HONG KONG MONETARY AUTHORITY
香港金融管理局

Briefing to the Legislative Council Panel on Financial Affairs

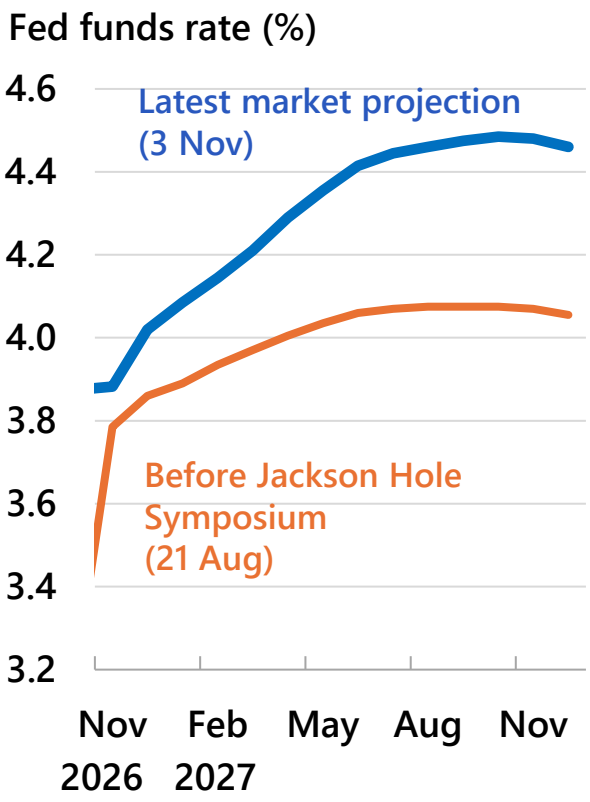
6 November 2026

[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

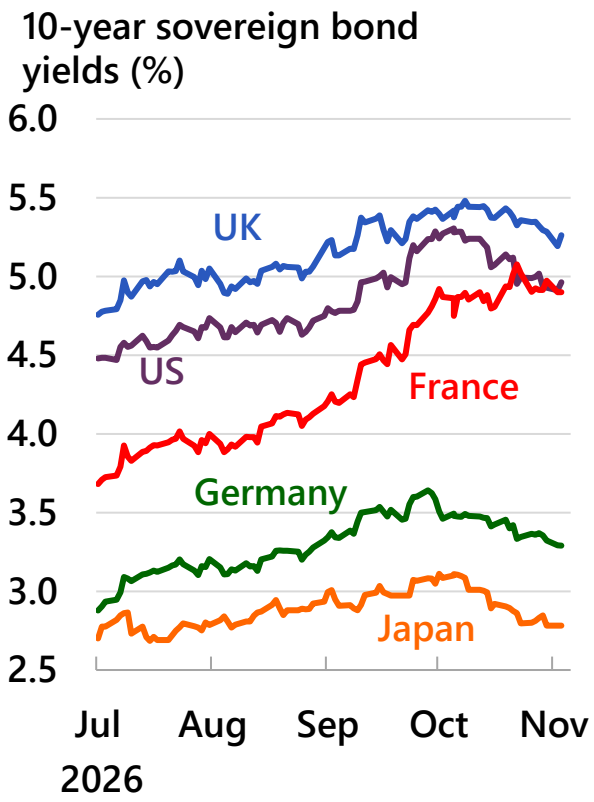
Global monetary conditions tighten amid US Fed's rate hike, rising long-term bond yields globally and strengthening of the US dollar

US interest rates are expected to rise



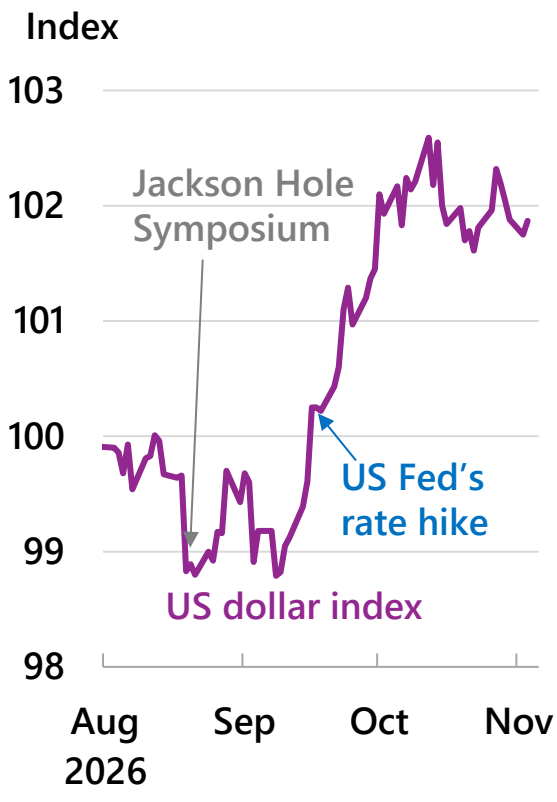
Source: Bloomberg

Rising long-term bond yields of major countries



Source: Bloomberg

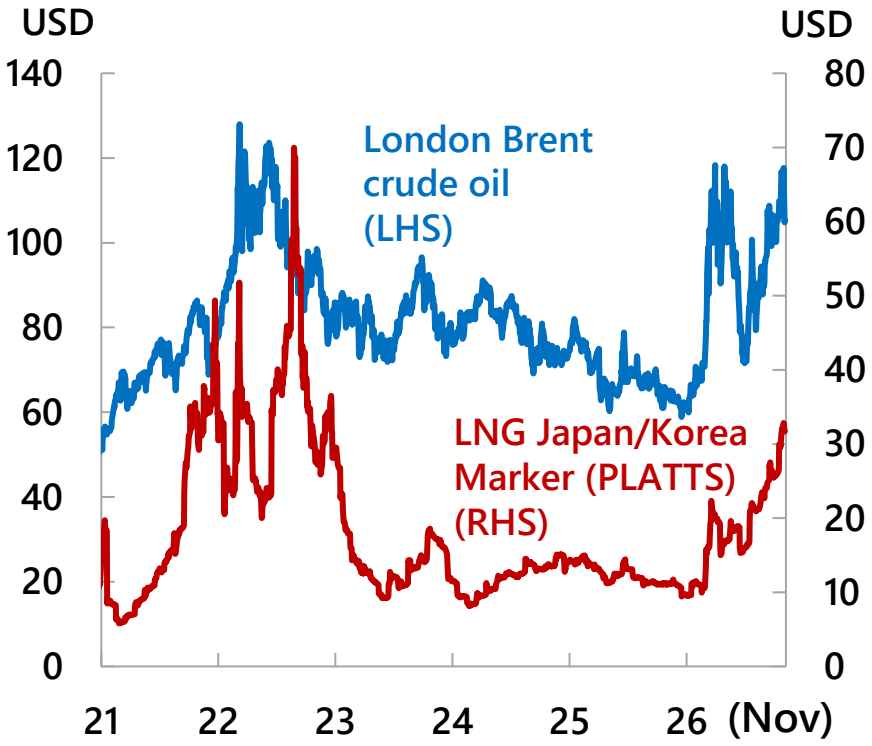
US dollar continues to strengthen



Source: Bloomberg

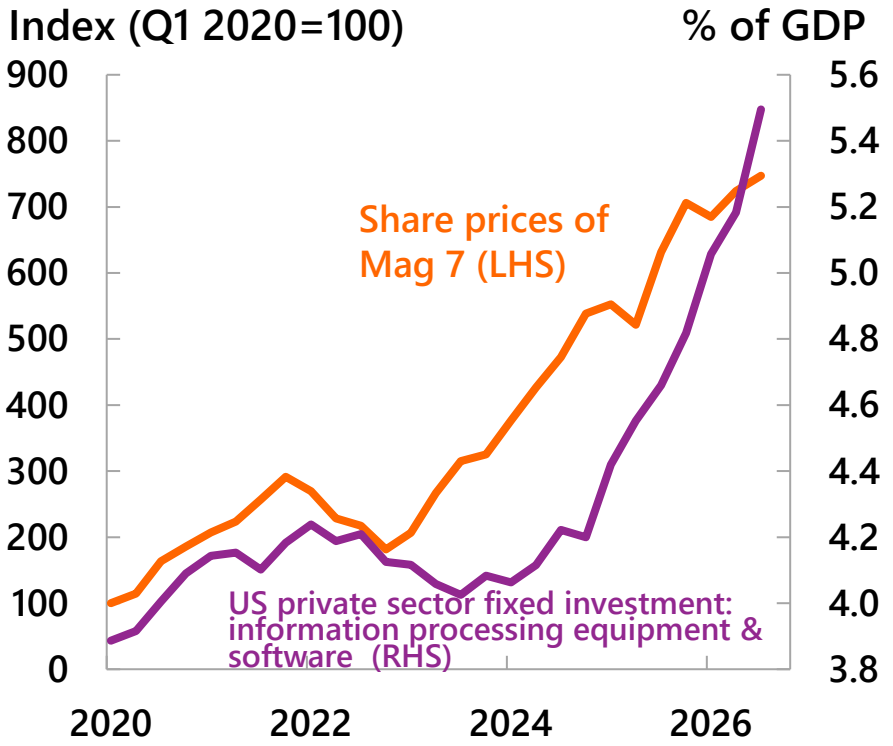
Volatile energy prices and A.I. investment boom continue to be the key factors affecting global economy and financial markets

