

International Financial Centre



In 2023, the HKMA utilised a multi-pronged approach to achieve notable progress in consolidating Hong Kong's status as a globally competitive international financial centre.

The success of two major events, namely the Global Financial Leaders' Investment Summit and the HKMA-BIS High-Level Conference, had reinforced Hong Kong's status as an international financial centre and created positive ripple effects.

The HKMA, together with its Mainland and Hong Kong counterparts, made concerted efforts to deepen and widen the mutual access between the financial markets of Hong Kong and the Mainland. This included enhancements to the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area, the 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. These initiatives were effective in strengthening Hong Kong's gateway position and reinforcing the city's status as a global hub for offshore renminbi business.

The HKMA also made good progress in strengthening the competitiveness of Hong Kong's financial platform, in areas including bond issuance, asset and wealth management, green and sustainable finance, and corporate treasury centres. To promote Hong Kong's financial services, the HKMA stepped up its market outreach activities to overseas and Mainland stakeholders to keep them well informed about the opportunities in Hong Kong's financial market and its resilience.

Significant progress has been made on all fronts of the HKMA's "Fintech 2025" strategy, including in areas such as promoting fintech adoption, Central Bank Digital Currency, data infrastructure, talent development, and policies and funding support.

The Faster Payment System (FPS) marked its fifth anniversary in September. The number of registrations has grown steadily, and had reached 13.6 million at the end of 2023. The average daily turnover for the year rose to 1.25 million real-time transactions. FPS x PromptPay link for cross-border QR payment between Hong Kong and Thailand was jointly launched with the Bank of Thailand in December, providing a fast, secure and easily accessible cross-border retail payment service for people travelling between the two places.

As an active member of many international and regional central banking and regulatory forums, the HKMA continued to contribute to global efforts to maintain financial stability and promote financial market developments.

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Overview

Throughout the year, the HKMA continued making proactive efforts to strengthen Hong Kong's competitiveness as an international financial centre. In November, it organised the Global Financial Leaders' Investment Summit for the second year. This three-day event brought together prominent financial leaders from around the world to share their unique perspectives under the theme of "Living with Complexity". With over 350 participants from 160 international financial institutions attending, the summit clearly showed the global financial sector's commitment to and confidence in Hong Kong. In the same month, the HKMA and the Bank for International Settlements (BIS) co-hosted the HKMA-BIS High Level Conference, which attracted more than 300 participants, including over 20 current and former central bank governors. The conference highlighted the HKMA's close collaboration with the BIS as well as with the international central banking community.

The expansion of and enhancements made to the Mainland-Hong Kong Connect schemes have reinforced Hong Kong's role as the bridge between the Mainland and international financial markets. A series of enhancements to the Cross-boundary Wealth Management Connect (Cross-boundary WMC) scheme were introduced to facilitate cross-boundary retail investment in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Riding on the smooth operations of Southbound Bond Connect, the HKMA designated nine additional market makers to improve secondary liquidity and meet investor demand. Northbound Trading of Swap Connect was successfully launched in the year, enabling global investors to better manage the interest rate risks associated with their Mainland fixed income portfolio via Hong Kong.

Hong Kong's offshore renminbi businesses saw robust growth during the year. The HKMA collaborated with the Securities and Futures Commission (SFC) and Hong Kong Exchanges and Clearing Limited (HKEX) to launch the HKD-RMB Dual Counter Model and the Dual Counter Market Making Programme in June. This helped develop a more diverse range of renminbi-denominated products in Hong Kong by facilitating the issuance and trading of renminbi-denominated stocks in Hong Kong.

The HKMA continued to work on strengthening the competitiveness of Hong Kong's financial platform. In particular, to enhance Hong Kong's appeal as a preferred fund management centre, the HKMA worked closely with the Government and the financial industry to provide a more facilitative tax and regulatory environment. Significant progress was also made in promoting innovation in Hong Kong's bond market, and consolidating Hong Kong's position as a regional green and sustainable finance hub. At the same time, the HKMA stepped up its market outreach activities to promote Hong Kong's financial services to overseas and Mainland stakeholders.

Both the Fintech Facilitation Office (FFO) and the banking departments of the HKMA continued to implement the "Fintech 2025" strategy¹ to promote wide adoption of financial technology (fintech) and strengthen Hong Kong's position as a fintech hub in Asia. Key initiatives implemented during the year included:

- promoting further adoption in the tech focus areas of Wealthtech, Insurtech, Greentech, artificial intelligence and distributed ledger technology (DLT);
- advancing the work on wholesale Central Bank Digital Currency (CBDC) to improve cross-border payments;
- progressing further in the study on the prospect of introducing a retail CBDC in Hong Kong, i.e. an e-HKD;
- stepping up efforts to develop Commercial Data Interchange (CDI);
- enhancing talent development;
- nurturing the fintech ecosystem through funding and policies;
- strengthening cross-border collaboration in fintech; and
- expanding the adoption of the FPS.

¹ Unveiled in June 2021, the strategy aims to encourage the financial sector to adopt technology comprehensively by 2025, as well as to promote the provision of fair and efficient financial services for the benefit of Hong Kong citizens and the economy. The five focus areas of the strategy are: (1) all banks go fintech, (2) future-proofing Hong Kong for Central Bank Digital Currencies, (3) creating the next-generation data infrastructure, (4) expanding the fintech-savvy workforce, and (5) nurturing the ecosystem with funding and policies.

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The safe and efficient operation of Hong Kong's financial infrastructure is vital for maintaining the city's position as a leading international financial centre. In 2023, the four interbank Real Time Gross Settlement (RTGS) systems, the Central Moneymarkets Unit (CMU) and the Hong Kong Trade Repository (HKTR) achieved 100%² system availability, outperforming the target of 99.95%. The debt securities settlement service, including the Northbound and Southbound Bond Connect linkage service, continued to operate smoothly.

Adoption of the FPS continued to increase in 2023, marking the significant milestone of the FPS reaching its fifth anniversary. The number of registrations for the FPS and the FPS turnover have grown steadily over the past five years, with the number of registrations growing to 13.6 million at the end of 2023 and the average daily turnover for the year rising by 33% from 2022. The increased use of the FPS for settling Government bills, making merchant payments, and topping up Stored Value Facility (SVF) e-wallets or bank accounts, were key drivers for the continued rise in the transaction volume, on top of steady growth in person-to-person and business payments.

To ensure the safety and efficiency of the local retail payment industry, the HKMA oversees six designated retail payment systems (RPSs) and supervises 17 licensed SVFs (four of which are SVFs issued by licensed banks) under the Payment Systems and Stored Value Facilities Ordinance (PSSVFO). During the year, the HKMA also continued to facilitate the smooth implementation of the Government's Consumption Voucher Scheme, helping to co-ordinate the relevant Government parties and the SVF licensees appointed for the scheme, and facilitate dialogue and co-operation between them.

On 27 December, the Financial Services and the Treasury Bureau and the HKMA jointly issued a public consultation paper on regulation for stablecoin issuers. The HKMA subsequently introduced a sandbox arrangement on 12 March 2024 for institutions planning to issue fiat-referenced stablecoins in Hong Kong. At the same time, the HKMA has been actively participating in the work of international bodies in relation to crypto-asset activities, and monitoring the development of the market closely.

Internationally, the HKMA has remained an active member of the central banking community and continued to play a leadership role in a number of regional and international committees. Currently, the HKMA co-chairs the Policy and Standards Group of the Basel Committee on Banking Supervision (Basel Committee), as well as the Regional Consultative Group for Asia, the Non-Bank Monitoring Experts Group (until June) and the Financial Innovation Network of the Financial Stability Board (FSB). The HKMA also chairs the BIS' Meeting of Governors from Major Emerging Market Economies (EMEs). Between 2018 and 2023, the HKMA served consecutive terms as the chair of the Working Group on Financial Markets established under the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)³.

