

Highlights of 2009

Economic and Banking Environment

Real GDP in 2009 declines by 2.7% but the economy picks up in the second half of the year.

The banking sector remains stable and well capitalised. Asset quality deteriorates but remains high by historical standards.

Monetary Stability

The Hong Kong dollar remains stable against the US dollar despite strong inflows of funds and large swings in the US dollar exchange rate against other currencies.

Hong Kong's money market largely returns to normal following the introduction of temporary liquidity measures by the HKMA in 2008. Exit from these measures in March goes smoothly.

Banking Stability

The banking sector comes through the global financial crisis, continuing to be strong and robust.

The HKMA finishes its investigation work on nearly 80% of the Lehman-related complaint cases and reaches agreements with the SFC and the distributing banks on the repurchase of financial products issued by Lehman Brothers.

Following a guideline issued by the HKMA, authorized institutions lower the maximum loan-to-value ratio for properties with a value of \$20 million or more from 70% to 60%.

Financial Infrastructure

Phase I of the migration of the RTGS and CMU systems to the SWIFTNet open platform is completed.

The HKMA launches multi-currency cross-border payment arrangements between the Mainland and Hong Kong and upgrades the renminbi RTGS system.

The HKMA designs and launches the Government Bond Programme, putting two issues of bonds to the market for institutional investors.

International Financial Centre

The HKMA implements the pilot scheme for settlement of cross-border trades using renminbi.

More renminbi bonds are issued in Hong Kong, including RMB6 billion by the Ministry of Finance, the first such issuance outside the Mainland.

The Chiang Mai Initiative Multilateralisation Agreement is signed, signifying Hong Kong's separate participation in this regional defensive initiative.

Moody's upgrades the outlook for Hong Kong's local and foreign-currency ratings.

Reserves Management

The Exchange Fund records an investment income of \$106.9 billion, a return of 5.9%.

Total assets of the Exchange Fund reach \$2,149.4 billion at the end of 2009.