

Glossary of Terms for Exchange Fund Notes

Words	Description
Accrued interest	Accrued interest is the interest earned by the seller from holding the bond between the last interest payment date and the disposal date.
Benchmark Exchange Fund Notes	Benchmark bonds are the most actively traded and representative issues designated by the HKMA from time to time.
Bid price	Bid price is the price at which an investor is willing to pay for a security.
CCASS	The Central Clearing And Settlement System (CCASS) is a computerised book-entry clearing and settlement system for transactions in securities listed on the Stock exchange of Hong Kong.
Clean price	When the price of a bond is quoted as a "clean price", it means the quoted price does not reflect the accrued interest. A buyer of the bond would normally need to pay to the seller the purchase price plus an amount equal to the accrued interest on the bond.
Competitive tender	Competitive tender is a tender method that requires bidders to specify a bid price and, where necessary, the quantity applied for in the bid. Tenders are normally accepted in descending order of the bid price.
Coupon rate	Coupon rate refers to the annual interest rate as a percentage of the par value of a bond. This can be a fixed rate (i.e. the rate is fixed throughout the life of a bond as in the case of Exchange Fund Notes), floating rate (i.e. the rate is re-set periodically based on some reference rate, such as HIBOR or LIBOR, plus a spread) or zero rate. The coupon rate is paid semi-annually for Exchange Fund Notes.
Eligible Market Makers	Eligible Market Makers are appointed by the HKMA from the most active Market Makers based on criteria determined by the HKMA. Only Eligible Market Makers of Exchange Fund Notes will be invited to participate in competitive tenders for Exchange Fund Notes.
Exchange Fund Notes Indicative Pricings	Exchange Fund Notes Indicative Pricings are indicative prices for the Exchange Fund Notes published by the HKMA daily. The indicative price for each of the benchmarks is calculated on a mid-price basis using the indicative bid and ask quotes contributed by the Eligible Market Makers.
Issue date	The issue date of a bond is the date on which the bond issued. In the case of Exchange Fund Notes, the issue date falls on the business day, other than a Saturday, immediately following the tender date.
Market Makers	Market Makers in Exchange Fund Notes are Recognized Dealers appointed by the HKMA to promote the liquidity of the Exchange Fund Notes in the

	secondary market.
Maturity day	Maturity day is the day on which a bond is to be redeemed. Exchange Fund Notes may not be redeemed before their maturity dates.
Non-competitive tender	In a non-competitive tender exercise, bidders are not required to specify a bid price. In the case of non-competitive tender for Exchange Fund Notes, successful bids are allotted at the lowest accepted price of the competitive tender. Allotment is made according to a set of allocation rules should the amount of bids exceed the amount of Notes on offer.
Par value	The principal amount repaid at maturity of a bond, usually set at 100. Also called Face value.
Primary market	Primary market refers to the market in which securities are issued and sold for the first time, usually directly from the issuers to the investors.
Recognized Dealers	Recognized Dealers are financial institutions appointed by the HKMA to assist in the development of the Exchange Fund Bills and Notes market. Recognized Dealers can maintain securities accounts with the HKMA for holding Notes on behalf of their customers.
Secondary market	Secondary market is the market in which issued securities are sold and purchased.
Tender date	The date on which the tender is held.
Tentative issuance schedule	The Tentative Issuance Schedule is a timetable showing Exchange Fund Bills and Notes to be tendered in the next quarter. The Schedule is released in the second month of each quarter, covering the tenders in the following quarter. The schedule contains information on the tentative tender date, tender size and issue date of individual issues.
Yield to maturity	The rate of return anticipated on a bond if it is held until the maturity date. The calculation takes into account the purchase price, principal amount receivable upon maturity, sum of interest payment, and time to maturity.