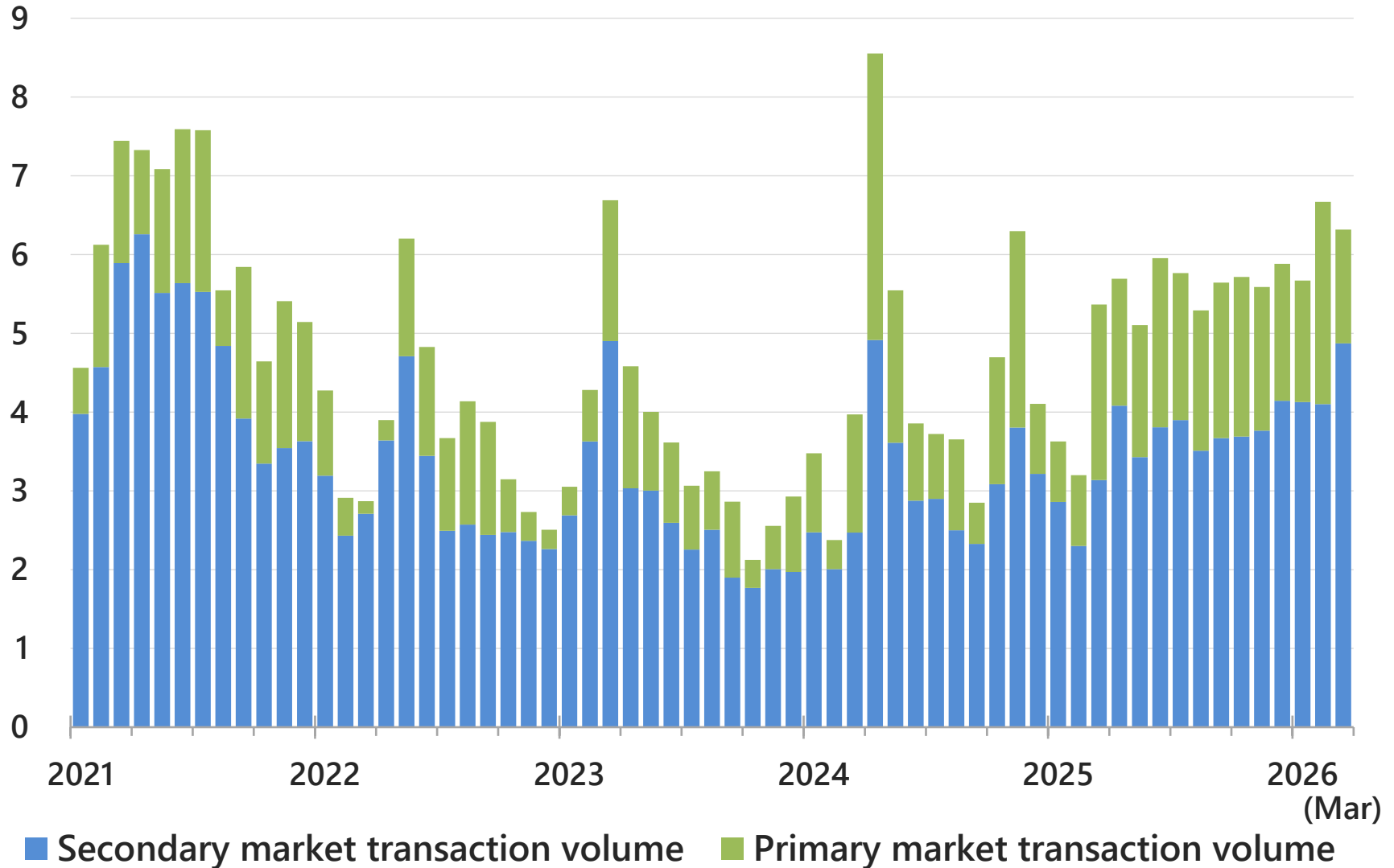
Housing prices increase





Property transactions stabilise

Number of transactions ('000)



Hong Kong's financial markets continue to function smoothly



- The Middle East conflict has driven up energy costs, adding uncertainties to the global economic and interest rate outlook
- Despite notable volatility in global markets, Hong Kong's foreign exchange and money markets have continued to function smoothly
- The Hong Kong economy remains resilient, with both domestic and external demand, as well as asset market showing solid momentum
- The HKMA will continue to work with other financial regulators to ensure financial security and stability
- The HKMA will proactively engage in the planning of finance-related initiatives under the Government's first "Five-year Plan"