The HKMA also held bilateral meetings with the Central Bank of the United Arab Emirates and the Saudi Central Bank in May and July respectively to promote investment and financial market connectivity between the Middle East and Asia. The sixth Hong Kong-Switzerland Financial Dialogue was held in Bern, Switzerland on 25 September, and the discussion covered topics on regional and domestic outlook and policy challenges, latest development, and potential collaboration in the areas of sustainable finance, fintech, and market connectivity.

² About 99.96% if including downtime caused by external factors.

³ The EMEAP is a co-operative organisation of central banks and monetary authorities in the East Asia and Pacific region.

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A glance at the HKMA's initiatives in 2023 in strengthening Hong Kong's competitiveness as an international financial centre

Strengthen connections with the world

- Hosted series of international events: Global Financial Leaders' Investment Summit, HKMA-BIS High-Level Conference and HKMA-BIS Joint Conference and Basel Committee meeting
- Active participation in international central banking and regulatory forums
- Stepped up market outreach to overseas and Mainland stakeholders to promote Hong Kong's financial services and laid solid foundation for collaboration with Middle East

Enhance financial platform competitiveness

- Promoted bond market innovation by assisting the Government to issue the world's first tokenised government green bond
- Supported dim sum bond issuances by Shenzhen and Hainan governments in Hong Kong
- Signed Memorandum of Understanding (MoU) with the National Development and Reform Commission to support cross-border financing by Chinese enterprises in Hong Kong
- Enhanced tax concession regimes for family offices and asset and wealth management industries
- Continued raising Hong Kong's value proposition as a Corporate Treasury Centre (CTC) hub and financing hub for infrastructure investments
- Continued the development of Hong Kong's treasury market and over-the-counter (OTC) derivatives market
- Consolidation of Hong Kong's position as a regional green and sustainable finance hub

Ensure the reliability and efficiency of Hong Kong's critical financial infrastructure

- Continued to ensure the safe and efficient operation of the RTGS systems, CMU and the HKTR
- Progressed with the upgrade of the CMU's operational capacity and product offerings to develop the system into a major international central securities depository

Nurture future finance leaders and strengthen applied research capabilities

- Continued the leadership development and research efforts by the Hong Kong Academy of Finance (AoF)

Deepen connectivity between the financial markets of Hong Kong and the Mainland and enhance Hong Kong's role as an offshore renminbi business hub

- Successful launch of Northbound Trading of Swap Connect
- Enhancements to Cross-Boundary WMC
- Designation of additional market makers for Southbound Trading under Bond Connect
- Rollout of HKD-RMB Dual Counter Model and Dual Counter Market Making Programme
- Good progress on initiatives to support corporates' business operations and the livelihoods of residents in the GBA, e.g. enhanced cross-boundary fund flow management for GBA corporates, facilitative measures for Hong Kong residents on property purchases in GBA's Mainland cities
- Deepened exchanges between Mainland agencies and financial industry in Hong Kong to identify business opportunities

Reinforce Hong Kong's position as a fintech hub in Asia

- Continued implementation of the "Fintech 2025" Strategy:
 - Announced a new Fintech Promotion Roadmap to develop Wealthtech, Insurtech, Greentech, artificial intelligence and DLT in the banking sector
 - Progression of the Multiple CBDC Bridge (mBridge) project towards Minimum Viable Product development phase
 - Completed Phase 1 of e-HKD Pilot Programme with 14 potential use cases
 - Continued to expand the scope of cross-boundary digital renminbi (e-CNY) pilot in Hong Kong
 - Successfully established linkage between CDI and the Government's Consented Data Exchange Gateway to facilitate consented data sharing between Government departments and financial institutions
- Launched FPS x PromptPay link between Hong Kong and Thailand to provide secure and easily accessible cross-border retail payment service

Ensure the safety and soundness of the local retail payment industry

- Continued to promote the safety and efficiency of the local retail payment players including the licensed SVFs and the designated RPSs
- Issuance of a public consultation paper on regulation for stablecoin issuers and strive for early implementation of the regulatory regime for stablecoin issuers

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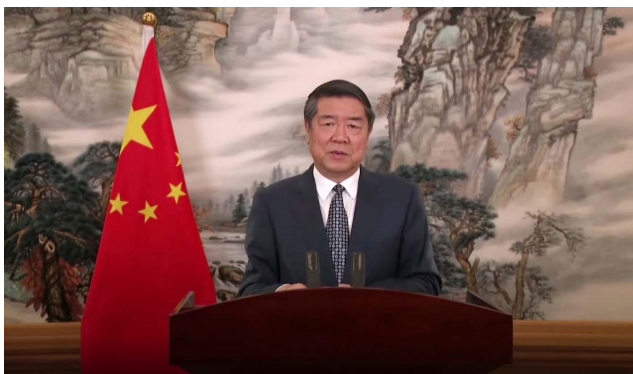
Review of 2023

Global Financial Leaders' Investment Summit

In November, the HKMA organised the Global Financial Leaders' Investment Summit for the second year and on an expanded scale. Coinciding with the 30th anniversary of the establishment of the HKMA, the three-day event was a resounding success. It featured around 50 prominent financial leaders, who shared their investment insights and discussed the latest approaches for navigating a challenging

landscape. The summit was attended by over 350 participants from 160 international financial institutions, including some of the world's largest banks, securities firms, asset owners and managers, private equity and venture capital firms, hedge funds and insurers. More than 90 of these institutions were represented by their group chairpersons or chief executive officers.

By bringing senior global financial leaders to Hong Kong, the Summit enabled these influencers to see for themselves the city's vibrancy and its many opportunities.



Mr He Lifeng, Vice-premier, the State Council of the People's Republic of China, delivers opening keynote (pre-recorded)



Mr John KC Lee, Chief Executive of the Hong Kong Special Administrative Region (HKSAR), delivers his keynote speech



Mr Paul Chan, Financial Secretary of the Government of HKSAR and Honorary President of AoF, delivers his keynote speech



(From left) Mr Eddie Yue, Chief Executive; Mr Joseph Yam, Former Chief Executive of HKMA, Non-official Member of the Executive Council of the Government of HKSAR; Mr Norman Chan, Former Chief Executive of HKMA, Founding Chairman of the Institute of Web 3.0 Hong Kong at the special fireside chat

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HKMA-BIS High-Level Conference

The HKMA and the BIS co-organised the High-Level Conference in November to commemorate the 30th anniversary of the HKMA and the 25th anniversary of the BIS Representative Office for Asia and the Pacific. The event welcomed more than 300 participants, including over 20 current and former central bank governors, regional and local Chief Executive Officers of financial institutions, and leading experts from Hong Kong and other parts of Asia. This was the first large-scale gathering of central bank governors in Hong Kong since the pandemic.

At the Conference, speakers shared their insights into some of the key challenges faced by central banks and policymakers, including persistent inflationary pressures and the “high for longer” interest rate environment, the future of the monetary system in the face of financial innovation, lessons learned from past financial crises, and structural changes that are shaping the economic landscape. Leaders of financial institutions also shared their perspectives on the future of finance in Asia.



(From left) Mr Eddie Yue, Chief Executive; Mr Ravi Menon, the then Managing Director, the Monetary Authority of Singapore; Mr M. Rajeshwar Rao, Deputy Governor, the Reserve Bank of India; and Mr Erik Thedéen, Governor, Sveriges Riksbank at the panel “The Future of Monetary System”



(From left) Mr Agustín Carstens, General Manager, the Bank for International Settlements; Ms Michele Bullock, Governor, the Reserve Bank of Australia; Mr Pablo Hernandez de Cos, Governor, the Bank of Spain; Mr Dave Ramsden, Deputy Governor, the Bank of England; and Mr Sethaput Suthiwartnarueput, Governor, the Bank of Thailand at the panel “Inflation, Financial Stability and Employment”



Mr Pan Gongsheng (right), Governor of People’s Bank of China (PBoC) delivers a keynote speech followed by a Q&A session moderated by Mr Norman Chan (left), Senior Adviser of the Hong Kong Academy of Finance and Former Chief Executive of HKMA



Mr Zhou Xiaochuan, Former Governor of PBoC, delivers keynote remarks at the Welcome Dinner

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Hong Kong as the dominant gateway to the Mainland and a global offshore renminbi business hub

Hong Kong has maintained its position as the leading offshore renminbi business hub, underpinned by strong and continuously improving liquidity, product diversity and infrastructure offerings. Offshore renminbi businesses extended their growth of the previous year to record broad-based expansion in 2023, particularly in offshore bond issuances and bank lending.