Energy prices rebound



Source: Bloomberg

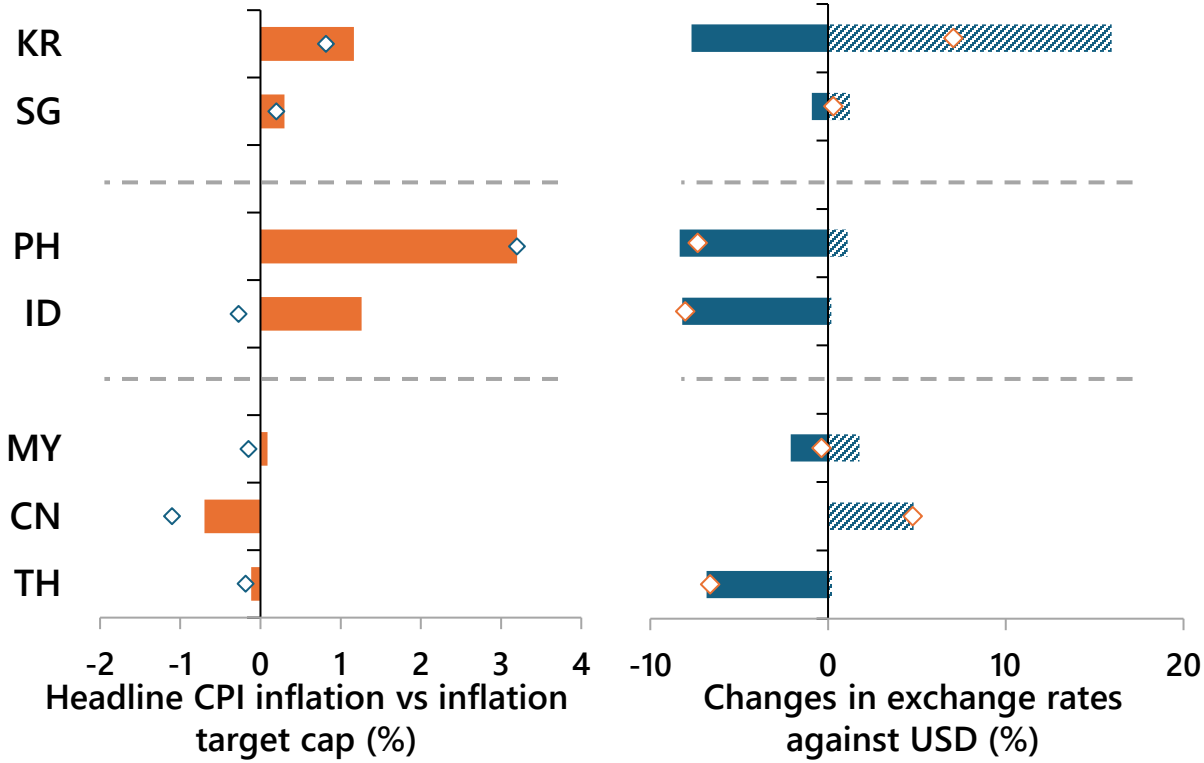
Artificial intelligence (A.I.) Investment boom continues



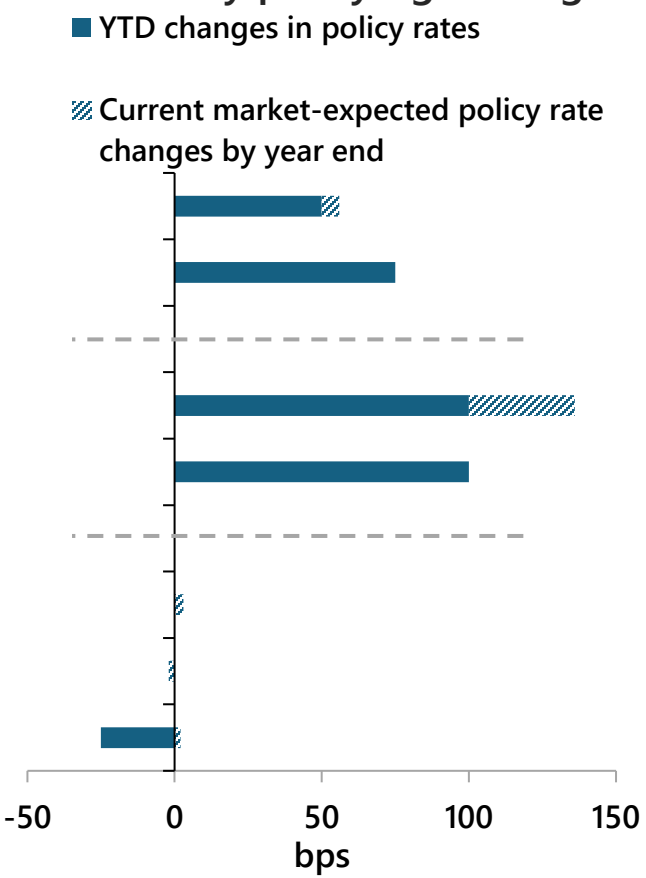
Sources: US Bureau of Economic Analysis and Bloomberg

Many regional central banks tightened monetary policy amid inflationary and currency pressures

Varying degrees of inflationary and exchange rate pressures...



...are affecting the degree of monetary policy tightening

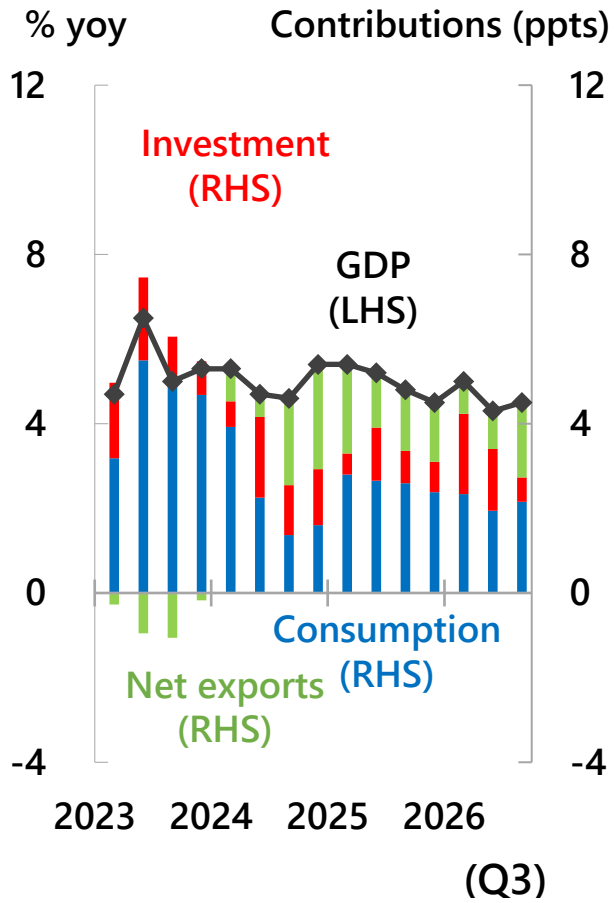


Note: The latest inflation figures are Oct 2026 for ID and KR, and are Sep 2026 for all other economies. SG and MY do not have official inflation targets. In line with market practice, for SG, 2% is used as the inflation target; for MY, the inflation target is calculated as the average of the headline CPI inflation from 2015 to 2019 (the five years prior to COVID-19 pandemic). The latest exchange-rate figures are up to 3 Nov 2026.
Sources: CEIC, Bloomberg and HKMA staff estimates.

Note: The latest figures are up to 3 Nov 2026. SG uses S$NEER bands as its monetary policy tool, and figures in the chart reflect the inferred rate changes of the annual appreciation slope of the relevant band as estimated by the market. No expected policy rate data for SG and ID; all others are the 3-month forward market implied policy rate changes.
Sources: Bloomberg, J.P. Morgan, central bank official websites and HKMA staff estimates.

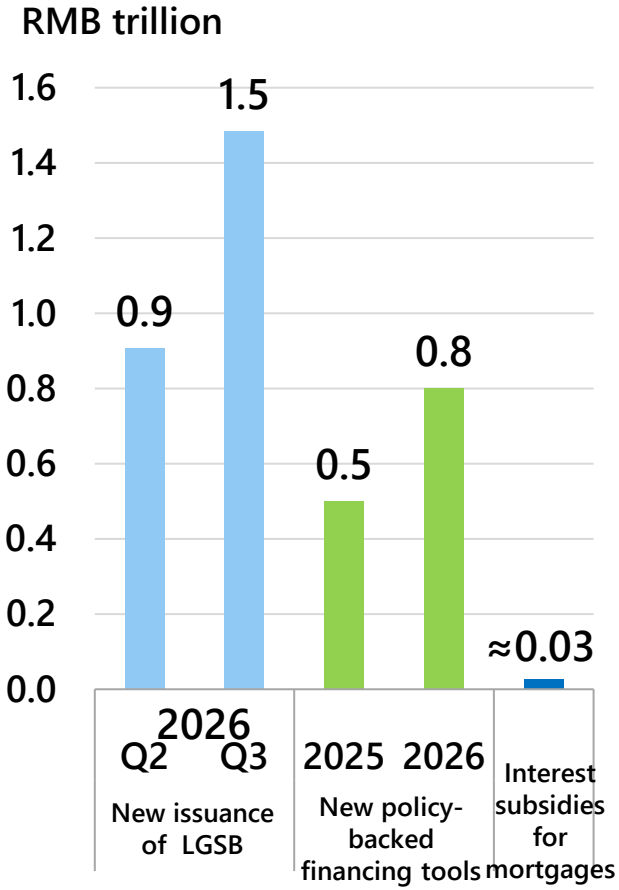
Mainland growth picked up and slightly beat expectations in Q3, while policy supports are enhanced to achieve the annual economic targets

Growth picked up in Q3



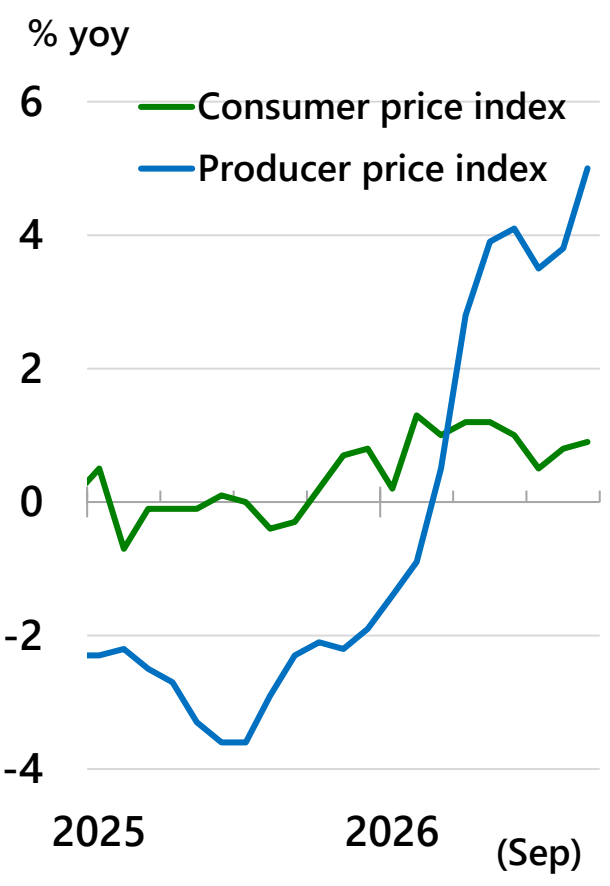
Sources: National Bureau of Statistics (NBS), CEIC and HKMA staff estimates