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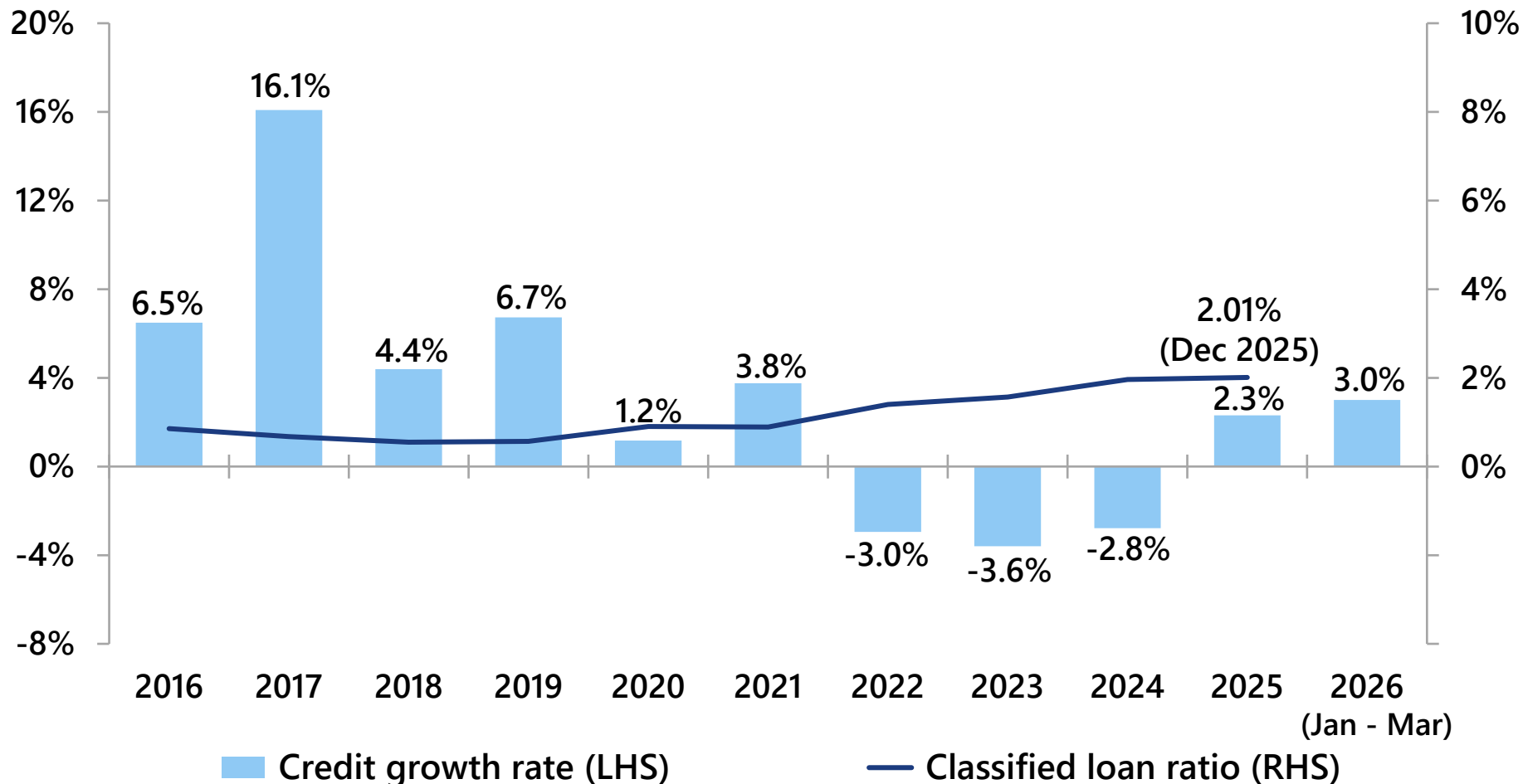
Banking sector performance