- **RMB1,045.3 billion**
RMB deposits, including outstanding certificates of deposit, **+6%**
- **RMB2.06 trillion**
average daily turnover of RMB RTGS system, **+25%**
- **RMB11.7 trillion**
RMB trade settlement handled by banks in Hong Kong, **+25%**
- **RMB441.2 billion**
RMB loans, **+130%**
- **RMB545.1 billion**
offshore RMB bond issuance, including certificates of deposit, **+65%**
- **70%+**
of global RMB Swift payments



Northbound Bond Connect continued to serve as a major channel for international investors to invest in the Mainland bond market using market infrastructures and financial services in Hong Kong. Daily turnover under Northbound Bond Connect averaged RMB40.1 billion in 2023 (a 24% increase from 2022) and accounted for 66% of overall trading turnover by foreign investors in the China Interbank Bond Market.

More market-oriented technical enhancements were introduced to further facilitate Northbound trading, including an online one-stop settlement failure reporting service and a new basket trading function. These enhancements were effective in improving operational efficiency for investors under Northbound Bond Connect.

Northbound Trading of Swap Connect was launched in May, providing global investors with a convenient and secure channel for trading interest rate swap products in the Mainland.

Southbound Bond Connect continued to buttress the growth of Hong Kong's bond market, including dim sum bonds. In September, the HKMA designated nine additional market makers to provide secondary liquidity and support the smooth operation of the scheme.

The HKMA is working closely with relevant Mainland authorities to explore further possible enhancements under Bond Connect, including provision of more diversified risk management and liquidity management tools.

The Cross-boundary WMC has been operating smoothly since its launch in 2021. Up to the end of 2023, 24 eligible Hong Kong banks had launched Cross-boundary WMC services together with their Mainland partner banks. Around 69,200 individual investors (including Guangdong, Hong Kong and Macao) had participated in the scheme and 43,300 cross-boundary remittances (including Guangdong, Hong Kong and Macao) totalling more than RMB12.8 billion had been completed. In September, the HKMA and other relevant authorities jointly announced enhancements to the Cross-boundary WMC. These included measures to refine the eligibility criteria of investors, expand the scope of participating institutions to include securities firms, expand the scope of eligible products, increase the individual investor quota, and further enhance the promotion and sales arrangements.

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In a move to further expand the channels for the two-way flow of cross-boundary renminbi funds and to develop offshore renminbi products in Hong Kong, the HKMA collaborated with the SFC and HKEX to launch the HKD-RMB Dual Counter Model and the Dual Counter Market Making Programme in June, which facilitated the issuance and trading of renminbi-denominated equity securities in Hong Kong and enriched the diversity of offshore renminbi products in Hong Kong. In the initial stage, the programme had 24 securities and nine market makers.

The offshore renminbi bond market saw solid growth. Amongst the issuance, the Ministry of Finance of the People's Republic of China (CMOF) expanded its issuance in Hong Kong to RMB50 billion in the year. In September, the People's Government of Hainan Province and the Shenzhen Municipal People's Government issued offshore renminbi local government bonds in Hong Kong, for the second and third consecutive year respectively. These issuances, which included blue bonds, green bonds, social bonds and sustainability bonds, further enriched the range of renminbi financial products available in the Hong Kong market.

The HKMA continued to work on initiatives to support corporates' business operations and the livelihoods of residents in the GBA. During the year, taking into account suggestions raised by the HKMA and the Hong Kong banking industry, the Mainland authorities introduced a refined cash pooling arrangement for multinational corporates, with pilot areas covering GBA cities. The arrangement provides more flexibility for the business operation fund flow management of corporates with a GBA presence, and is also conducive to Hong Kong's corporate treasury business. The HKMA also actively discussed measures with Mainland authorities to facilitate Hong Kong residents to purchase properties in GBA's Mainland cities. Relevant measures became effective on 26 February 2024, providing Hong Kong residents with a clear, safe and proper channel to remit related funds to the Mainland.

Facilitating communication between Mainland agencies and the financial industry in Hong Kong

The HKMA organised a variety of industry seminars and roundtable discussions involving Mainland regulatory bodies and industry associations, designed to promote financial co-operation with the Mainland and deepen exchanges between the financial industry and Mainland policymakers and industry players. In July, the Chief Executive of the HKMA led a delegation of The Hong Kong Association of Banks on its annual visit to Mainland financial regulators in Beijing. The HKMA also arranged series of seminars for senior representatives from the China Banking Association and received delegations of provincial government representatives, local regulators, and academic groups during the year.

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Enhancing financial platform competitiveness

Hong Kong's bond market development

Hong Kong as an international bond issuance hub

Hong Kong is a major hub for arranging international bond issuance in Asia. According to the International Capital Market Association, close to US\$90 billion of international bond issuances from the region were arranged in Hong Kong in 2023, equivalent to around a quarter of the market. Despite an overall slowdown in the Mainland bond market, Hong Kong remained the top arranging hub for debut issuances as well as green and sustainable issuances, which had market shares of 78% and 37% respectively.

For years, Hong Kong's unique connectivity with the international and Mainland capital markets has entrenched its role as the premier offshore financing platform for Mainland issuers. In 2023, around two-thirds of offshore bond issuances by Mainland entities were arranged in Hong Kong. To further support cross-border financing by Chinese enterprises in Hong Kong and to promote the diversified development of the local bond market, the HKMA signed an MoU with the National Development and Reform Commission in October.

Promoting innovation in Hong Kong's bond market

The HKMA has made significant progress in exploring the potential and promoting the adoption of new technologies designed to enhance efficiency, transparency and investor participation in the bond market, including assisting the Government to issue two batches of tokenised green bonds in 2023 and 2024.



Major areas of co-operation under the MoU with the National Development and Reform Commission



Supporting bond issuances by Chinese enterprises in Hong Kong through policy facilitation and support measures



Organising joint promotional activities to enhance market participants' understanding of relevant policies



Promoting the diversified development of the Hong Kong bond market, particularly the green and sustainable finance market and the dim sum bond market



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HKMA efforts to promote bond market innovation



2021 November Proof-of-concept (Project Genesis)

- Concept-tested the issuance of tokenised green bonds in Hong Kong, in collaboration with the BIS Innovation Hub Centre in Hong Kong



2023 February The world's first tokenised government green bond

- Conducted a ground-breaking real capital markets transaction of HK\$800 million to demonstrate Hong Kong's flexible and conducive environment for innovative forms of bond issuances
- Successfully completed the full set of bond lifecycle events using DLT, from primary issuance to secondary trading settlement, coupon payment and maturity redemption



2023 August Report on Bond Tokenisation in Hong Kong

- Published a report detailing lessons learnt in the inaugural tokenised green bond issuance and discussing possible next steps for promoting wider adoption of the technology
- The report set out the technology and platform design, deal structuring, as well as legal and regulatory considerations of a tokenised bond transaction, offering a blueprint to market participants interested in conducting similar issuances in Hong Kong



2024 February The world's first multi-currency digital bond

- Completed a second tokenised government green bond offering at a larger issuance size and with wider investor participation, bringing tokenised bond further beyond proof-of-concept
- Aggregate issuance size at around HK\$6 billion in four major currencies (Hong Kong dollar, renminbi, US dollar and euro), matching the sizes of many conventional issuances
- Attracted subscription from a wide spectrum of global investors, ranging from asset managers, banks, insurance companies, private banks, to non-financial institutions

The second tokenised green bond offering achieved new breakthroughs in:

- **broadening investor participation** via existing market infrastructure, giving investors the option to access the bond via the CMU and its external linkages
- **streamlining processes** by issuing in digitally native format
- **adopting standardised and machine-readable language** for promoting market efficiency and cross-system interoperability
- **enhancing transparency and accessibility of information** by integrating green bond disclosures with the digital assets platform

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Issuance of Government Bonds

The HKMA, as representative of the Government, arranges the issuance of bonds under the Government Bond Programme and Government Green Bond Programme. The primary objective of the Government Bond Programme is to promote further and sustainable development of the local bond market, whereas the Government Green Bond Programme is to promote the development of green finance in Hong Kong, in particular the green bond market.

