

# Highlights of 2023



## Economic and Financial Environment

Despite a challenging external environment, the Hong Kong economy stages a positive growth in 2023, driven by revivals in inbound tourism and domestic demand. The labour market continues to improve alongside the economic recovery, while inflation remains moderate. Economic activities for 2024 are expected to recover further at a moderate pace, although the outlook is clouded by multiple external uncertainties.

The banking sector in Hong Kong remains sound in 2023, supported by strong capital and liquidity buffers. Asset quality remains at a healthy level.



## Monetary Stability

Amid market expectations of a “high for longer” US policy rate, the Hong Kong dollar mostly trades on the weak side of the Convertibility Zone in 2023, with the weak-side Convertibility Undertaking being triggered eight times between mid-February and early May. The Hong Kong dollar exchange and money markets remain stable, and continue to trade in a smooth and orderly manner.

2023 marks the 40th anniversary of the Linked Exchange Rate System. As the cornerstone of Hong Kong’s monetary and financial stability, the Linked Exchange Rate System has helped Hong Kong weather a succession of shocks and crises in the past four decades, demonstrating the system’s resilience and robustness.



## Banking Stability

The HKMA responds swiftly to the March banking turmoil in the US and Europe — from managing the ripple effects to completing an internal review drawing lessons for the local banking sector, while maintaining its focus on the credit, liquidity and market risk management of banks. In light of escalating cyber threats and increasing use of technology services provided by third parties, the HKMA also works closely with banks to enhance their operational and cyber resilience.

The HKMA enhances consumer protection on payment cards, and through further revision of the Code of Banking Practice as well as the Anti-Scam Consumer Protection Charter. The HKMA works with fellow regulators on a balanced regulatory regime for virtual asset-related activities, streamlines the selling process for sophisticated professional investors, introduces enhancements to the Cross-boundary Wealth Management Connect Pilot Scheme, and commences supervision of trust business. A pilot programme on consumer credit reference services under “Credit Data Smart” is also launched.

The HKMA’s efforts in anti-money laundering and counter-financing of terrorism reflect a commitment to targeting the highest threats under a risk-based approach. To address increasing digital fraud, the HKMA has strengthened ecosystem collaboration through the launch of real-time fraud monitoring, enhanced information sharing between banks and with law enforcement agencies, intensified public education, and launched a new pre-transaction alert mechanism when using the Faster Payment System. In parallel, supervisory technology capabilities have been advanced through the Macro Analytics pilot scheme.

The HKMA makes good progress on implementing international supervisory standards locally, including those on capital adequacy and disclosure, and makes notable efforts in enhancing capacity building in the banking sector.

The HKMA also advances its work to ensure a credible resolution regime, including developing a new resolution standard on accessing critical financial market infrastructures, and completing a review on the implementation of loss-absorbing capacity policy standards.

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### International Financial Centre

The successful conclusion of the second Global Financial Leaders' Investment Summit and the HKMA-BIS High-Level Conference demonstrates the global financial sector's commitment to and confidence in Hong Kong.

The HKMA works closely with its Mainland and Hong Kong counterparts to deepen and widen the mutual access between the Hong Kong and Mainland financial markets. This includes enhancements to the Cross-boundary Wealth Management Connect Scheme, designation of additional market makers for Southbound Trading under Bond Connect, the successful launch of Northbound Trading of Swap Connect, and the roll-out of the HKD-RMB Dual Counter Model and the Dual Counter Market Making Programme, all of which are effective in solidifying Hong Kong's status as a global hub for offshore renminbi business.

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

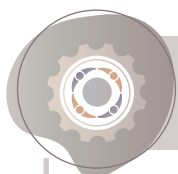
The HKMA continues to make significant progress on various fronts of the "Fintech 2025" strategy. Project mBridge enters the Minimum Viable Product development phase, Phase 1 of the e-HKD Pilot Programme is completed, and Commercial Data Interchange sees increasing usage and the successful linkage with Government data source. Moreover, a new Fintech Promotion Roadmap is announced to further develop Wealthtech, Insurtech, Greentech, artificial intelligence and distributed ledger technology in the banking sector. Meanwhile, the Faster Payment System marks its fifth anniversary and continues to see expanded adoption and enhancements including new functionalities like the linkage with Thailand's PromptPay for cross-border QR payment. Significant progress is also made in relation to developing a regulatory regime for stablecoin issuers, with a public consultation paper published for gathering views on the legislative proposal.