Total loans increased and credit risk stayed manageable

Credit growth rate

Classified loan ratio*



* Classified loan ratio of all authorized institutions

Source: HKMA



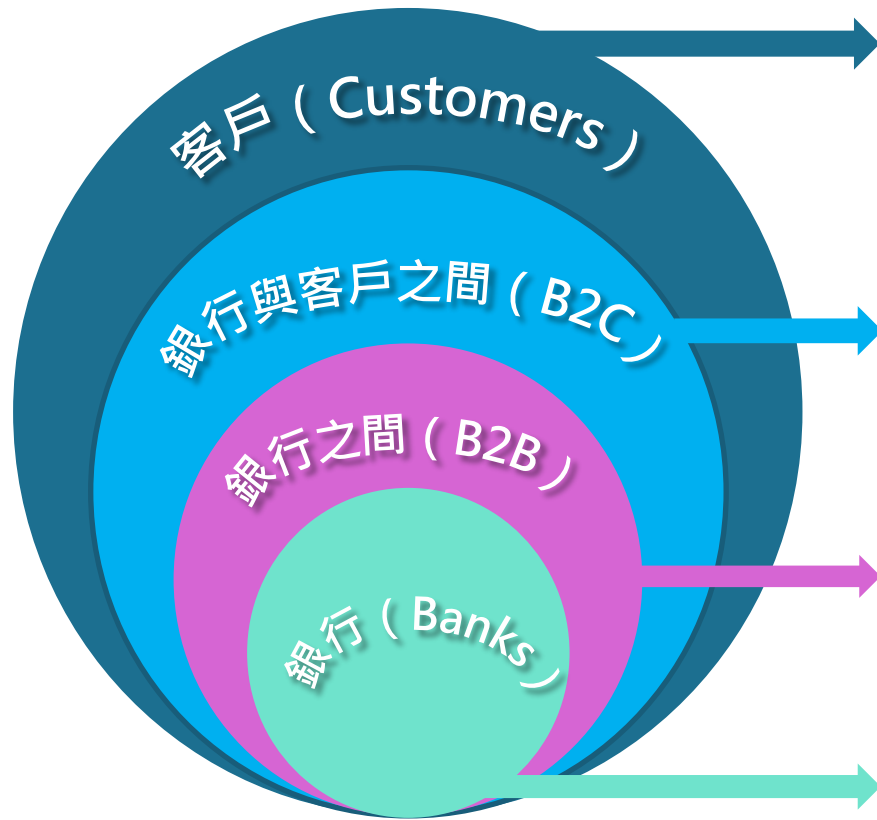
Supporting real economy

- On 29 April 2026, the HKMA and the banking sector introduced a new round of support measures to assist SMEs in navigating the current fast-changing market environment :
 1. Further increase dedicated funds for SMEs to over HK\$450 billion
 2. Offer credit relief to sectors affected by oil price surge
 3. Expedite the approval process for applications under the SME Financing Guarantee Scheme
 4. Introduce loans with flexible repayment for SMEs' transformation
 5. Deepen the use of fintech and data to assist SMEs in obtaining bank financing
- Furthermore, the HKMA and Hong Kong Association of Banks announced the establishment of the Northern Metropolis Financial Advisory Taskforce on 22 April 2026 to explore financing solutions that support the development of the Northern Metropolis



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 (Capital) (Amendment) Rules 2026

- Relax certain capital treatments to align with other major jurisdictions
- Implement latest Basel Committee supplementary standards
- Other market-driven updates
- Target implementation: Q1 2027

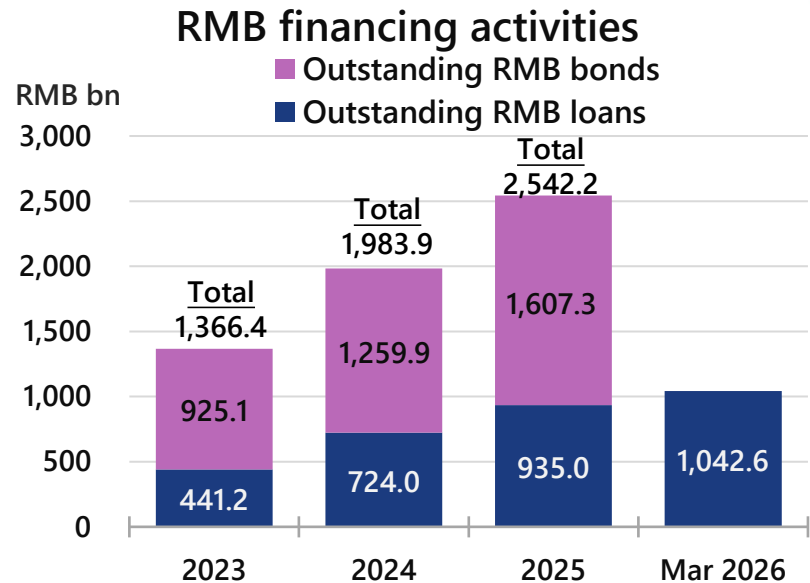
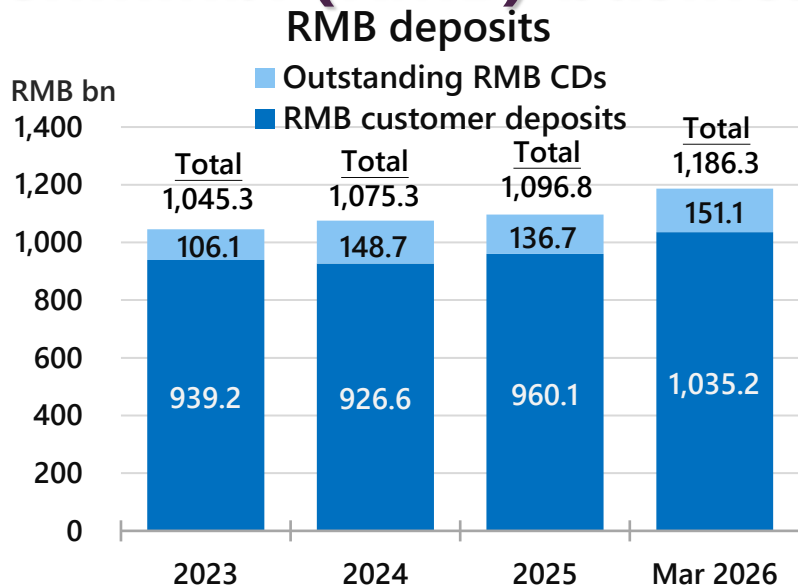
Banking Legislation (Miscellaneous Amendments) Bill 2026