Government Bond Programme

During the year, the HKMA arranged 16 tenders of institutional government bonds with a total nominal value of HK\$30.5 billion. As at the end of 2023, the total nominal amount of outstanding institutional bonds was HK\$98.5 billion.

On the retail front, the HKMA arranged the issuance of Silver Bonds in August in the amount of HK\$55 billion to Hong Kong residents aged 60 or above, with a tenor of three years. The Silver Bond issuance attracted more than 323,700 applications, with subscription amounts exceeding HK\$71.7 billion. The total nominal amount of retail bonds outstanding as at the end of 2023 was HK\$145.3 billion.



Government Green Bond Programme

Since the launch of the Government Green Bond Programme in 2018, a total of around US\$25 billion equivalent of green bonds, comprising institutional and retail bonds, have been issued. In the 2023–24 financial year, the HKMA assisted the Government to issue a second batch of retail green bond amounting to HK\$20 billion, as well as close to US\$6 billion equivalent of institutional green bonds. More details can be found in the *Enhancing the Green and Sustainable Finance Ecosystem* chapter of the *Sustainability Report 2023*.

Hong Kong as a green and sustainable finance hub

In recent years, the HKMA has continued to push forward various initiatives to further enhance Hong Kong's position as a regional green and sustainable finance hub. See the *Enhancing the Green and Sustainable Finance Ecosystem* chapter of the *Sustainability Report 2023* for more details.



Asset and wealth management

Hong Kong is Asia's largest private equity hub outside the Mainland, with around US\$221 billion in capital under management and around 650 private equity firms as of the end of 2023. The HKMA has continued to work with stakeholders to enhance Hong Kong's private equity platform. By the end of December, 765 Limited Partnership Funds⁴ had been established. The HKMA is currently working with other Government agencies to review the existing tax concession measures applicable to funds and carried interest.

With its unique advantage as the dominant gateway to the Mainland and its unparalleled access to investment opportunities, Hong Kong is well positioned as a private wealth management hub for the region. The HKMA has been partnering with other Government agencies, financial regulators and the financial industry to create a conducive environment for private wealth managers and family offices to set up and operate in Hong Kong. Legislative amendments to provide a more facilitative tax arrangement for family offices operating in Hong Kong were passed by the Legislative Council in May, while the details of a new Capital Investment Entrant Scheme were announced in December. Furthermore, the HKMA and the SFC jointly introduced in July a streamlined approach to improve client experience of sophisticated professional investors while maintaining investor protection.



Mr Darryl Chan, Deputy Chief Executive, hosts the press conference on Silver Bond

⁴ The Limited Partnership Fund regime and the associated re-domiciliation mechanism were introduced in August 2020 and November 2021 respectively.

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Hong Kong as a hub for corporate treasury centres

Given its role as a gateway to the Mainland and its wide-ranging strengths as an international financial centre, Hong Kong provides corporates with unparalleled access to talent as well as financial and professional services. Since the introduction of the CTC tax regime in June 2016, the HKMA has been actively engaging with the industry to raise awareness of Hong Kong's value proposition as a CTC hub, resulting in a growing number of multinational and Mainland corporates setting up CTCs in Hong Kong.

Hong Kong as a financing hub for infrastructure investments

The HKMA Infrastructure Financing Facilitation Office (IFFO) serves as an important platform that facilitates infrastructure investments by leveraging Hong Kong's status as an international financial centre. The office has around 100 international partners⁵, including key industry stakeholders such as multilateral financial agencies and development banks, project developers and operators, public sector entities and professional service firms. In 2023, IFFO joined the Green Investment and Finance Partnership as well as the Capacity-building Alliance of Sustainable Investment, in order to support the sustainable development of infrastructure projects in the Asia region and Belt and Road countries. In August 2023, the HKMA and IFFO held the first Blended Finance Roundtable which brought together a diverse range of stakeholders to discuss ways of harnessing the power of blended finance to tackle global climate change challenges.

Outreach initiatives

Throughout the year, the HKMA proactively engaged with industry stakeholders to reach out to the broader financial community locally and overseas, helping to better inform decision makers about the resilience of Hong Kong's financial system and the growth opportunities that the city presents.

In 2023, the HKMA conducted 64 seminars, speaking engagements and individual engagements through which it reached out to local and international audiences, including over 25,000 senior executives and professionals from central banks, institutional investors, pension funds, insurance companies, corporates, and ultra-high-net-worth individuals.

Market outreach analysis



Events participated

64

Including:

- Summit and dialogues
- Conferences and forums
- Roundtables and meetings
- Webinars

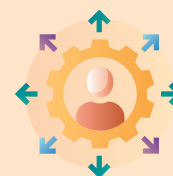


Audience reached

over 25,000

Channelled through:

- Institutional banks
- Industry associations
- Chambers of commerce
- Individual engagements



Sectors covered

15

Including:

- Banks
- Asset managers/Hedge funds/Private equity funds
- Asset owners
- Professional service providers
- Corporates

⁵ A full list of IFFO partners is available on the HKMA website (<https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/hkma-infrastructure-financing-facilitation-office/iffo-partners/>)

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Hong Kong's treasury markets

The HKMA participates actively in international and local discussions in support of the continuing enhancement of the professionalism and competitiveness of Hong Kong's treasury market, and works closely with the Treasury Markets Association (TMA) to this end.

In the year, the HKMA participated in the Global Foreign Exchange Committee and collaborated with the TMA to promote industry adherence to the Foreign Exchange Global Code. The HKMA, the TMA and other industry associations joined hands to raise market awareness of the discontinuation of the London Interbank Offered Rate (LIBOR), and to help the banking and corporate sectors transition away from LIBOR into the respective alternative reference rates. The HKMA also worked with the TMA in engaging local market participants in support of the development of the Hong Kong Dollar Overnight Index Average (HONIA)-linked market, including the continual issuance of HONIA-indexed floating rate notes under the Government Bond Programme.

Over-the-counter derivatives market

The HKMA works closely with the SFC to develop detailed rules for implementing the regulatory regime for the OTC derivatives market in Hong Kong, and to monitor systemic risk and enhance transparency in the OTC derivatives market. Different aspects of the regulatory regime have been introduced in phases⁶. Following public consultations in 2023 on further enhancements to the regime, updated lists of financial service providers and new types of transactions under the mandatory clearing regime were scheduled for implementation in January and July 2024 respectively.

The HKMA participated in several international forums and in the OTC derivatives working groups established under the FSB, contributing to relevant international initiatives and monitoring international regulatory developments closely.

Hong Kong's credit ratings

The HKMA maintains close dialogue with international credit rating agencies to facilitate a balanced and objective assessment of Hong Kong's credit strength and discuss with these agencies concerns about the rating outlook. During the year, S&P Global Ratings and Fitch Ratings maintained Hong Kong's rating at AA+ and AA- respectively. Moody's also maintained Hong Kong's rating at Aa3, but changed the rating outlook to "negative" from "stable".