### Reserves Management

Despite a volatile and challenging investment environment, the Exchange Fund manages to achieve a decent investment income of HK\$226.0 billion, representing an investment return of 5.5%.

The HKMA continues its efforts on asset diversification and responsible investing. Meanwhile, the Long-Term Growth Portfolio records an annualised internal rate of return of 11.8% since its inception in 2009.



### Corporate Functions

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

Internally, the HKMA strives to build an agile and professional workforce, maintain rigorous financial discipline and upgrade its digital capabilities to adapt to changes and ensure effective implementation of its policies and initiatives.

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### Key Figures for 2023



#### Monetary Stability

HKD exchange rate

**7.811** per USD

Base Rate

**5.75** %

Backing Ratio

**110.7** %

Monetary Base

**HK\$ 1,895.9**  
billion

Aggregate Balance  
(before Discount Window)

**HK\$ 45.0**  
billion

#### Banking Stability



Total assets

**HK\$ 27.3** trillion

Capital adequacy ratio

**21.1** %

Loan growth<sup>#</sup>

**-3.6** %

Liquidity  
Coverage Ratio  
(Q4 2023)

**178.6** %

Liquidity  
Maintenance Ratio  
(Q4 2023)

**65.7** %

Licenses

**151**  
licensed banks

**16**  
restricted licence banks

Classified loan ratio  
(all AIs)

**1.56** %

Loan-to-deposit  
ratio

**62.8** %

**12**  
deposit-taking  
companies

**40**  
approved  
money brokers

New residential mortgage loans:

Average  
loan-to-value  
ratio<sup>#</sup>

**57** %

Average  
debt servicing  
ratio<sup>#</sup>

**40** %

Supervisory activities<sup>#</sup>

**177**  
off-site reviews

**125**  
on-site examinations

**694**  
thematic reviews<sup>1</sup>

G-SIBs for which the HKMA  
is a member of the Crisis  
Management Group or  
Resolution College

**14**

G-SIBs hosted  
in Hong Kong

**All 29** G-SIBs

Loss-absorbing  
capacity of D-SIBs  
(Dec 2023)

**26.3** %  
of RWA

#### Notes:

Unless specified, figures are at the end of 2023.

<sup>#</sup> Figures for the year of 2023 as a whole.

Sources: Swift, Bank for International Settlements and HKMA

Als: 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  
Swift: Society for Worldwide Interbank Financial  
Telecommunication  
USD: US dollar

<sup>1</sup> Including consultative sessions with Als to review their implementation of the HKMA's Supervisory Policy Manual module GS-1 on "Climate Risk Management".

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## International Financial Centre

RMB deposits (incl. outstanding certificates of deposit)



largest offshore RMB liquidity pool

RMB **1,045.3**  
billionOffshore RMB bond issuance (incl. certificates of deposit)<sup>#</sup>RMB **545.1**  
billion  
(+65%)

Outstanding RMB loans

RMB **441.2**  
billion  
(+130%)Hong Kong's share of RMB Swift payments globally<sup>#</sup>

in the world

> **70%**RMB RTGS average daily turnover<sup>#</sup>RMB **2.06**  
trillion  
(+25%)HKD RTGS average daily turnover<sup>#</sup>HK\$ **1,106.1**  
billion  
(+19%)Asian international bond issuance<sup>#</sup>US\$ **87.1**  
billion equivalentAverage daily turnover under Northbound Bond Connect<sup>#</sup>RMB **40.1**  
billion  
(+24%)Availability of four RTGS systems and CMU<sup>#</sup>**100%**<sup>2</sup>Asian international green and sustainable bond issuance<sup>#</sup>

largest arranging hub

US\$ **29.9**  
billion equivalent

FPS registrations

**13.6**  
million  
(+19%)Average daily real-time transactions of FPS<sup>#</sup>**1.25**  
million  
(+33%)

Established Limited Partnership Funds

**765**

IFFO partners

**95**

SVF accounts

**71.4**  
million  
(+16%)Value of SVF transactions<sup>#</sup>HK\$ **640.1**  
billion  
(+10%)

## Reserves Management

EF investment income<sup>#</sup>HK\$ **226.0**  
billionEF investment return<sup>#</sup>**5.5 %**

EF compounded annual investment return (since 1994)

**4.5 %**

EF assets

HK\$ **4,016.5**  
billion

Market value of LTGP investments

HK\$ **517.3**  
billion

(&gt;2.1% increase in HK composite CPI over the same period)

LTGP annualised internal rate of return (since 2009)

**11.8%**<sup>2</sup> About 99.96 % if including downtime caused by external factors.