- Targets to introduce the Bill into LegCo in the first half of 2026
- Amendments to the Banking Ordinance and its subsidiary legislation in relation to:
 - Modernisation of the Monetary Authority's enforcement powers



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Steady development of Hong Kong's offshore renminbi (RMB) business



* Offshore RMB bond figures are updated quarterly. Compilation of the data as of Q1 2026 is in progress.

- The National 15th Five-Year Plan: promote RMB internationalisation, and support Hong Kong in strengthening its role as a global offshore RMB business hub. The HKMA will move forward initiatives in four areas including (1) deepening offshore market liquidity; (2) broadening product scope and channels; (3) enhancing infrastructure and ancillary services; and (4) stepping up overseas market outreach efforts, with a view to further enhancing our strength in servicing real sector activities and our "hub-and-spoke" role in channeling liquidity to overseas markets
- Promoting the broader use of the RMB in the real economy through liquidity support: The RMB Business Facility (RBF) with a total size of RMB200 billion provides banks with stable, lower-cost RMB funds, supporting banks in offering RMB financing to corporate clients around the world. The RBF has received overwhelming response, and the HKMA is actively responding to market demand, ensuring policy reach and effectiveness, and exploring further opportunities to enhance the arrangement



Developing the bond market

- Hong Kong remains the key leading international bond arranging hub in the region, with over US\$133 billion worth of international bond issuances arranged in Hong Kong during 2025, leading the region in bond issuance
- Proactively driving the implementation of the “Roadmap for the Development of Fixed Income and Currency Markets” with relevant stakeholders. Major initiatives include:
 - Attracting more issuers and investors to Hong Kong to expand the primary bond market
 - Continuing to collaborate with Mainland regulatory authorities to explore refinements and enhancements to financial market connectivity between Hong Kong and the Mainland, and to further improve the ancillary services, with a view to encouraging RMB-related investments.
 - Promoting the further development of Hong Kong's tokenised bond ecosystem
- Supporting the Government in the implementation of the 2026-27 bond issuance plan

Developing Hong Kong's financial platform (1)



Supporting Mainland enterprises in “going global” and supply chain financing

- Studying measures to enhance the competitiveness of tax arrangements applicable to corporate treasury centres together with relevant government agencies; target to announce the measures within first half of 2026
- Facilitating digitalisation of trade and supply chain financing-related business, through Project Cargo^x and participating in the Government's legislative amendment exercise, etc.

Green finance

- Hong Kong is an important financing hub for green and sustainable finance in Asia, with issuance of green and sustainable bonds reaching US\$37.7 billion in 2025, while that of loans also reached US\$38.8 billion
- Preparing for the 2026 Hong Kong Green Week in September. So far, around 30 partners have confirmed to host over 20 events revolving around six key thematic areas including inclusive transition, climate adaptation and resilience, green technology, etc.
- Refining the Green and Sustainable Finance Grant Scheme to support green and sustainable bond and loan issuances in Hong Kong in a more targeted manner

Developing Hong Kong's financial platform (2)



Stablecoins

- The HKMA has granted two stablecoin issuer licences. Our work priorities in the next phase will include:
 1. ensuring that the two licensees launch their stablecoins as planned, as well as conducting ongoing supervision, and evaluating business progress and risk management
 2. continuing to engage institutions intending to apply for a licence
 3. actively participating in policy discussions by international financial bodies regarding stablecoin developments

Outreach

- In addition to maintaining connections with developed markets, the HKMA actively strengthens engagement with ASEAN and Middle East central banks, and works with the industry to promote Hong Kong's position as an international financial centre, as well as deepen financial co-operation



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Financial infrastructures

- Operation of all financial infrastructures remains safe and efficient

Faster Payment System

- Registrations and turnover of the Faster Payment System have been growing steadily

Central Moneymarkets Unit (CMU)