⁶ The first phase of mandatory clearing and the second phase of mandatory reporting took effect in September 2016 and July 2017 respectively.

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Hong Kong as a Fintech Hub in Asia

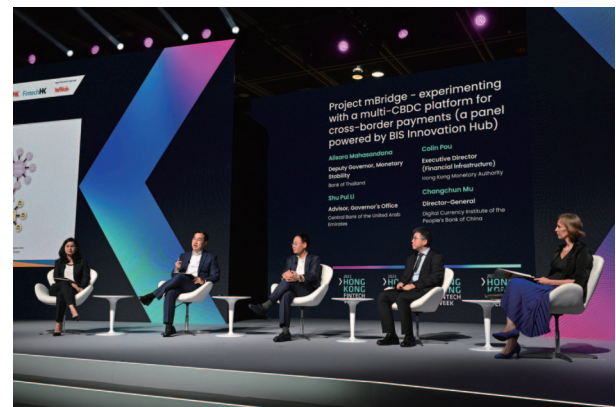
Fintech Adoption in the Banking Sector

With reference to the results of the Tech Baseline Assessment completed in 2022, the HKMA, the SFC and the Insurance Authority (IA) jointly announced a new Fintech Promotion Roadmap in August 2023 to steer further development in the fintech business areas of Wealthtech, Insurtech and Greentech and the technology types of artificial intelligence and DLT. The three regulators are rolling out a series of initiatives to give further impetus to fintech adoption in the financial services sector. These include the Fintech Knowledge Hub, fintech showcase events, roundtables, seminars, training sessions, and the development of practical guidelines and promotional videos.

See page 104 of the *Banking Stability* chapter for more details.

Wholesale Central Bank Digital Currency

The mBridge project is a collaborative effort between the HKMA, the Bank of Thailand, the Digital Currency Institute of the People’s Bank of China (PBoC), the Central Bank of the United Arab Emirates, and the BIS Innovation Hub Centre in Hong Kong. mBridge has now progressed to the Minimum Viable Product (MVP) development phase, and the HKMA aims to launch the MVP in 2024 to pave the way for a production-ready system. A brochure was published in October to provide an update on Project mBridge and outline the next steps (Figure 1).



Panel session on mBridge at Hong Kong FinTech Week 2023

Figure 1 Joint brochure, *Project mBridge Update: Experimenting with a multi-CBDC platform for cross-border payments*



Published by the HKMA, together with the participating authorities and the BIS Innovation Hub Centre in Hong Kong

The platform developed for Project mBridge is underpinned by custom-built DLT, a set of comprehensive legal rulebook documents and a fit-for-purpose governance structure.



International Financial Centre

Retail Central Bank Digital Currency

To strengthen its research work on CBDC, the HKMA continued its study on the prospect of introducing a retail CBDC in Hong Kong, i.e. an e-HKD, covering both technical and policy considerations. Under the three-rail approach adopted for preparing for the possible implementation of an e-HKD, the HKMA commenced the e-HKD Pilot Programme in May. The first round of pilots under Phase 1 of the programme, involving 16 firms from the financial, payment and technology sectors, took deep dives into 14 potential domestic and retail use cases across six categories⁷.

A report was published in October that covered key learnings from the pilots and the way forward. The pilots under Phase 1 uncovered three areas where an e-HKD could potentially add unique value to the current retail payment ecosystem, namely programmability, tokenisation and atomic settlement (Figure 2).

In November, the HKMA announced its intention to commence Phase 2 of the programme in 2024, in which it will explore new use cases for an e-HKD and delve deeper into select pilots from Phase 1.



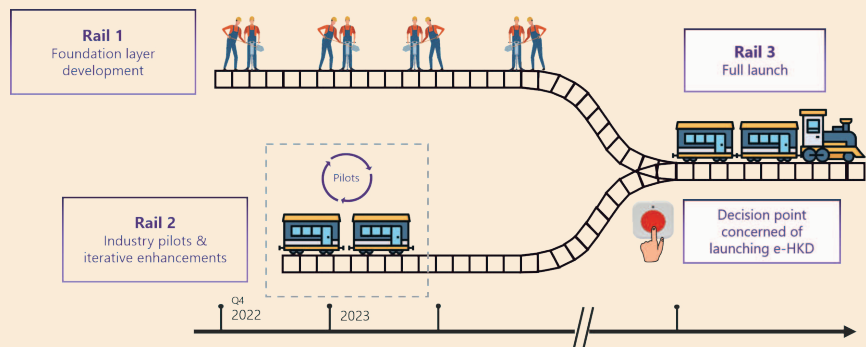
Panel session on the e-HKD Pilot Programme at Hong Kong FinTech Week 2023

Figure 2 Report, e-HKD Pilot Programme Phase 1 Report

The report discussed the key findings, learnings, and the HKMA’s assessment of the conducted pilots.



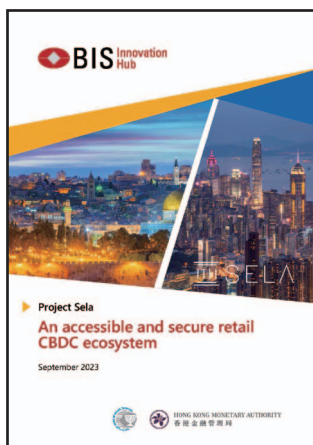
The HKMA has adopted a three-rail approach to pave the way for possible implementation of an e-HKD in the future.



⁷ The six categories of potential domestic and retail use cases include full-fledged payments, programmable payments, offline payments, tokenised deposits, settlement of Web3 transactions and settlement of tokenised assets.

International Financial Centre

Separately, the HKMA successfully completed Project Sela with the Bank of Israel and the BIS Innovation Hub Centre in Hong Kong, and issued a joint report in September. The project provided valuable practical insights into the cybersecurity, technical and policy aspects of a retail CBDC implementation.



*Joint report titled Project Sela:
An accessible and secure
retail CBDC ecosystem*

The HKMA established the CBDC Expert Group in October to facilitate collaboration on CBDC research between the Government and academia. The group is supporting the HKMA's efforts to explore key policy and technical issues surrounding CBDC, and offering advice, training sessions, and workshops pertaining to CBDC and related fintech topics to the HKMA.



The HKMA signs MoUs with five local universities whose faculty members are participants of the CBDC Expert Group

The HKMA has also continued to work with the Digital Currency Institute of the PBoC to expand the scope and scale of testing the use of e-CNY for cross-boundary payments in Hong Kong, including the use of the FPS to top up e-CNY wallets, and with more Hong Kong banks participating. This helps to promote interconnections in the GBA and brings greater convenience to Hong Kong and Mainland tourists by further improving the efficiency and user experience of cross-boundary payments. In addition, an e-CNY pilot project was launched at the Hangzhou Asian Games to support the use of e-CNY by the Hong Kong delegation in the Mainland during that period. Participants were able to top up their e-CNY wallets via the FPS, and experience the cross-boundary use of e-CNY.

International Financial Centre

Commercial Data Interchange

Officially launched in October 2022 by the HKMA, CDI is a consent-based financial data infrastructure that aims to enhance data sharing and promote the development of a data-driven economy. Good progress was made both in its development and adoption during the year, successfully attracting the participation of 26 banks and 13 data providers. Since its official launch, CDI has facilitated more than 13,000 loan applications and reviews, with estimated credit approvals exceeding HK\$11.7 billion as at the end of December.



SME owners share how CDI helps reduce the time and paperwork involved in the loan application process⁸

The HKMA continued to promote the development and active use of CDI during the year. An inaugural Data Summit was held in May to encourage the use of alternative data in banks, with the aim of facilitating experience sharing and exchange of ideas. Newsletters were also published during the year to keep stakeholders informed of key updates and future developments of CDI.



