

Highlights of 2019



Economic and Financial Environment

The Hong Kong economy softens in 2019 amid global economic slowdown, lingering US-China trade tensions and local social incidents, while the labour market faces increasing pressures.

The Hong Kong banking sector remains sound and resilient, with strong capital positions, robust liquidity and healthy asset quality.



Monetary Stability

Despite the challenging external and internal environment, Hong Kong's monetary system is firmly intact, as evidenced by the stable Hong Kong dollar exchange rate and the smooth functioning of the foreign exchange and money markets. This reflects not only the robustness of but also strong confidence in Hong Kong's monetary system.

A new Resolution Facility is introduced and a number of refinements are made within the HKMA's updated Liquidity Facilities Framework.



Banking Stability

The HKMA puts great effort in monitoring the credit and liquidity risk management of banks to maintain banking stability. Good progress is also made on promoting smart banking, including the granting of eight virtual bank licences and encouraging the adoption of regulatory technology. These efforts are complemented by strengthened supervision of banks' technology risk management and enhanced consumer protection in digital financial services.

The HKMA streamlines investor protection measures to enhance customer experience while taking further steps to promote a customer-centric bank culture.

Hong Kong's anti-money laundering and counter-financing of terrorism regime earns positive assessment from the Financial Action Task Force (FATF), making it the first FATF-member jurisdiction in the Asia-Pacific region to achieve an overall compliant result in FATF's fourth-round Mutual Evaluation.

New rules and regulations are rolled out to enhance the banking regulatory regime in line with the latest international standards. A three-phased approach is announced to promote green and sustainable banking in Hong Kong, contributing to global efforts in addressing climate change.

At the same time, the HKMA makes significant progress in operationalising the resolution regime for banks, in particular driving the build-up of a new layer of loss-absorbing capacity at domestic systemically important banks to promote financial stability.

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International Financial Centre

The fintech ecosystem in Hong Kong is gaining strong momentum, with good progress in the implementation of the Open Application Programming Interface Framework in the banking sector, establishment of the world's first Bank for International Settlements Innovation Hub Centre, and continued increase in the use of the Faster Payment System for e-payments.

Hong Kong maintains a firm foothold as the global hub for offshore renminbi business. In the context of the Guangdong-Hong Kong-Macao Greater Bay Area development, financial connectivity with the Mainland is being enhanced, and access to financial services by Hong Kong residents is made more convenient.

Much effort is made to open up new opportunities to further enhance the competitiveness of Hong Kong's financial platform, particularly in infrastructure investment and financing, green finance and private equity funds.

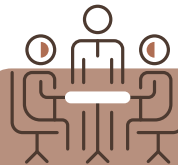
The Hong Kong Academy of Finance is set up to serve as a centre of excellence for developing financial leadership and a repository of knowledge in monetary and financial research, including applied research.



Reserves Management

Benefiting from a favourable investment environment, the Exchange Fund achieves the second highest investment income on record, of HK\$262.2 billion, representing an investment return of 6.6%.

The HKMA deepens its effort in investment diversification, especially into the Long-Term Growth Portfolio (LTGP). The LTGP records an annualised internal rate of return of 12.6% since its inception in 2009. There is also encouraging progress in advancing responsible investment.



Corporate Functions

The HKMA maintains effective communication with the community and the market through traditional and social media, website, Information Centre and various other channels to facilitate public understanding of its policies and operations.

Within the institution, the HKMA attaches great importance to upholding corporate governance by supporting professional development of staff, instituting rigorous financial discipline and enhancing IT security to cope with challenges arising from the implementation of new initiatives and the increasing complexity of work.

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KEY FIGURES FOR 2019



Monetary Stability

HKD exchange rate*	7.787 per USD	Base Rate*	2.49%	Backing Ratio*	111.2%
Monetary Base*	HK\$ 1,662.9 billion	Aggregate Balance* (before Discount Window)	HK\$ 54.3 billion		

Banking Stability



Total assets*	HK\$ 24.5 trillion	Capital adequacy ratio*	20.7%	Loan growth#	6.7%
Liquidity Coverage Ratio (Q4 2019)	159.9%	Liquidity Maintenance Ratio (Q4 2019)	56.3%	Authorized institutions*	164 licensed banks
Classified loan ratio (retail banks)*	0.48%	Loan-to-deposit ratio*	75.3%		
Average LTV ratio for new RMLs (Dec 2019)	53%	Average DSR for new RMLs (Dec 2019)	36%		17 restricted licence banks
G-SIBs for which the Monetary Authority is the lead resolution authority*	26				13 deposit-taking companies

Sources: SWIFT, Bank for International Settlements and HKMA.

* Figures as at the end of 2019.

Figures for the year of 2019 as a whole.

CMU – Central Moneymarkets Unit
CPI – Consumer Price Index
DSR – Debt servicing ratio
EF – Exchange Fund
FPS – Faster Payment System

FX – Foreign exchange
HKD – Hong Kong dollar
G-SIBs – Global systemically important banks
IFFO – Infrastructure Financing Facilitation Office
LTGP – Long-Term Growth Portfolio

LTV – Loan-to-value
RMB – Renminbi
RMLs – Residential mortgage loans
RTGS – Real Time Gross Settlement
SVF – Stored value facility
USD – US dollar

Highlights of 2019

International
Financial Centre

RMB deposits*

largest offshore RMB
liquidity poolRMB **658.0**
billion

Availability of four RTGS systems and CMU#

**100%**

Hong Kong's share of RMB payments globally#



in the world

> **70%**

RMB RTGS average daily turnover#

RMB **1,133.9**
billion

Daily turnover of RMB FX transactions (Apr 2019)

in offshore RMB
FX marketsUS\$ **107.6**
billion
equivalent

HKD RTGS average daily turnover#

HK\$ **987.0**
billion

Dim sum bonds outstanding*



in the world

RMB **168.6**
billion

FPS registrations*

4 millionVolume of FPS transactions
(up to end-2019 since
inception)**44** millionBond Connect
investors***1,601**

IFFO partners*

95

SVF accounts*

63.1
million
(↑ 12.5% yoy)

Value of SVF transactions#

HK\$ 201.6
billion
(↑ 16.6% yoy)
Reserves
ManagementEF investment
income#HK\$ **262.2**
billionEF investment
return#**6.6%**EF compounded
annual investment
return (since 1994)**4.8%**(>2.1% increase in HK composite
CPI over the same period)

EF assets*

HK\$ **4,206.7**
billionMarket value
of LTGP
investments*HK\$ **335.1**
billionLTGP annualised
internal rate of
return (since 2009)**12.6%**