- Expanding CMU's international connectivity
 - The Central Bank of the United Arab Emirates became a CMU member in February 2026, underscoring CMU's instrumental role in connecting global investors with the Chinese Mainland markets
- Continuously upgrading debt settlement system
 - Actively developing a Digital Asset Platform, to be launched this year to support the issuance and settlement of digital bonds



Fintech initiatives

Commercial Data Interchange (CDI)

- In collaboration with relevant Government agencies and industry stakeholders, actively advancing the implementation of the Project Cargo^x recommendations and roadmap published in January 2026, leveraging CDI to further enhance cargo and trade data connectivity

Fintech 2030

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

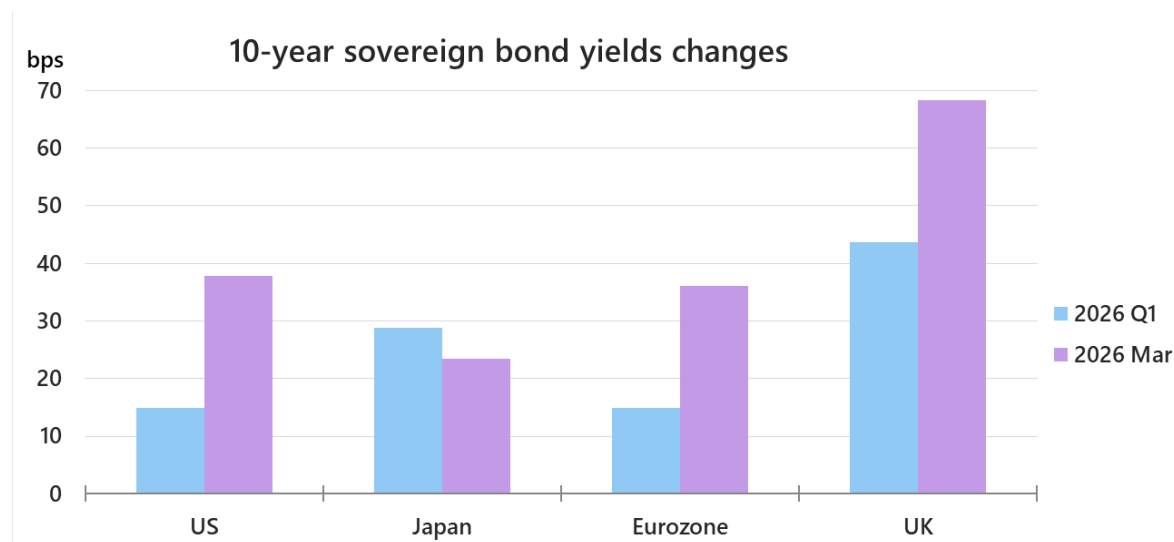
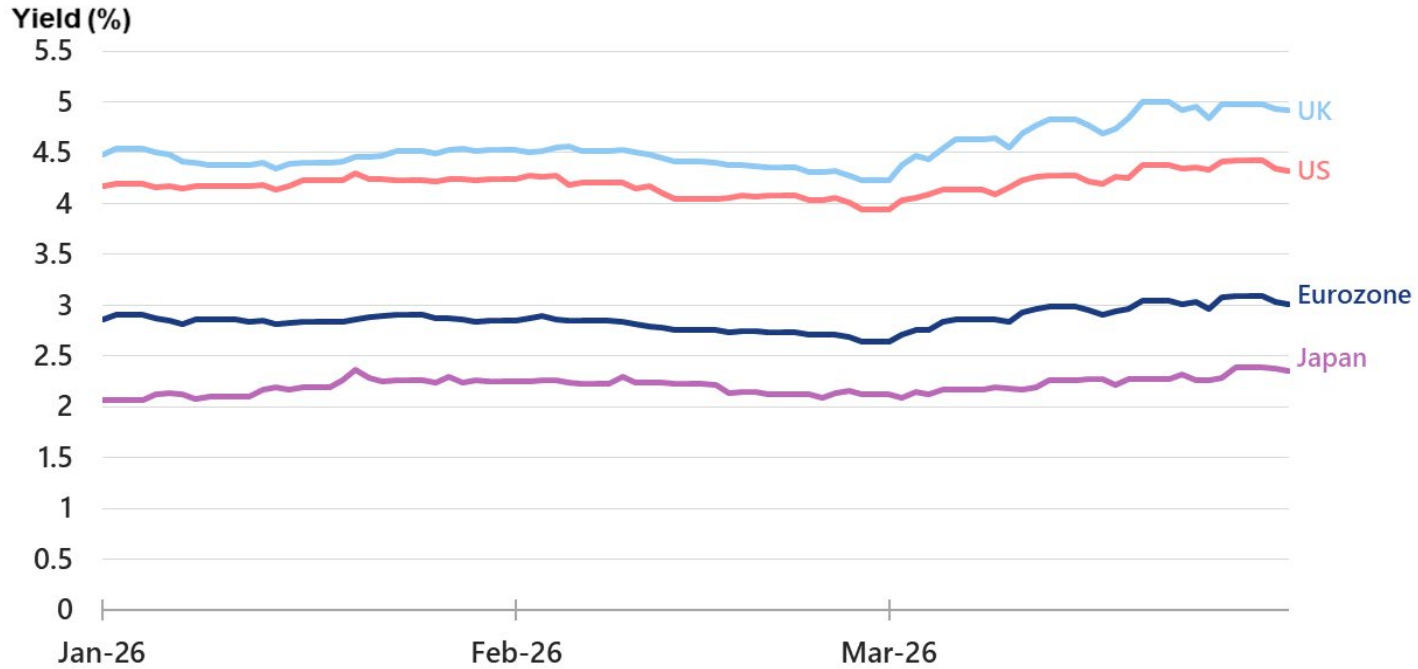
Tokenisation