The first Data Summit is attended by over 260 senior representatives from more than 60 banks, data analytics service providers and data providers



Mr Howard Lee (left), Deputy Chief Executive, visits booths set up by various data analytics service providers and data providers at the Summit



Mr Raymond Chan (second from right), the then Executive Director (Banking Supervision), shares his views on how the financial services industry can strengthen its digital capabilities in a panel discussion

⁸ For more details, see the SME Stories on the CDI website (<https://cdi.hkma.gov.hk/sme-stories/>).

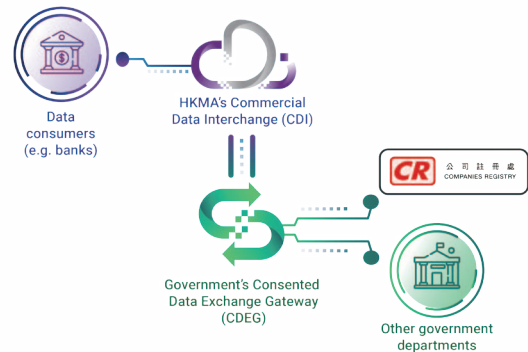
International Financial Centre



The inaugural issue of the CDI newsletter

To fully unlock the potential of data across the financial services industry, a partnership was formed between the HKMA and the IA to enable cross-sectoral data sharing.

The HKMA continued to explore ways to further digitalise and streamline various banking processes, such as Know Your Customer, through CDI. A linkage was successfully established between CDI and the Government's Consented Data Exchange Gateway (CDEG) at the end of December to facilitate consented data sharing between Government departments and financial institutions. Through it, the Companies Registry became the first government data source for CDI, enabling banks to obtain company particulars in a straight-through manner. This established linkage will enable CDI to further contribute to the advancement of Hong Kong's digital economy.



The HKMA works closely with other Government departments to explore data sharing opportunities via the CDI-CDEG linkage

Separately, in a move to explore CDI's potential for enabling cross-border trade-related data exchange, in November, the HKMA and the Financial Services Regulatory Authority (FSRA) of the Abu Dhabi Global Market jointly announced the signing of an MoU to strengthen fintech co-operation between the two authorities.



The MoU signing ceremony is attended by (from left) Mr Nelson Chow, Head (Financial Market Infrastructure Service); Mr Colin Pou, Executive Director (Financial Infrastructure); Mr Wai Lum Kwok, Senior Executive Director – Authorisation & Fintech of the FSRA; and H.E. Shaikh Saoud Al Mualla, Consul General of the United Arab Emirates in the Hong Kong Special Administrative Region

International Financial Centre

Talent development

To expand the fintech talent pool, the HKMA continued to run the Fintech Career Accelerator Scheme in collaboration with its strategic partners to nurture young fintech talent to meet the growing demands in Hong Kong. Over 70 students were recruited by the HKMA and 30 other participating institutions in 2023. Separately, the Industry Project Masters Network (IPMN) scheme launched in 2022, aims to groom fintech talent by giving postgraduate students opportunities to work on real-life fintech projects and gain hands-on experience and skills. The first edition of IPMN was successfully concluded in the year, with over 130 students, 30 industry mentors, and over 30 banks and SVF operators having taken part in fintech industry projects.



Interns of the Fintech Career Accelerator Scheme at Hong Kong FinTech Week 2023

Fintech Sandbox

The Fintech Supervisory Sandbox (FSS) continued to be extensively used by authorized institutions during the year. Up to the end of 2023, a total of 323 pilot trials of fintech initiatives had been allowed in the FSS since its launch in 2016, compared with 274 as at the end of 2022. The HKMA had also received a total of 833 requests to access the FSS Chatroom, with more than 60% of the requests made by technology firms. Since its introduction in 2017, the Chatroom has provided useful supervisory feedback at the early stages of fintech projects.

In collaboration with Cyberport, the HKMA launched the FSS 3.1 Pilot in 2022 to provide development-stage funding support to successful projects under the Government's FinTech Proof-of-Concept Subsidy Scheme, with a view to promoting their commercialisation and wider adoption. As at the end of December 2023, five projects providing regtech and risk management solutions had been approved under the FSS 3.1 Pilot.

Greater Bay Area fintech pilot trial facility

The HKMA, the PBoC and the Monetary Authority of Macao signed an "MoU on Deepening Fintech Innovation Supervisory Cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area" in November, expanding the one-stop fintech pilot trial platform so that pilot trials of cross-boundary fintech initiatives would also cover Macao.



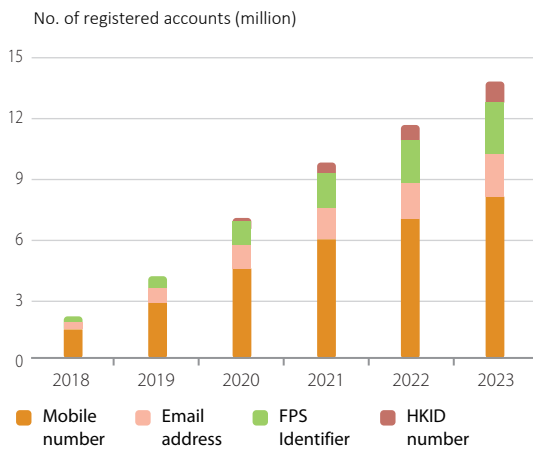
Mr Zhang Qingsong (centre), Deputy Governor of PBoC; Mr Raymond Chan (right), the then Executive Director (Banking Supervision); and Ms Henrietta Lau Hang-kun (left), Executive Director of the Monetary Authority of Macao, sign the MoU at the ChengFang Fintech Forum in Beijing

International Financial Centre

Faster Payment System

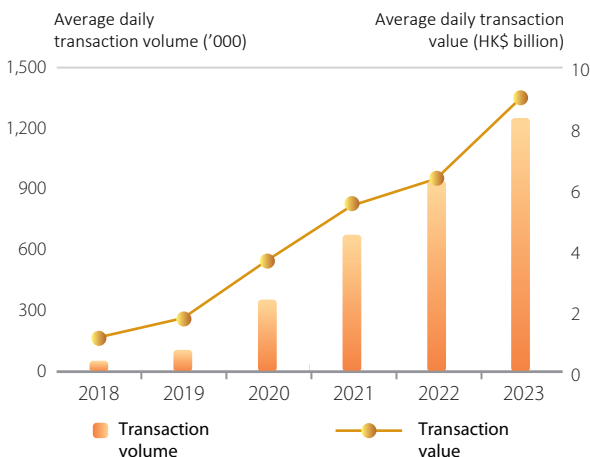
The FPS marked its fifth anniversary in September. The number of registrations has grown steadily since its launch. As of 31 December, the FPS had 13.6 million registrations (Chart 1), up by 19% from a year earlier.

Chart 1 Registrations of FPS proxy identifiers



The adoption of the FPS and FPS turnover continued to grow alongside the increased use of electronic payments. The average daily turnover reached 1.25 million real-time transactions (worth HK\$9.0 billion and RMB355 million) in 2023, 33% higher than in 2022 (Chart 2). The increased use of the FPS has also been spurred by a steady rise in its adoption and a gradual extension of its scope of usage, from primarily person-to-person payments to bill, retail and business payments.

Chart 2 Average daily turnover of Hong Kong dollar real-time payments



The HKMA has been working closely with various Government departments and the banking industry to expand the acceptance of FPS payments from Government bills, designated Government counters and self-help kiosks, to other online Government payments, adopting App-to-App and Web-to-App FPS payment functions in 2023. Users can easily scan the FPS QR codes displayed on webpages, or use the FPS Web-to-App or App-to-App payment function on mobile applications. More public services, such as tunnels, leisure facilities and government carparks, now accept the FPS for payments of fees and charges. Currently, over 90% of Government departments have adopted the FPS as a means for accepting payments. The HKMA will continue to assist the Government to broaden its adoption of the FPS for other use cases.

