

Highlights of 2022



Economic and Financial Environment

Hong Kong's economy contracts visibly in 2022 amid multiple headwinds including the fifth wave of COVID-19, tightened financial conditions and a challenging external environment. The labour market first deteriorated before improving, while inflation remains moderate. Economic growth for 2023 is expected to recover from a low base, riding on the re-opening of the Mainland and Hong Kong.

The banking sector in Hong Kong continues to be resilient in 2022, underpinned by robust capital and liquidity positions. Asset quality remains at a healthy level.



Monetary Stability

Amid tightening of the US monetary policy, the Hong Kong dollar softened, with the weak-side Convertibility Undertaking triggered multiple times during the year. Nevertheless, the Hong Kong dollar exchange and money markets continue to operate in a smooth and orderly manner. This once again demonstrates the strength and resilience of the Linked Exchange Rate System.



Reserves Management

Amid the exceptionally volatile investment environment, with prices of multiple asset classes falling at the same time, the Exchange Fund records an overall negative investment return of 4.5% in 2022, which is relatively mild as compared to the performance of the majority of multi-asset funds in the market.

The HKMA also continues its efforts in propelling responsible investments and asset diversification. Meanwhile, Long-Term Growth Portfolio records an annualised internal rate of return of 12.6% since its inception in 2009.



Banking Stability

The HKMA steps up supervision of banks' credit and market risk management amid heightened volatilities in the financial markets. The HKMA also works closely with banks to enhance their operational and cyber resilience in light of escalating cyber threats and accelerating digital transformation in the banking sector.

Further consumer protection measures are implemented in respect of "Buy Now, Pay Later" products and additional payment arrangement for property refinancing. The HKMA also works with fellow regulators on a regulatory framework for virtual assets, issues guidance on investment products distribution and introduces a new regulatory regime on trust business. The Credit Reference Platform under the Multiple Credit Reference Agencies Model for consumer credit data is also launched.

The HKMA continues to work with banks to strengthen Hong Kong's anti-money laundering and counter-financing of terrorism (AML/CFT) ecosystem and enhance the response to scams. Further efforts are made to promote the use of data and technology through the AML Regtech Lab series while accelerating the adoption of supervisory technology in the HKMA's AML work.

The HKMA makes good progress on implementing international supervisory standards locally, including those on capital adequacy and disclosure. The HKMA also works with the banking industry to build a sustainable pipeline of future talents and to upskill practitioners.

To ensure a credible resolution regime, the HKMA develops a new resolution standard, conducts a regional crisis simulation exercise and achieves a key milestone where a new layer of loss-absorbing capacity resources is built up at all domestic systemically important banks.

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International Financial Centre

The success of the Global Financial Leaders' Investment Summit solidifies Hong Kong's status as an international financial centre and creates positive ripple effects.

The Currency Swap Agreement between the People's Bank of China and the HKMA is enhanced, which further strengthened Hong Kong's role as the global offshore renminbi business hub. The HKMA also works with fellow regulators and stakeholders on the launch of Swap Connect and the Dual Counter Market Making regime for trading renminbi-denominated stocks in Hong Kong. Efforts are also made to develop the Central Moneymarkets Unit into a major international central securities depository in Asia.

On strengthening the competitiveness of Hong Kong's financial platform, notable progress is made in areas including bond issuance, asset and wealth management, corporate treasury centres, and green and sustainable finance.

The HKMA also continues to push forward the "Fintech 2025" strategy to promote the adoption of fintech by the financial sector and bolster Hong Kong's position as a fintech hub. The Faster Payment System sees steady growth in adoption along with enhanced functionalities.