Enhanced policy supports



Note: Market estimates of the annual scale of the mortgage interest subsidy policy amounts to around RMB 20 to 30 bn with the central government bearing 90% of the cost. LGSB refers to local government special bonds.
Sources: WIND, PBoC, CEIC and HKMA staff estimates

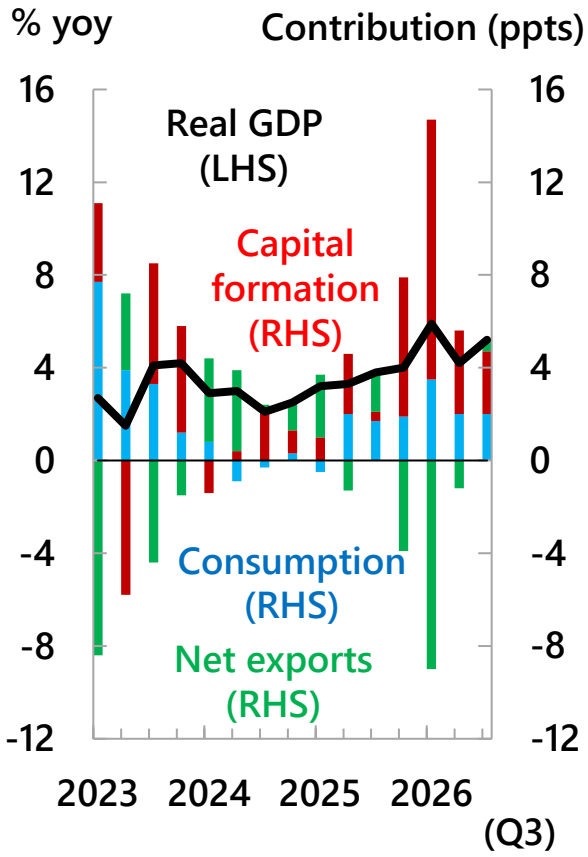
Pick-up in inflation



Sources: NBS and CEIC

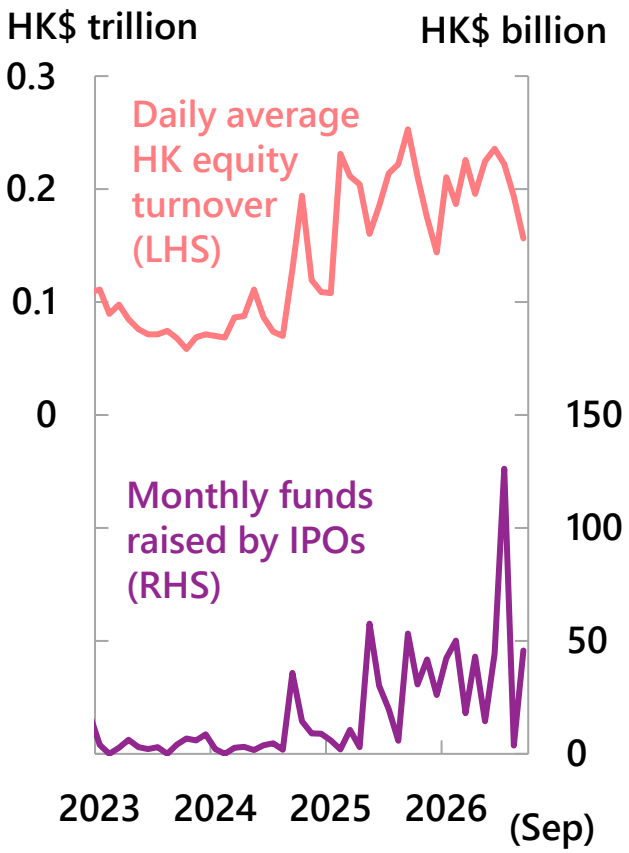
Hong Kong economy grew at a solid pace

Economy continued to expand robustly

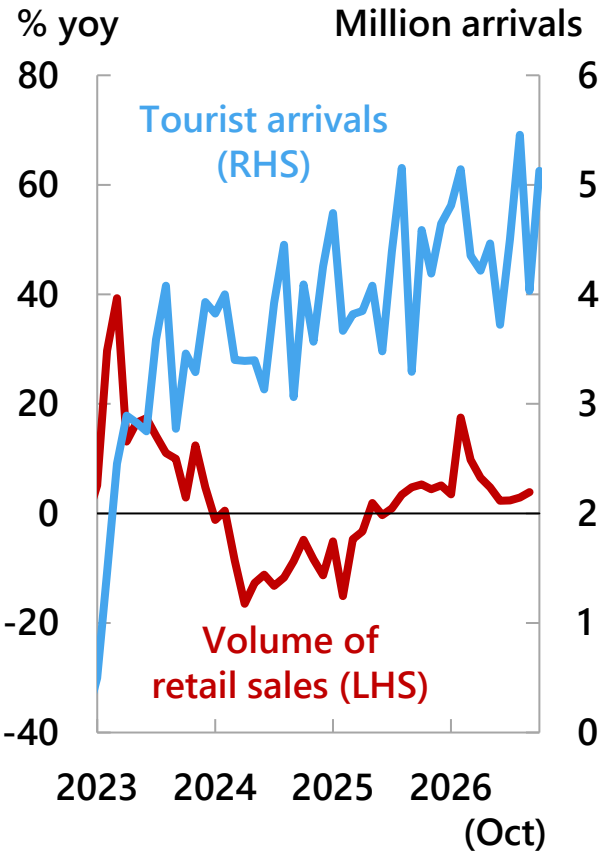


Note: The component breakdown of Q3 is estimated by the HKMA based on the latest available data.

HK equity turnover and IPO fund-raising remain vibrant



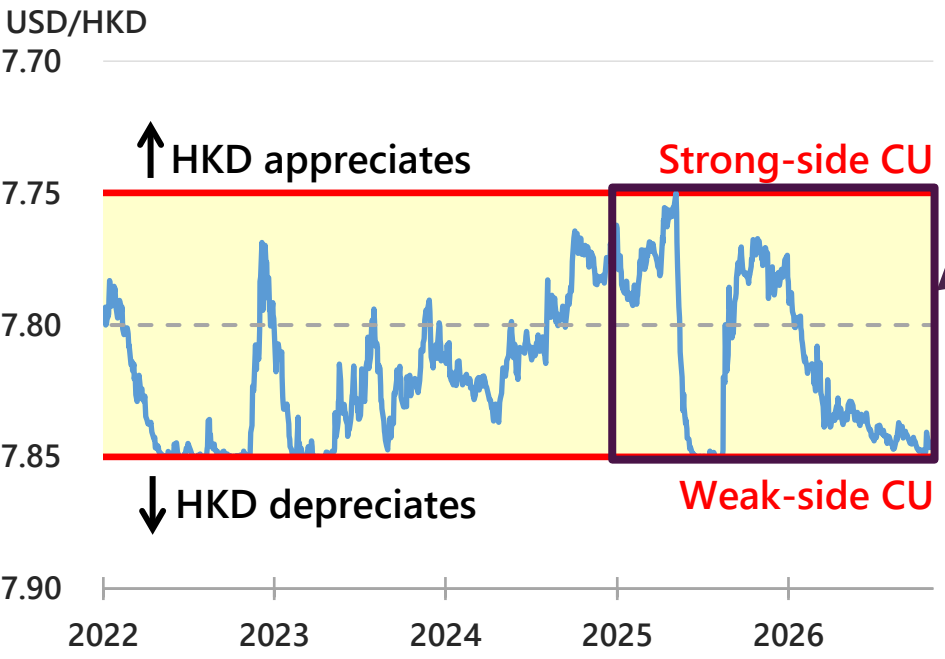
Inbound tourism and retail sales improved

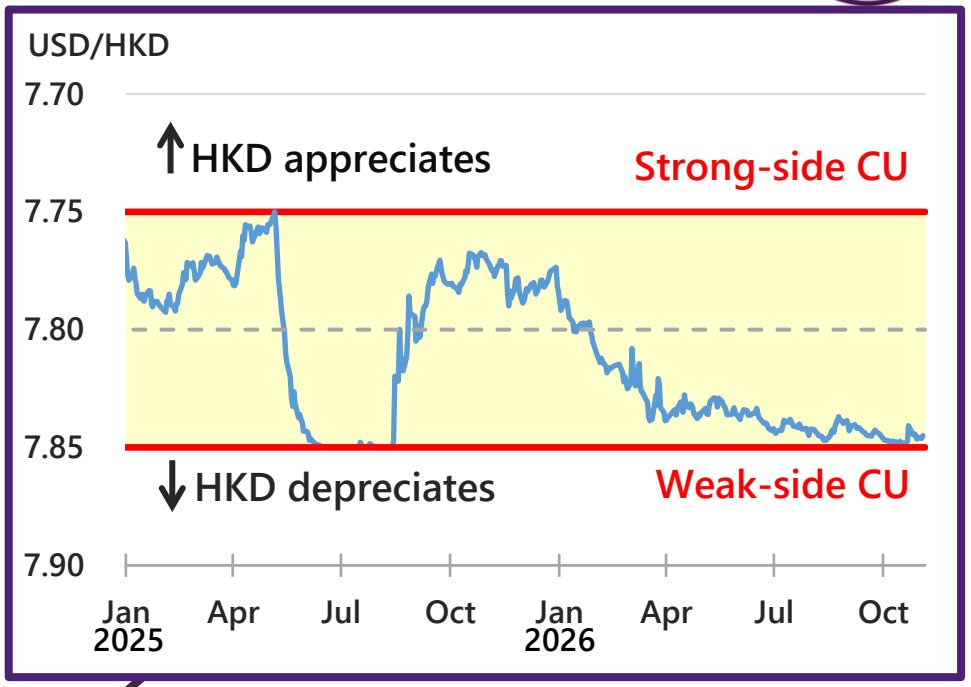


Note: Tourist arrivals in October is estimated by the HKMA based on the daily arrivals published by the Immigration Department.