In another positive development, an increasing number of merchants have embraced the FPS to support their business operations. Merchant payments surged to an average of 186,000 transactions⁹ per day in 2023, representing an increase of 27% over 2022. The FPS is commonly used to pay bills, make in-app direct debits, and complete App-to-App or Web-to-App and other online purchases. The increasing popularity of SVF e-wallets also contributed to more account top-up transactions being made via the FPS. The average daily number of top-up transactions rose in 2023 by 64% over 2022.

In order to provide a better customer experience, the system functionality of the FPS has been enhanced to support cross-border credit transfer payments for both Hong Kong dollar and renminbi on a 24/7 basis. Banks will be able to use the FPS to provide more efficient correspondent banking payment services to their customers.

⁹ The figure includes payments to the Government via the FPS.

International Financial Centre

Launch of the Suspicious Proxy ID Alert

An alert mechanism has been introduced to warn users of associated fraud risks before conducting transactions using the FPS. Following collaboration between the HKMA, the Hong Kong Police Force (HKPF), Hong Kong Interbank Clearing Limited (HKICL) and members of the industry including banks and SVF operators, an alert mechanism was launched on 26 November based on information available from the Scameter, an anti-fraud search engine developed by the HKPF. Under this mechanism, users are alerted of the high risk of fraud if the payee's account proxy identifier (proxy ID), including mobile phone number, email address and FPS Identifier, is in the list of proxy IDs labelled as "High Risk" on the Scameter. An alert message will be displayed to users, reminding them to think twice before deciding whether to cancel the transaction or continue with the payment.

FPS payment link with Thailand

The HKMA and the Bank of Thailand jointly launched FPS x PromptPay link for cross-border QR payments between Hong Kong and Thailand on 4 December. This enables travellers from the two jurisdictions to make retail payments by using their mobile payment applications to scan the Hong Kong FPS QR code or the Thai PromptPay QR code displayed by merchants. It provides a safe, efficient, convenient and cost-attractive alternative for retail payments for the general public and travellers, which in turn helps support tourism and economic activities in Hong Kong and Thailand. FPS x PromptPay will also serve as a catalyst for more collaboration on financial innovations in this dynamic region in the coming years.



Mr Eddie Yue (left), Chief Executive, and Dr Sethaput Suthiwartnarueput (right), Governor of the Bank of Thailand, at the launching ceremony of FPS x PromptPay

International Financial Centre

The HKMA continued to promote the use of the FPS in a number of other areas described below.

- To drive the adoption of the FPS by small and medium-sized enterprises (SMEs) and merchants in their business operations, the HKMA encouraged the banking industry to offer simple, easy-to-use and affordable FPS payment solutions to microbusinesses and SMEs to facilitate small merchants to embrace the era of e-payment, which is also one of the HKMA's goals of promoting financial inclusion. To better promote awareness of these FPS payment solutions, the HKMA organised a "FPS x SME" seminar in September, which brought together over 130 representatives from SMEs and the industry. In addition, the HKMA has joined hands with 21 banks and SVF operators in introducing various promotional offers to encourage use of the FPS by corporate and personal users. The HKICL, the operator of the FPS, exempted banks and SVF operators from settlement fees when processing real-time payments from corporates and merchants through the FPS in October. The aim was to encourage banks and SVF operators to pass on the benefit to SMEs and merchants, further driving their use of the FPS.
- Outreach activities to promote the FPS to various SME industry associations were organised. Advertisements were placed in various SME associations' publications and websites to further promote the benefits of adopting the FPS. The HKMA also supported industry events by participating in their seminars for SMEs, charity, education and non-governmental organisations to promote the adoption of the FPS.
- Promotional and customer education videos were launched for FPS x PromptPay to promote the new service and show users how to make cross-border payments to merchants in Thailand and Hong Kong.
- Efforts continued with the industry to promote the giving of electronic lai sees (e-lai sees) via the FPS to support environmental protection. Banks and SVFs also developed innovative user interfaces to facilitate the giving of e-lai sees, and offered incentives to encourage their customers to do so.



Mr Howard Lee (third from left, front row), Deputy Chief Executive; Mr Colin Pou (second from left, front row), Executive Director (Financial Infrastructure); and Ms Haster Tang (second from right, front row), Chief Executive Officer of HKICL, together with representatives from banks and SVF operators at the "FPS x SME" seminar



Banks and SVF operators set up exhibition booths at the seminar, explaining various FPS payment solutions and offering on-the-spot discounts to SME customers



Online videos are produced to demonstrate the use of FPS x PromptPay and offer smart tips for using this new service

International Financial Centre

Open Application Programming Interface

The HKMA successfully launched all four phases of the implementation set out in the Open Application Programming Interface (Open API) Framework for the Hong Kong Banking Sector, published in 2018. The aim is to facilitate collaboration between the banking sector and third-party service providers (TSPs) in a secure and controllable environment, thereby promoting the development of innovative banking products and enhancing customer experience. Throughout the year, the HKMA continued to facilitate the development and adoption of Open API. A total of 28 participating retail banks progressively offered various Open API functions, covering product information, customer acquisition, account information and transactions.

The number of registered TSPs using banks' Open API grew steadily. As at December, more than 1,500 registrations from these TSPs for using Open API had been recorded, representing year-on-year growth of about 16%, with over 1.4 million banking product applications, account enquiries and payment transactions completed via Open API in the same month, a rise of about 109% over the same period in 2022.

Outreach and collaboration

Since its establishment in March 2016, the FFO has reached out to and liaised with fintech market players in order to facilitate the exchange of ideas among stakeholders. During the year, the FFO organised six events, including panel discussions during Hong Kong FinTech Week 2023. Together, these attracted over 35,000 attendees and more than 5.5 million online views. FFO representatives also spoke at 18 fintech-related events and held over 1,000 meetings with other regulatory authorities, industry organisations, financial institutions, technology firms and startups, as well as handling over 180 enquiries from market participants.

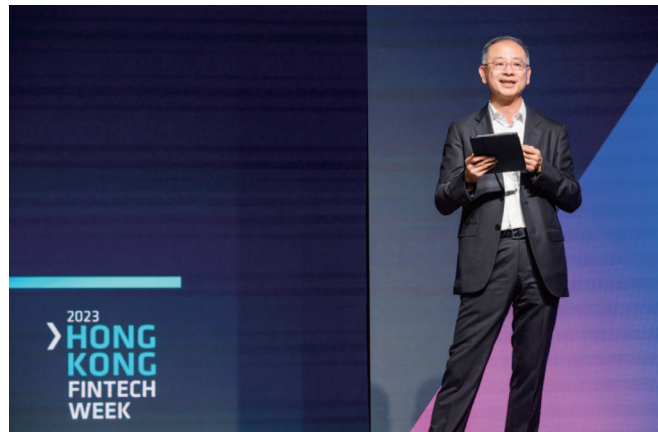
Throughout the year, the HKMA also made considerable efforts to further strengthen cross-border fintech collaboration, including by attending summits and conferences hosted by other jurisdictions regularly.