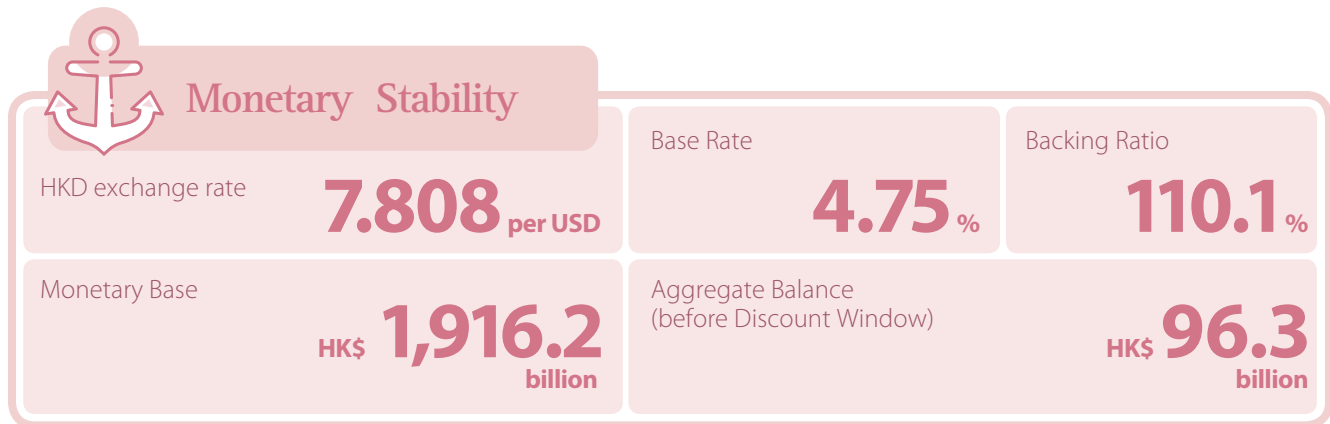
Corporate Functions

The HKMA maintains effective communication with the community and the market through different channels to promote public understanding about its policies and operations.

Within the organisation, the HKMA conscientiously builds an agile and sustainable workforce, institutes rigorous financial discipline and upgrades information technology capabilities to adapt to changes and ensure effective implementation of its policies and initiatives.

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Key Figures for 2022



Sources: Bank for International Settlements, International Capital Market Association, SWIFT and HKMA

Unless specified, figures are at the end of 2022.

[#] Figures for the year of 2022 as a whole.

AI: Authorized institutions
 CMU: Central Moneymarkets Unit
 CPI: Consumer Price Index
 D-SIBs: Domestic systemically important banks
 EF: Exchange Fund

FPS: Faster Payment System
 G-SIBs: Global systemically important banks
 HKD: Hong Kong dollar
 IFFO: Infrastructure Financing Facilitation Office
 LTGP: Long-Term Growth Portfolio

RMB: Renminbi
 RTGS: Real Time Gross Settlement
 RWA: Risk-weighted amount
 SVF: Stored value facility

Highlights of 2022

International
Financial Centre

RMB deposits (incl. outstanding Certificates of Deposit)

largest offshore RMB
liquidity poolRMB **981.7**
billionEstablished Limited
Partnership Funds**577**Availability of four RTGS
systems and CMU[#]**100**%²Hong Kong's share of RMB SWIFT payments globally[#]

in the world

> **70**%RMB RTGS average
daily turnover[#]RMB **1,654.0**
billionHKD RTGS average
daily turnover[#]HK\$ **928.1**
billionAsian international bond issuance[#]largest
arranging hubUS\$ **103.6**
billion equivalent

Outstanding RMB loans

RMB **191.7**
billion
(+17%)Offshore RMB bond issuance[#]RMB **143.4**
billion
(+31%)Asian international green and sustainable bond issuance[#]largest
arranging hubUS\$ **27.8**
billion equivalent

FPS registrations

11.5 million
(+19%)Average daily real-time
transactions of FPS[#]**940,000**
(+40%)Average daily turnover under
Northbound Bond Connect[#]RMB **32.2** billion
(+25%)

IFFO partners

95

SVF accounts

61.5 millionValue of SVF transactions[#]HK\$ **582.0** billion
(+24%)³

Reserves Management

EF investment
income[#]HK\$ **-205.4**
billionEF investment
return[#]**-4.5**%EF compounded
annual investment
return (since 1994)**4.5**%(>2.0% increase in HK composite
CPI over the same period)

EF assets

HK\$ **4,008.0**
billionMarket value of LTGP
investmentsHK\$ **484.7**
billionLTGP annualised
internal rate of
return (since 2009)**12.6**%

¹ Including self-assessments by authorized institutions of compliance with the Code of Banking Practice.

² About 99.99% if including downturn caused by external factors.

³ The HKMA has published "add value" transactions data since 2022. The 2022 figure has included the relevant data, and the comparison against the 2021 figure has taken into account the corresponding adjustment.