- Announced the commencement of Ensemble^{TX} (project’s pilot phase) in November 2025, enabling real-value transactions involving tokenised deposits and digital assets



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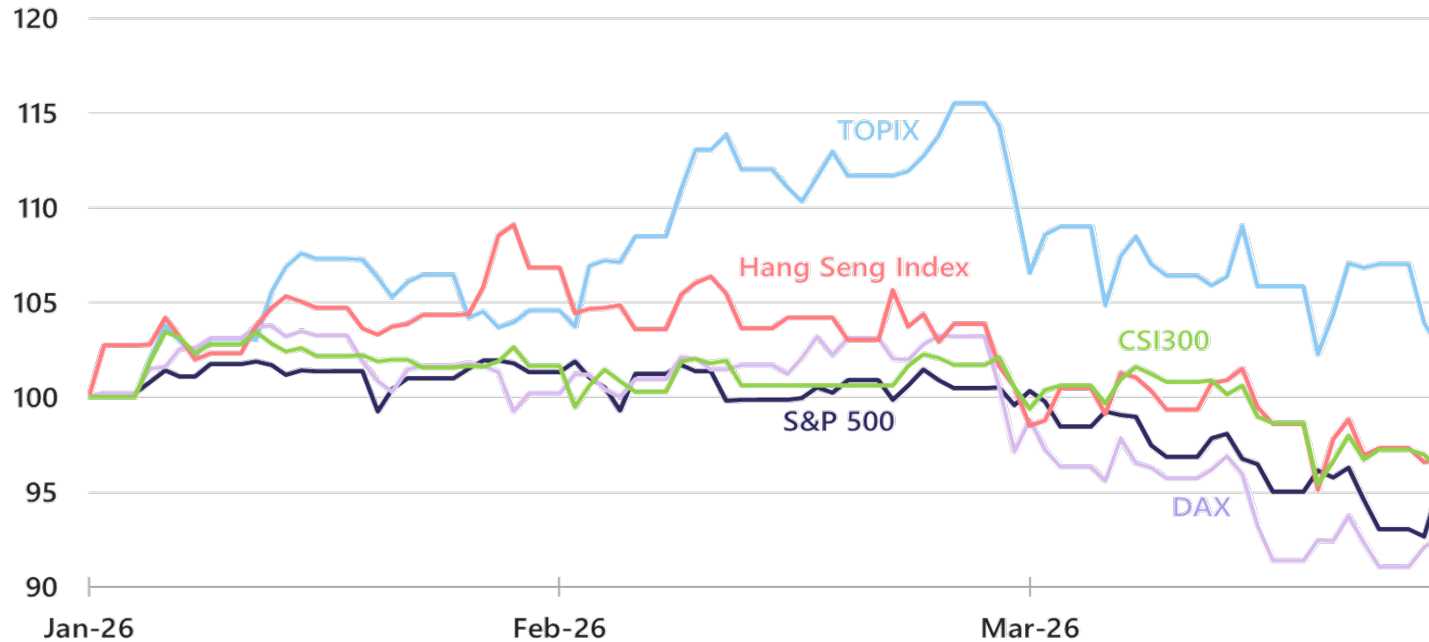
Major 10-year sovereign bond yields increased in March