Sources: Census and Statistics Department, HKEX, Hong Kong Tourism Board, Immigration Department and HKMA staff estimates

HKD exchange rate softens

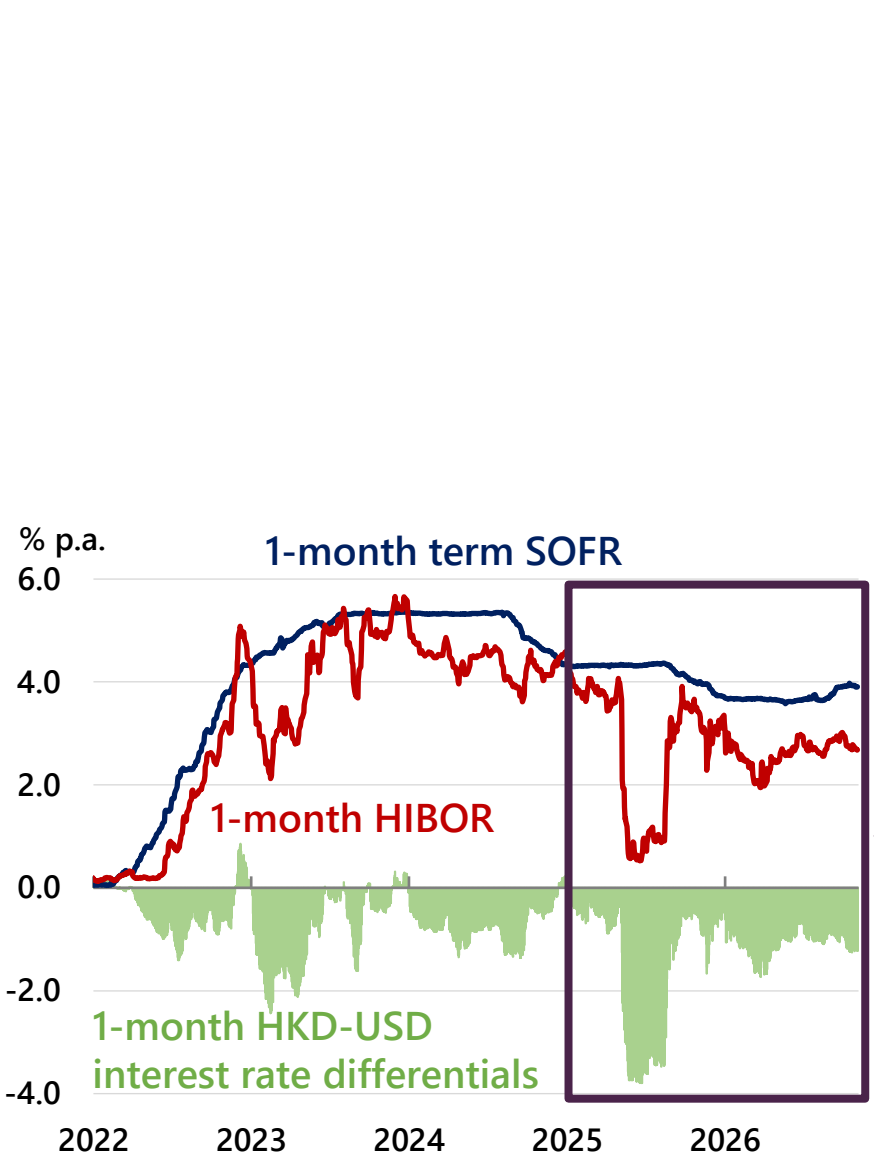


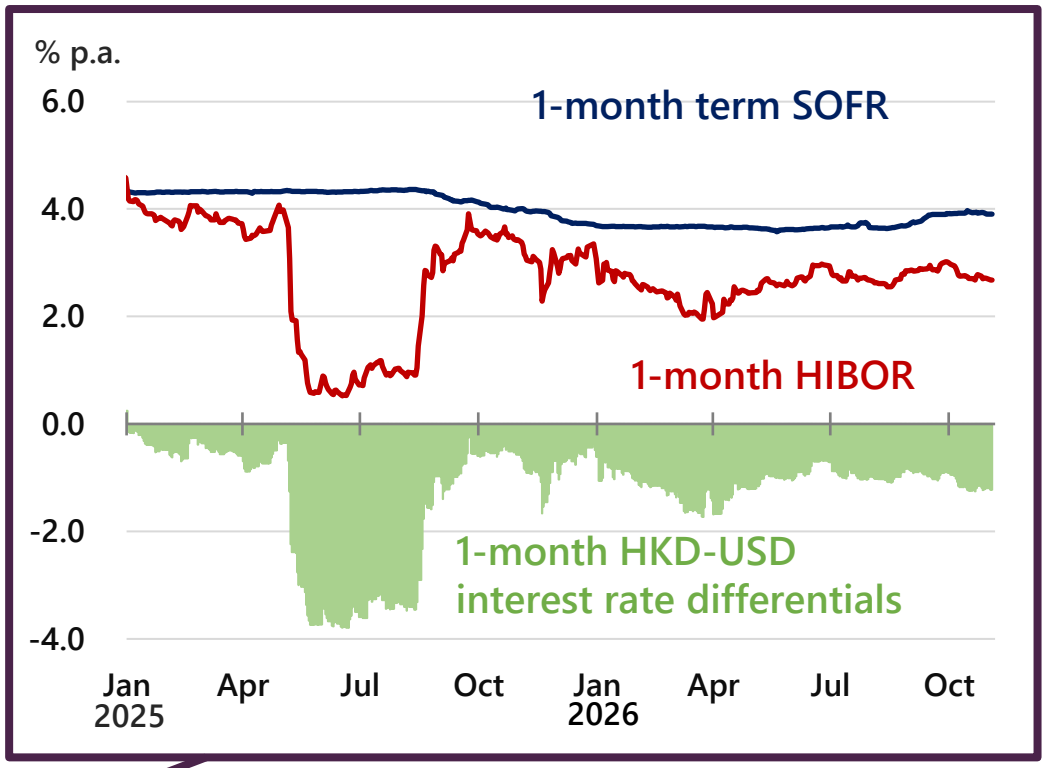


Year	Triggering of CU	Changes in Aggregate Balance (HKD billion)
2022 May - Nov	41 times (weak-side)	-242.1
2023 Feb - May	8 times (weak-side)	-51.5
2025 May	4 times (strong-side)	+129.4
2025 June - Aug	12 times (weak-side)	-119.9

Source: HKMA

HKD interest rates remain stable





Sources: Bloomberg and HKMA

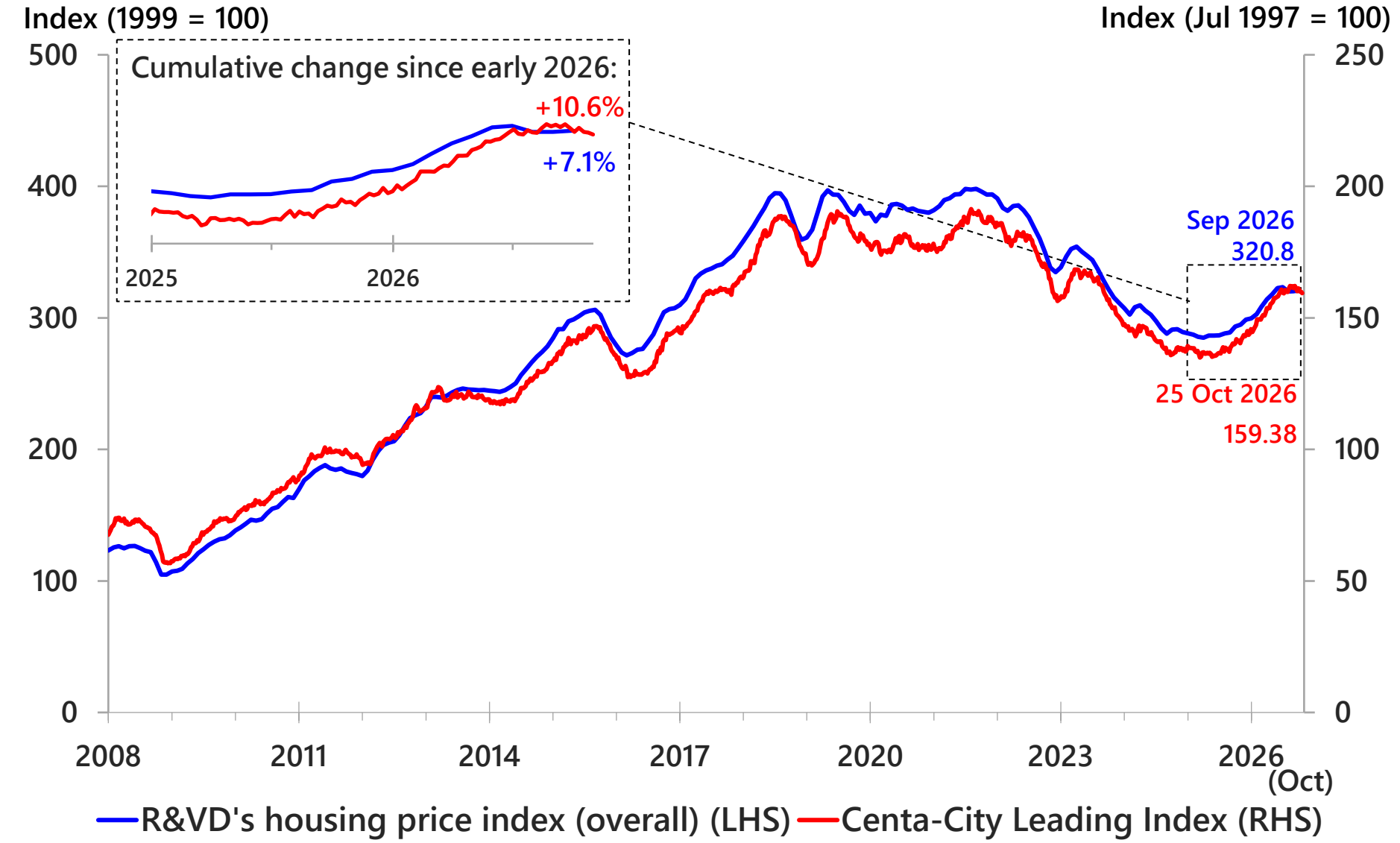
Bank deposits increase

Change during the period (%)