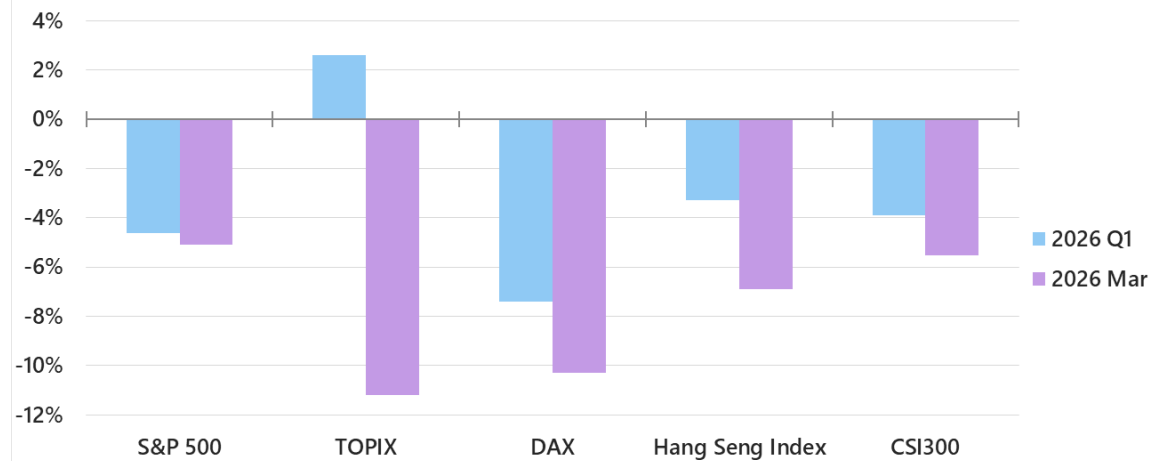


Major equity markets began to decline in March

Normalised Index Level (2025 year-end = 100)



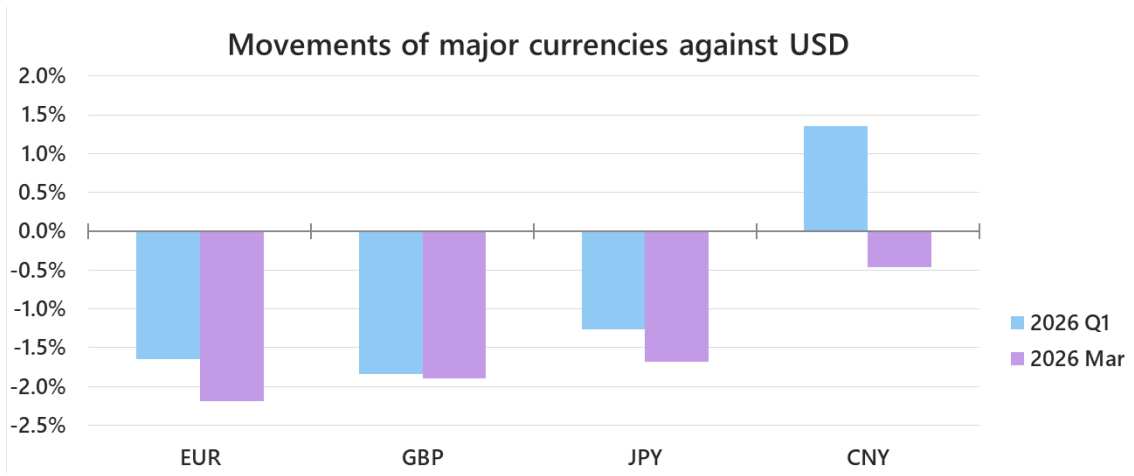
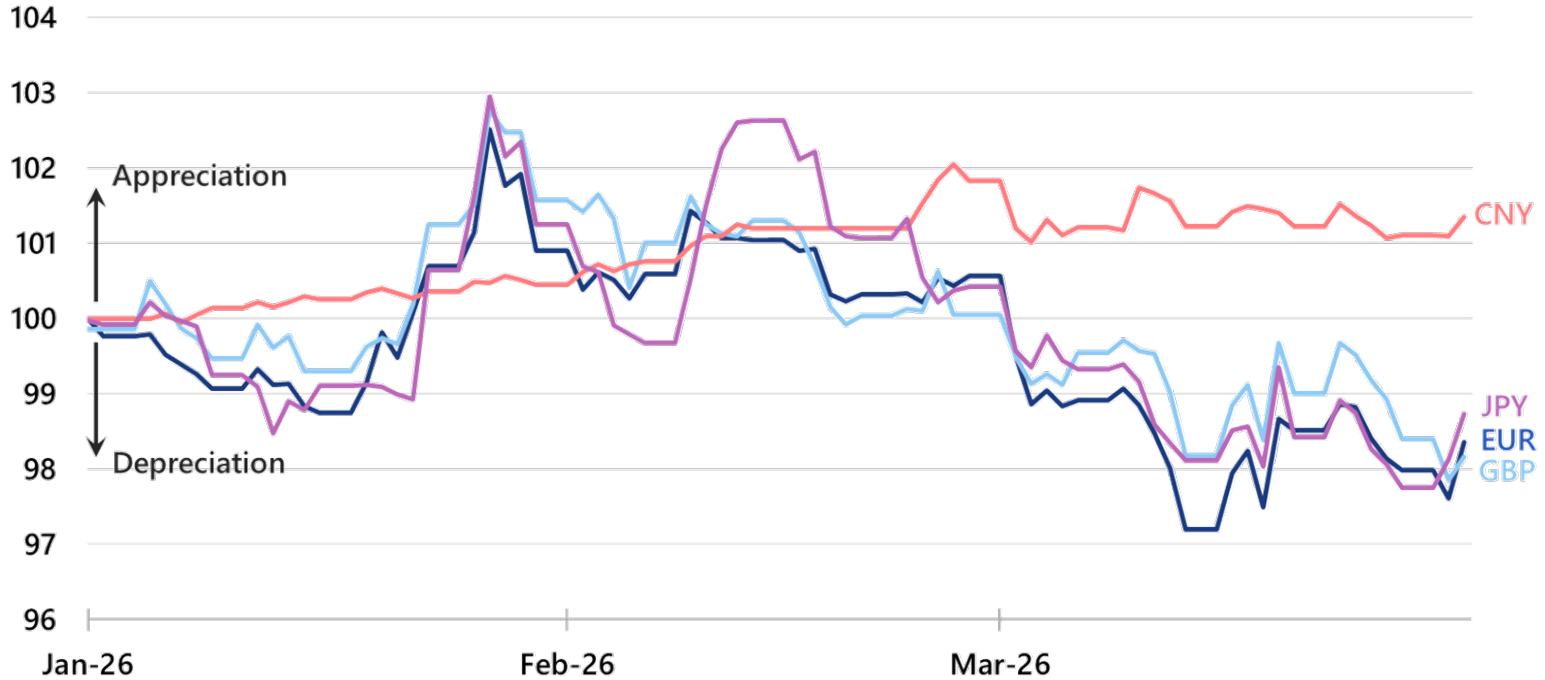
Major equity indices movements



Major currencies exhibited volatility against USD



Normalised FX Level Against USD (2025 year-end=100)





Investment Income

	2026	2025	2024	2023
	(unaudited)			
(HK\$ billion)	Q1	Full year	Full year	Full year
Bonds	24.6	142.7	135.9	144.7
Hong Kong equities*	(5.0)	33.9	21.8	(15.5)
Other equities	(11.0)	74.8	69.1	73.6
Foreign exchange#	25.9	38.5	(35.6)	(0.5)
Other investments@	-	47.5	27.6	23.7
Investment income	34.5	337.4	218.8	226.0

* 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 asset investments held under the Long-Term Growth Portfolio. Valuation changes of these investments for the first quarter of 2026 are not yet available.



Income and Expenditure

	2026	2025	2024	2023
	(unaudited)			
(HK\$ billion)	Q1	Full year	Full year	Full year
Investment income	34.5	337.4	218.8	226.0
Other income	-	0.2	0.2	0.2
Interest and other expenses	<u>(10.0)</u>	<u>(44.2)</u>	<u>(63.1)</u>	<u>(54.5)</u>
Net income	24.5	293.4	155.9	171.7
Fee payment to Fiscal Reserves				
– Operating and Capital Reserves*	(5.8)	(16.5)	(13.2)	(17.5)
– Future Fund	- #	(21.3)	(16.2)	(18.0)
Fee payment to HKSAR Government funds and statutory bodies*	(2.9)	(14.7)	(15.7)	(16.5)

* The rate of fee payment is 4.8% for 2026, 4.4% for 2025, 3.7% for 2024 and 3.7% for 2023.

The 2026 fee payment to the Future Fund will be published when the composite rate for 2026 is available.
(The composite rate was 7.0% for 2025, 3.9% for 2024 and 4.8% for 2023.)



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Mortgage Insurance Programme

	Since launch	2025	2025 (Jan – Mar)	2026 (Jan – Mar)
Applications approved	521,875	15,766	3,958	3,459

* Since the HKMA has further adjusted its countercyclical macroprudential measures in 2024, more homebuyers could get mortgage loans with higher loan-to-value ratio from banks, the demand for the MIP correspondingly decreased

SME Financing Guarantee Scheme and Dedicated 100% Loan Guarantee Schemes (DLGS)



	Since launch	2025	2025 (Jan – Mar)	2026 (Jan – Mar)
80% and 90% Guarantee Products:				
Applications approved	49,409	5,815	1,631	1,330
Loan amount (HK\$ billion)	161.7	13.5	3.6	3.3
DLGS for Battery Electric Taxis:				
Applications approved	756	534	129	117
Loan amount (HK\$ billion)	0.25	0.17	0.04	0.04