	Total deposits	HKD deposits
First half of 2026	+4.9%	+5.3%
July	+0.9%	+0.9%
August	+1.4%	+2.2%
September	+0.4%	-1.1%
Year to September	+7.7%	+7.3%

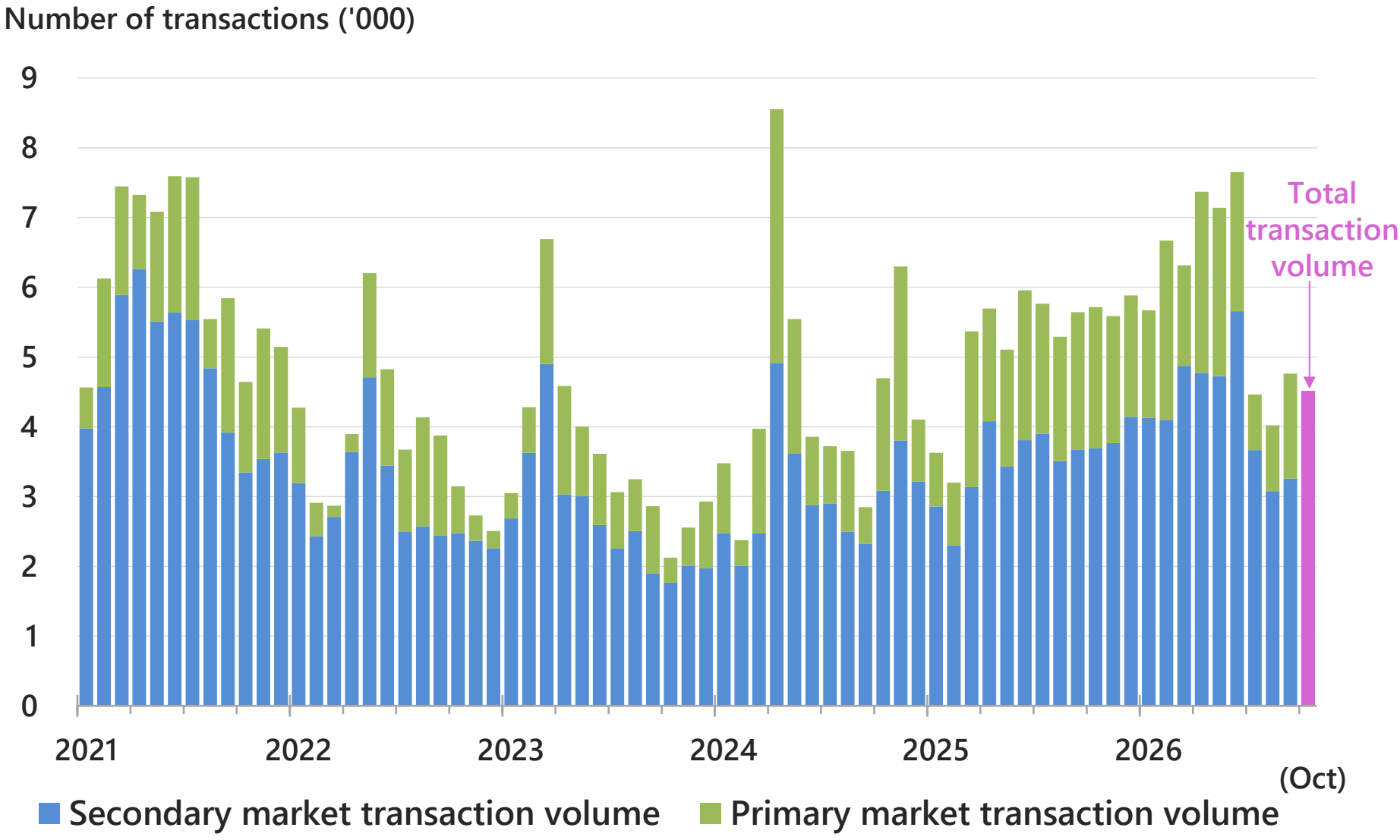
Source: HKMA

Housing prices stabilised recently after rising



Sources: Rating and Valuation Department and Centaline Property Agency Limited

Property transactions slowed down



Source: Land Registry

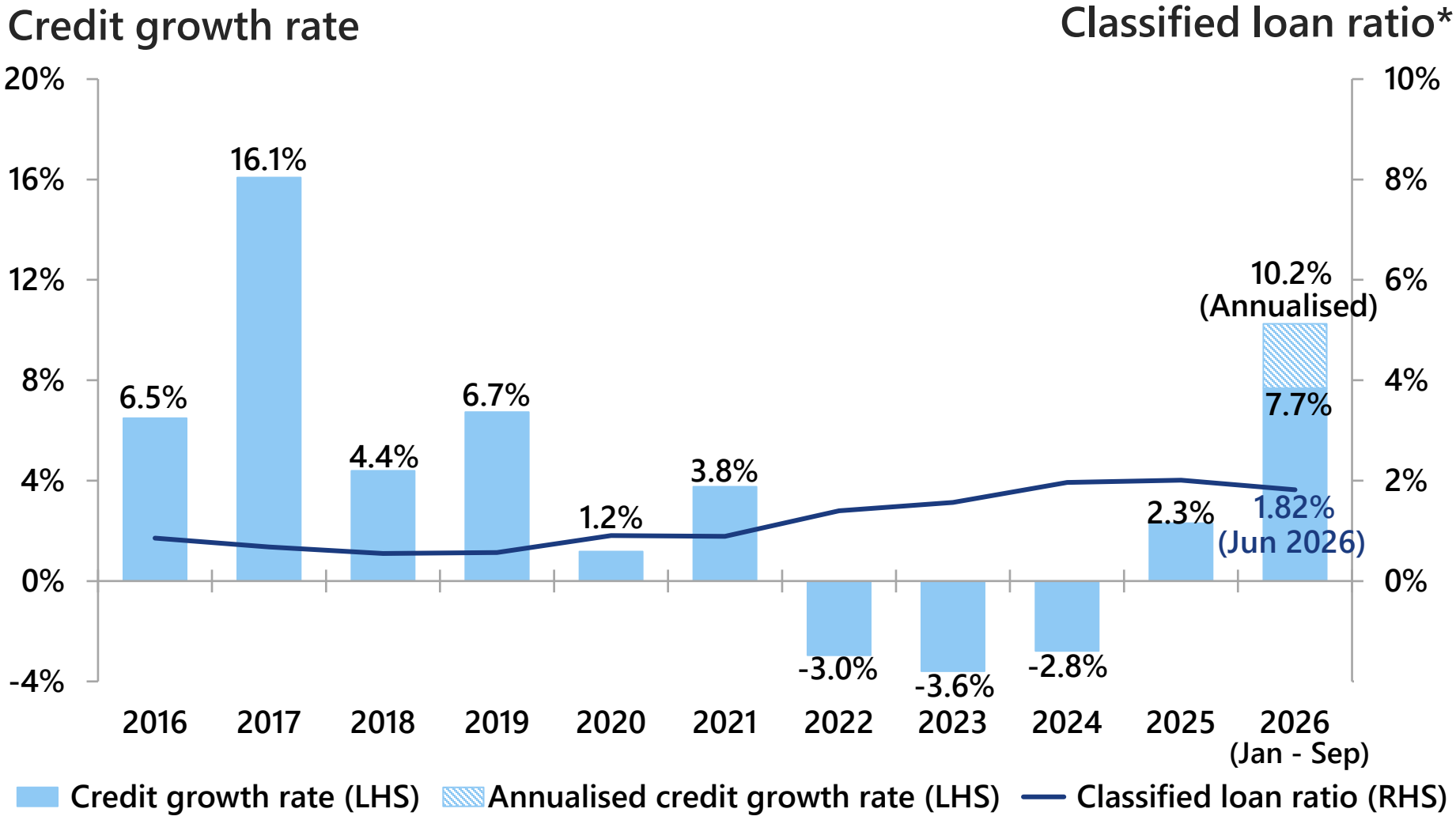
Hong Kong's financial markets continue to function smoothly and are resilient to challenges

- Amid US Fed's rate hike and rising long-term bond yields globally, monetary conditions have tightened around the world
- The prolonged Middle East conflict has once again driven up energy prices, further impacting on interest rate paths in Asia
- Despite tightening in the global monetary conditions, Hong Kong's foreign exchange and money markets have continued to function smoothly
- Hong Kong's economy and asset markets remain resilient and are able to deal with the challenges arising from the tightening in monetary conditions
- The HKMA will continue to work with other financial regulators to ensure financial and banking stability
- And actively implement the first Five-Year Plan to promote the continuous development of Hong Kong's financial sector and the broader economy

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Banking sector performance

Total loans increased and credit risk stayed manageable



* Classified loan ratio of all authorized institutions

Source: HKMA

Supporting real economy

Northern Metropolis

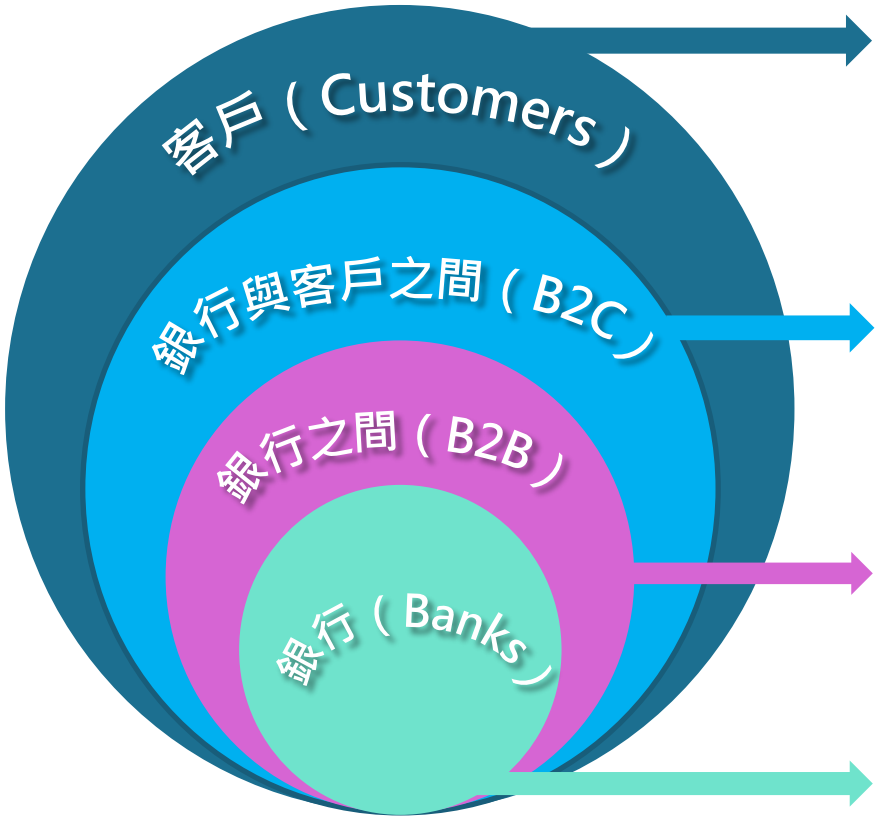
- The Northern Metropolis Financial Advisory Taskforce convened meetings in June and August to discuss how the banking sector can facilitate the development of the Northern Metropolis through diverse financing models
- The Taskforce established a dedicated Workstream on Public-Private Partnership (PPP) Financing to explore financing arrangements for PPP projects in the Northern Metropolis
- 11 tertiary institutions and 3 park companies will be designated as "Domestic Public Sector Entities" under the banking capital framework to facilitate their efforts to obtain bank financing for the development of related projects

Intellectual Property Financing Sandbox

- First batch of three participating banks have completed credit approvals for seven pilot cases
- Industries: electronics, construction, toy manufacturing and medical device
- Loan amounts: from HK$1 million to HK$39 million

Fraud Prevention and Detection

- Continue to enhance the multi-strata fraud prevention ecosystem



Customers: Conduct targeted educational campaigns to strengthen fraud prevention awareness of the public

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

Bank-to-bank: Expanded the enhanced bank-to-bank information-sharing tool to cover all retail banks

Banks: Strengthen the ability of APS Monitoring System in detecting and preventing investment scams; Lower third-party transfer limits for new-to-bank remote onboarding customers

Legislative Proposals

Banking (Capital) (Amendment) Rules 2026

- Aiming to introduce the Rules into LegCo within the first quarter of 2027 for negative vetting

- Target implementation: Q2 2027

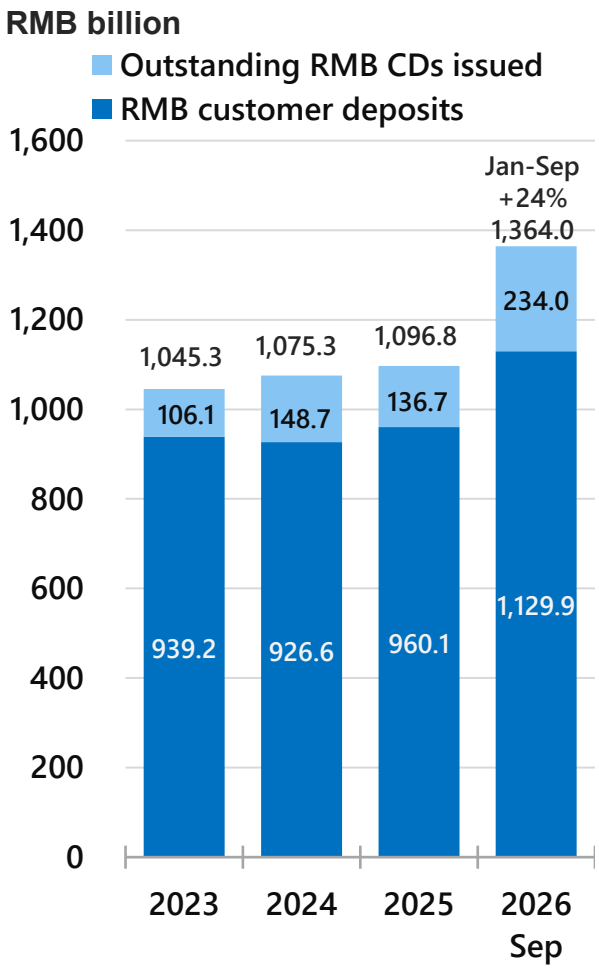
Banking Legislation (Miscellaneous Amendments) Bill 2026

- Second reading to resume in November 2026

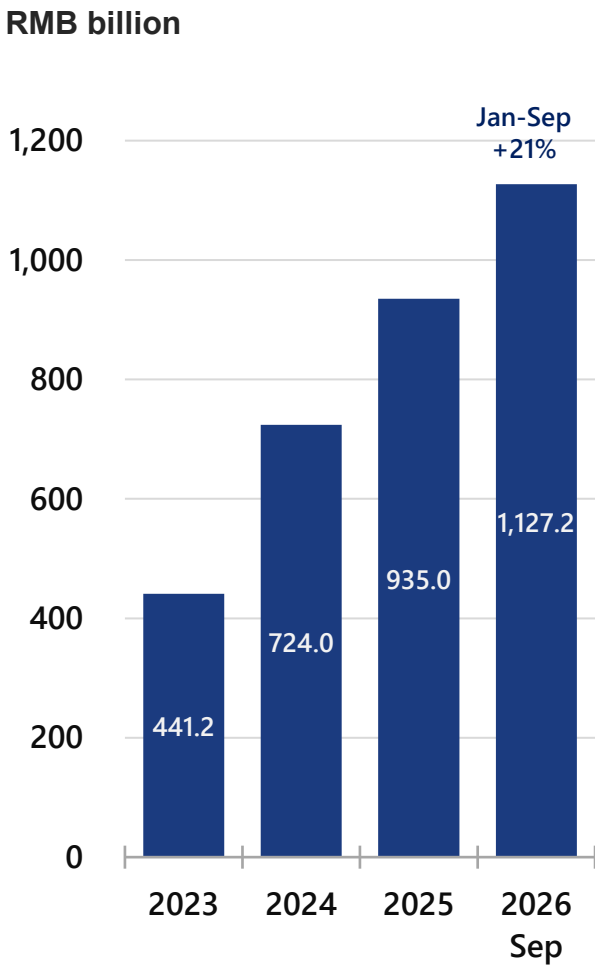
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Offshore RMB business in Hong Kong has maintained strong growth momentum

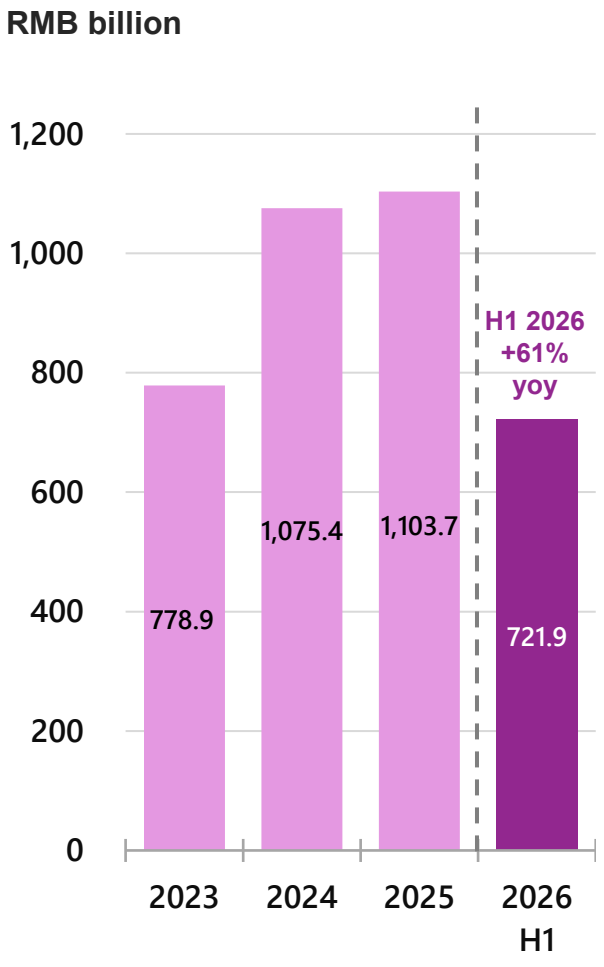
RMB deposits



RMB loans



Offshore RMB bond issuance



Supporting the development of the offshore RMB market

- The size of the RMB Business Facility (RBF) was expanded to RMB500 billion, with tenors extended to up to 3 years. The new arrangement serves to provide sufficient RMB liquidity to the market in a timely manner, support banks to expand their RMB business and facilitate corporates' use of RMB financing more broadly, and strengthen Hong Kong's role as the hub in radiating RMB funds globally

- HKMA will introduce a tendering mechanism of 7-day offshore RMB liquidity within the year, facilitating banks' RMB liquidity management. Meanwhile, we are exploring the issuance of offshore RMB short-term debt instruments to provide more high-quality investment and liquidity management products for the market, while supporting the building of the offshore RMB yield curve

- Actively taking forward the preparatory work for implementation of the bilateral currency transaction framework between offshore RMB and Indonesian Rupiah

- Curating prominent RMB business cases and issuing good practices to promote RMB adoption

Supporting the development of Hong Kong's bond market and deepening financial co-operation with the Chinese Mainland

- On 7 July 2026, the HKMA, the PBoC and the SFC announced a series of new measures to deepen the financial cooperation between Hong Kong and the Chinese Mainland, and support the development of Hong Kong's fixed income and currency (FIC) market. Implementation is on track:
  - The Southbound Bond Connect annual investment quota has been increased from RMB500 billion to RMB800 billion. We are taking forward the development of Southbound bond repo, product scope expansion and stepping up the management of market makers;
  - The Hong Kong Exchanges and Clearing Limited launched the 5-Year China Government Bond Futures on 3 August 2026;
  - The HKFE Clearing Corporation and the SEHK Options Clearing House started accepting eligible onshore bonds as margin collateral, effective from November 2026;
  - The interbank 7-Day Fixing Depository-Institutions Repo Rate (FDR007) will tentatively be included as a Swap Connect reference rate in Q4 2026; and
  - Financial infrastructure institutions in Hong Kong and the Chinese Mainland are working together to develop a Hong Kong FIC electronic trading platform
- Supporting the Government in the implementation of the 2026-27 bond issuance plan, which includes HK$55 billion Silver Bond issuance and the fourth digital bond issuance with a size of around HK$20 billion equivalent

Developing Hong Kong's financial platform

Supporting Mainland enterprises in "going global" and supply chain financing

- Facilitating digitalisation of trade and supply chain financing-related business and attracting corporates to set up treasury centres in Hong Kong, through Project Cargo[x] and participating in the legislative amendment exercises in respect of digitalisation of trade documents and tax concessions for corporate treasury centres

Green finance

- Organised the third edition of Hong Kong Green Week, and further raised Hong Kong's profile as the region's premier sustainable finance and knowledge hub
- Published the prototype of Phase 2B Hong Kong Taxonomy for Sustainable Finance and launched a public consultation

Stablecoins

- The HKMA has granted two stablecoin issuer licences. The licensees launched their Hong Kong dollar stablecoins in August and October 2026 respectively, and are actively expanding the use cases as planned

Outreach

- Strengthened financial co-operation with Bank Negara Malaysia and Bank Indonesia
- Jointly hosted a high-level roundtable with the International Monetary Fund for senior Middle East, Central Asia, and Caucasus government officials to discuss how Hong Kong's financial ecosystem can support the region's investment and financing needs
- Successfully hosted the fifth Global Financial Leaders' Investment Summit. The Summit convened approximately 280 global financial leaders, including around 120 group chairpersons and CEOs

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Financial infrastructures

- Operation of all financial infrastructures remains safe and efficient
  - Average daily turnover of the four RTGS Systems in Q3 2026 was HK$1.60 trillion (a record high), RMB2.44 trillion, US$103.6 billion and €1.3 billion, respectively

Faster Payment System (FPS)

- Registrations and turnover of the FPS have been growing steadily
  - As of end-September 2026, the number of FPS registrations was 22.04 million
  - In Q3 2026, average daily turnover for HKD real-time FPS transactions was 2.40 million in volume / HK$18.6 billion in value

Central Moneymarkets Unit (CMU)

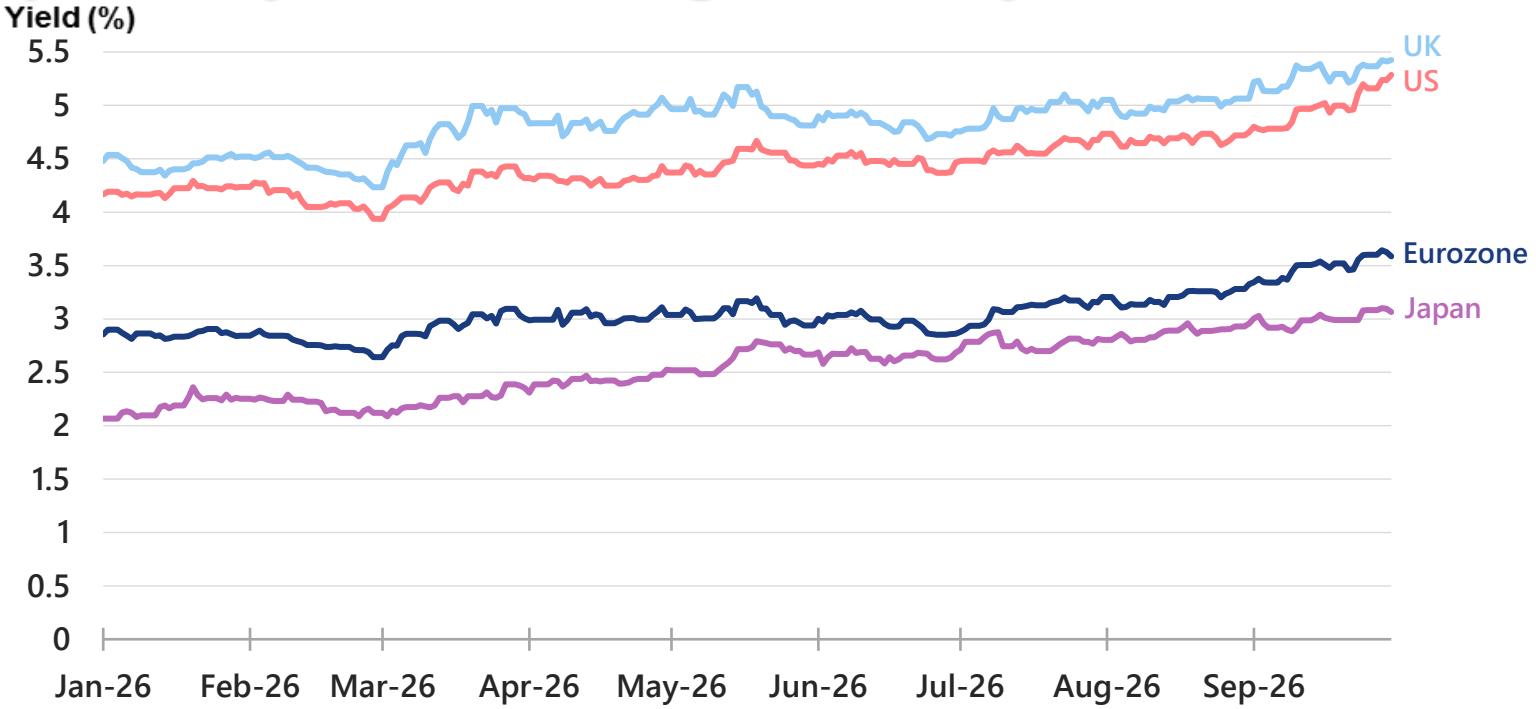
- Continuously upgrading debt settlement system
  - Actively developing the Digital Asset Platform, to be launched within 2026 to support the issuance and settlement of digital bonds
- Launching global securities services in phases
  - CMU officially launched asset servicing for equities under the CMU-SIX linkage in October 2026, following the activation of the direct linkage between the CMU and SIX of Switzerland in July 2026

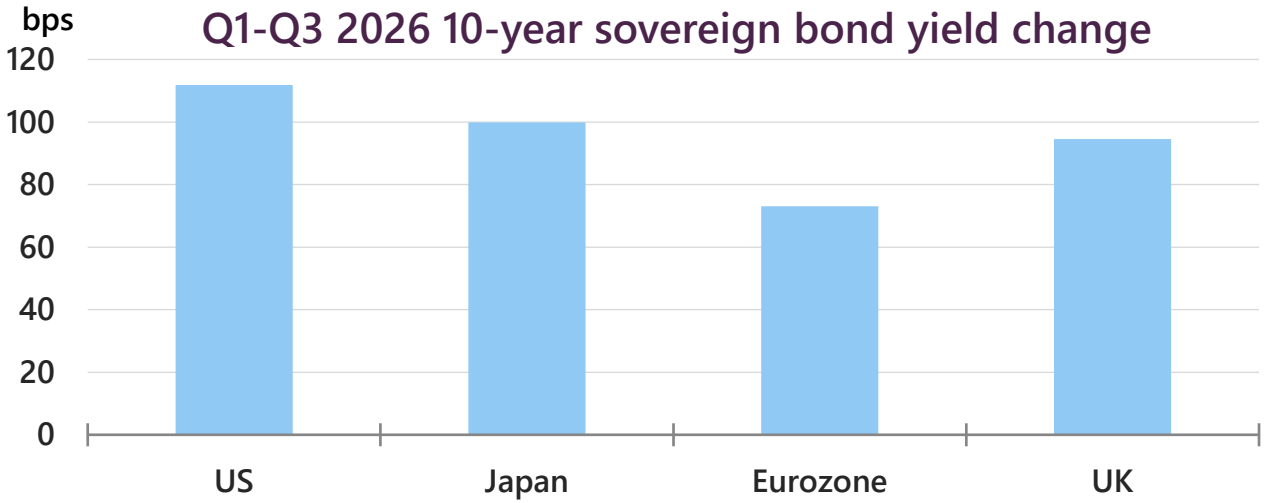
Fintech initiatives

- During Hong Kong FinTech Week, the HKMA announced new initiatives under four categories:
  - Launch of Project SAGE (Securing Agentic Finance with Governance and Enablement), enabling the industry to explore and advance agentic finance applications, while ensuring a commensurate governance framework
  - Launch of the post-quantum cryptography (PQC) Toolkit, to support the banking sector's transition to PQC in the quantum era
  - Advancing 24/7 settlement of tokenised transactions under Project Ensemble
  - Expanding cross-border payment connectivity: the FPS will link with UnionPay International (UPI) by the end of this year, progressively enabling users to make real-time QR payments at over 100 million merchants across more than 40 overseas markets

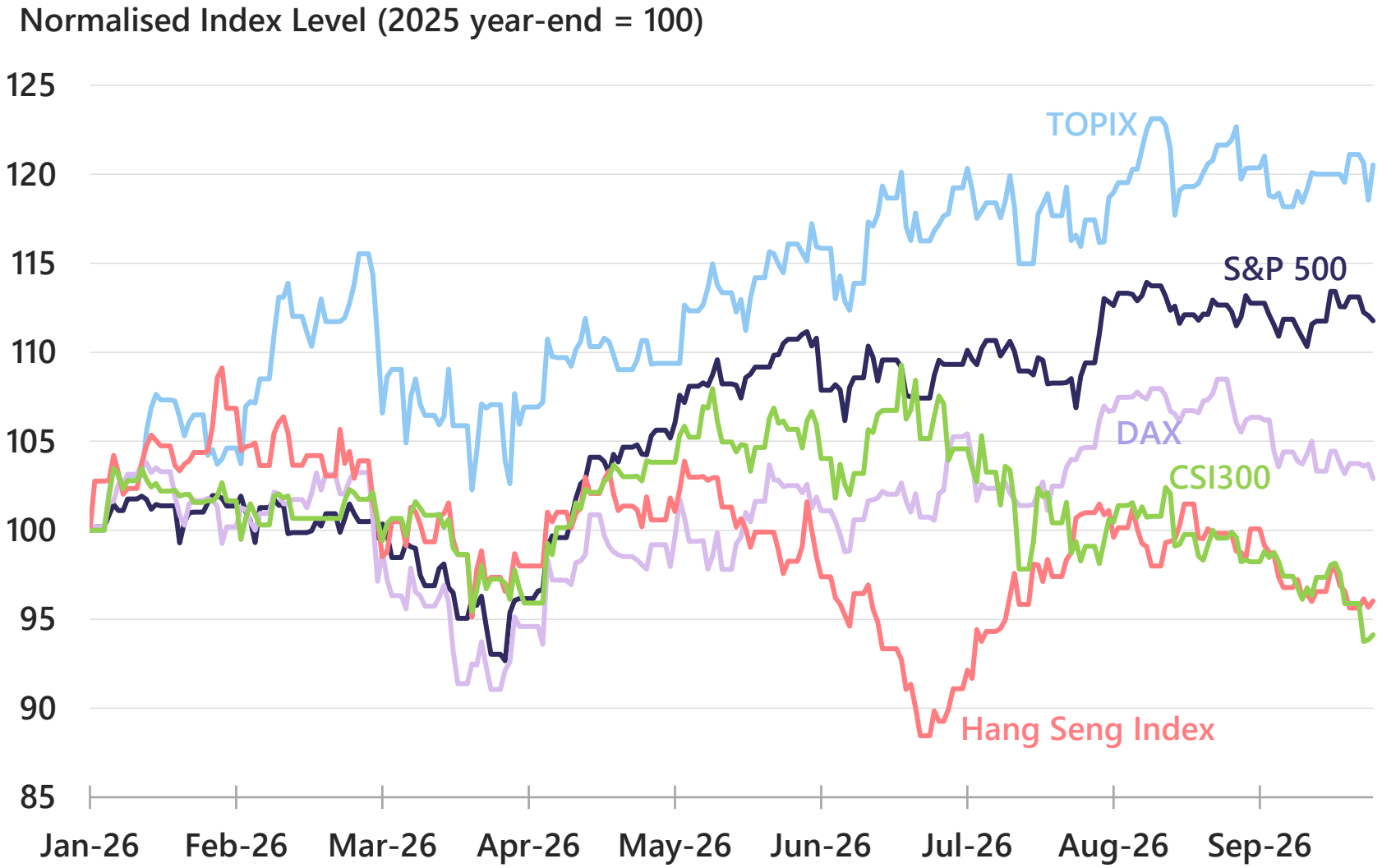
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Major 10-year sovereign bond yields rose

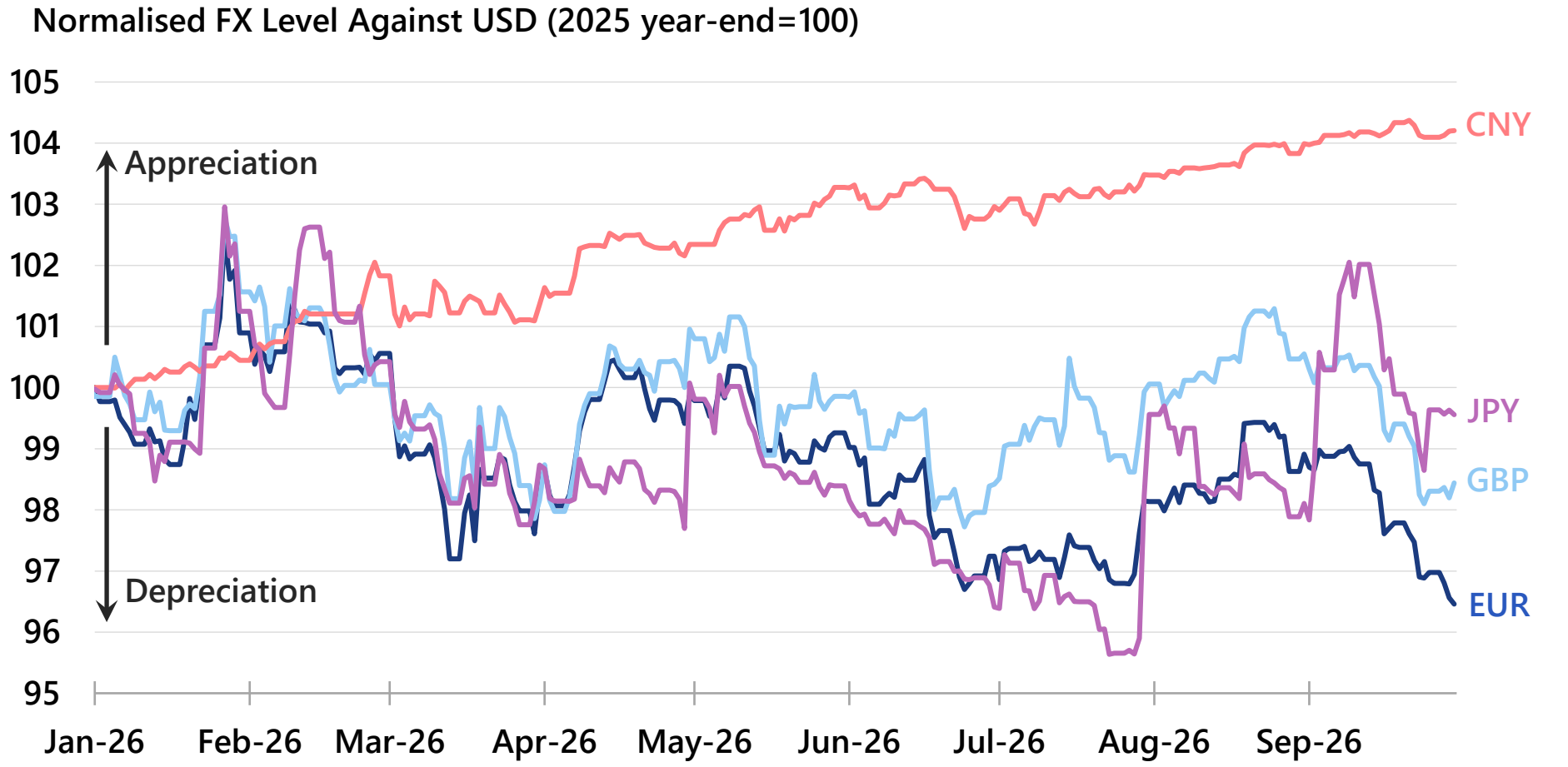




Performance of major stock markets was mixed



USD trended volatile against major currencies



Investment Income

	2026				2025	2024
	(unaudited)					
(HK$ billion)	Jan - Sep	Q3	Q2	Q1	Full year	Full year
Bonds	**49.4**	**0.3**	**24.5**	**24.6**	**142.7**	**135.9**
Hong Kong equities*	**(2.7)**	**9.1**	**(6.8)**	**(5.0)**	**33.9**	**21.8**
Other equities	**55.2**	**1.5**	**64.7**	**(11.0)**	**74.8**	**69.1**
Foreign exchange#	**42.0**	**7.7**	**8.4**	**25.9**	**38.5**	**(35.6)**
Other investments@	**28.0**	**-**	**18.6**	**9.4**	**47.5**	**27.6**
Investment income	**171.9**	**18.6**	**109.4**	**43.9**	**337.4**	**218.8**

* 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. This figure reflects the valuations at the end of June 2026. Valuation changes of these investments from July to September are not yet available.

Income and Expenditure

	2026				2025	2024
	(unaudited)					
(HK$ billion)	Jan - Sep	Q3	Q2	Q1	Full year	Full year
Investment income	**171.9**	**18.6**	**109.4**	**43.9**	**337.4**	**218.8**
Other income	0.1	-	0.1	-	0.2	0.2
Interest and other expenses	(32.0)	(11.4)	(10.6)	(10.0)	(44.2)	(63.1)
Net income	140.0	7.2	98.9	33.9	293.4	155.9
Fee payment to Fiscal Reserves						
– Operating and Capital Reserves*	(15.9)	(5.0)	(5.1)	(5.8)	(16.5)	(13.2)
– Future Fund	- #	- #	- #	- #	(21.3)	(16.2)
Fee payment to HKSAR Government funds and statutory bodies*	(9.0)	(3.2)	(2.9)	(2.9)	(14.7)	(15.7)

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

\# 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 and 3.9% for 2024).

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Mortgage Insurance Programme (MIP)

	Since launch	2025	2025 (Jan – Sep)	2026 (Jan – Sep)
Applications approved	528,123	15,766	12,490	9,707

* MIP applications declined in 2026 as homebuyers' demand for mortgage insurance declined and other mortgage insurers have become more active in the market.

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

	Since launch	2025	2025 (Jan – Sep)	2026 (Jan – Sep)
80% and 90% Guarantee Products*:				
Applications approved	51,962	5,815	4,558	3,883
Loan amount (HK$ billion)	168.2	13.5	10.2	9.9
DLGS for Battery Electric Taxis:				
Applications approved	1,196	534	413	557
Loan amount (HK$ billion)	0.39	0.17	0.13	0.18

*The application period for the 90% Guarantee Product ended 31 March 2026.

Reverse Mortgage Programme and Life Annuity Business

	Since launch	2025	2025 (Jan – Sep)	2026 (Jan – Sep)
Reverse Mortgage Programme				
Applications approved	9,724	937	700	863
Life Annuity Business				
No. of policies	54,500	16,535	14,745	7,396
Total premium amount (HK$ billion)	33.1	9.0	7.6	5.6

- The year-on-year sales of the Life Annuity Business in the first nine months of 2026 was modest, primarily due to the high base effect from the strong performance which was driven by a customer offer campaign launched earlier. Excluding this factor, the sales performance of the first nine months of 2026 was stronger than the same period in 2024 and prior years
- The new Cross-boundary Annuity Disbursement Service was launched under the HKMC Annuity Plan in August 2026, allowing policyholders to receive annuity payouts through their eligible Chinese Mainland bank accounts