Mr Paul Chan, Financial Secretary of the Government of HKSAR, speaks at Hong Kong FinTech Week 2023



Mr Eddie Yue, Chief Executive, delivers the opening keynote at Hong Kong FinTech Week 2023, first appearing as an avatar before meeting the audience on stage

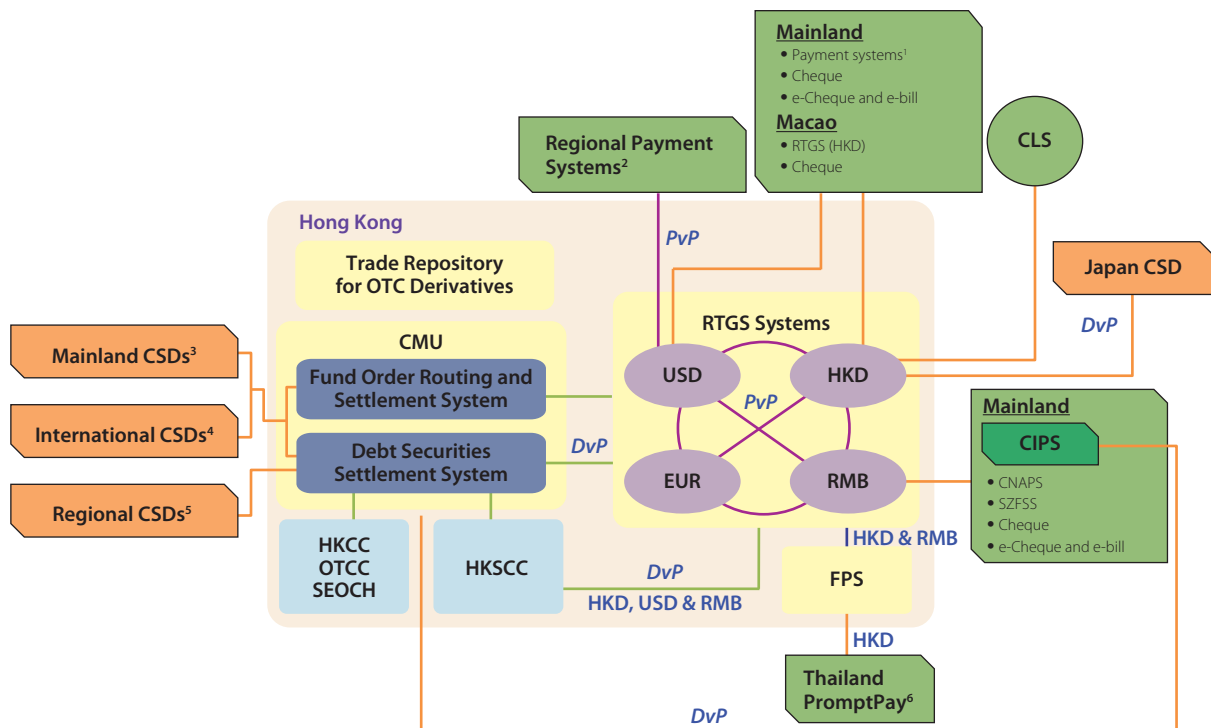


International Financial Centre

Hong Kong's financial infrastructure

The HKMA's multi-currency, multi-dimensional payment and settlement platform, with its extensive domestic and overseas system linkages, continued to operate smoothly and efficiently during the year, helping to maintain Hong Kong's role as a regional hub for the payment and settlement of funds and securities (Chart 3).

Chart 3 Hong Kong's multi-currency financial infrastructure



Note 1: CDFPCS, RTGS links with Shenzhen and Guangdong
 Note 2: PvP links with Malaysia, Thailand and Indonesia
 Note 3: Cross-boundary links with CCDC and SHCH (Bond Connect) and CSDC (Mutual Recognition of Funds)
 Note 4: Cross-border links with Clearstream and Euroclear
 Note 5: Cross-border links with Austraclear (Australia), KSD (South Korea) and TDCC (Taiwan)
 Note 6: "FPS x PromptPay" link between Hong Kong and Thailand for cross-border QR payment

CCDC – China Central Depository & Clearing Co., Ltd. (settlement system for fixed income securities in the Mainland)
 CDFPCS – China's Domestic Foreign Currency Payment System (RTGS system for foreign currency payment in the Mainland)
 CIPS – Cross-Border Interbank Payment System
 CLS – Continuous Linked Settlement (global multicurrency cash settlement system)
 CMU – Central Moneymarkets Unit (settlement system for debt securities)
 CNAPS – China National Advanced Payment System (RMB RTGS system in the Mainland)
 CSDC – China Securities Depository and Clearing Corporation Limited
 FPS – Faster Payment System
 HKCC – HKFE Clearing Corp Ltd (central counterparty providing clearing and settlement for futures)
 HKSCC – HK Securities Clearing Co Ltd (central counterparty providing clearing and settlement for securities)
 Japan CSD (BOJ-NET) – Bank of Japan Financial Network System for Japanese Government Bond Services
 KSD – Korean Securities Depository (Korea's central securities depository)
 OTCC – OTC Clearing Hong Kong Limited (central counterparty providing clearing and settlement for OTC derivatives)
 RTGS – Real Time Gross Settlement
 SEOCH – SEHK Options Clearing House Ltd (central counterparty providing clearing and settlement for options)
 SHCH – Shanghai Clearing House (settlement system for fixed income securities in the Mainland)
 SZFSS – Shenzhen Financial Settlement System
 TDCC – Taiwan Depository and Clearing Corporation (Taiwan's securities settlement system)

DvP – Delivery-versus-payment
 PvP – Payment-versus-payment

International Financial Centre

Hong Kong dollar RTGS system

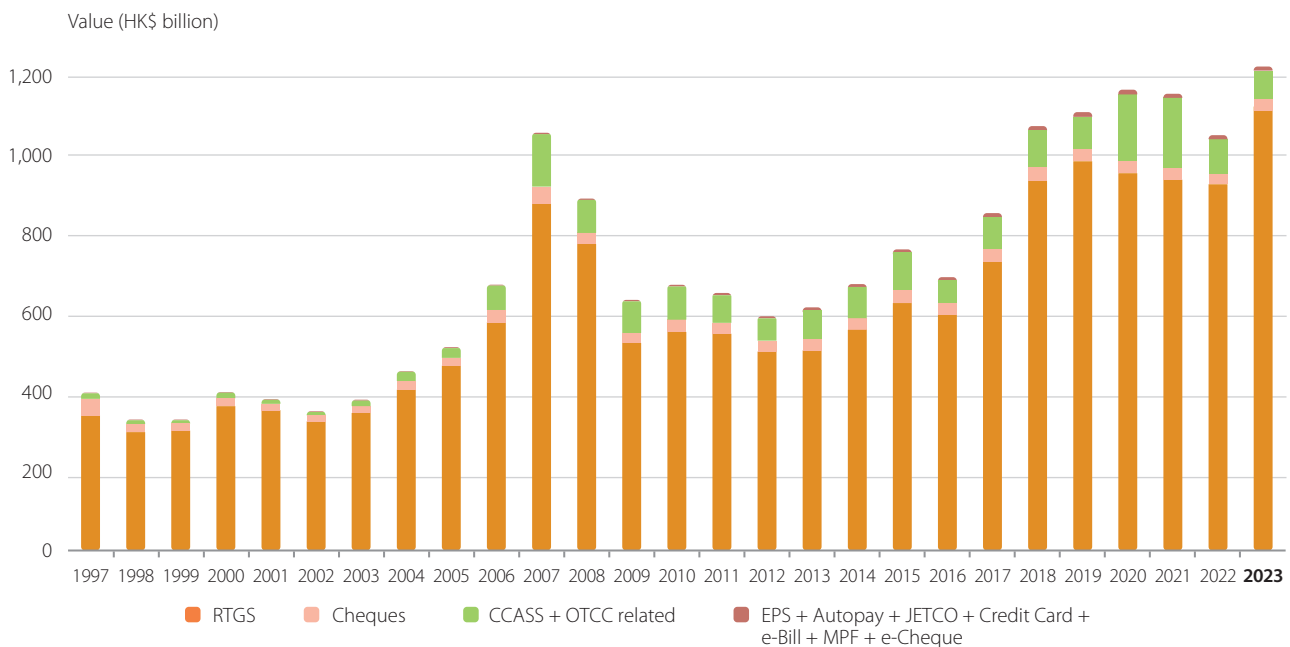
The Hong Kong dollar Clearing House Automated Transfer System (CHATS), which operates on an RTGS basis, is responsible for clearing Hong Kong dollar interbank payments. It continued to run smoothly and efficiently in 2023, with the daily average turnover reaching a record high transaction value of HK\$1,106.1 billion (30,436 items), compared with HK\$928.1 billion (28,529 items) in 2022.

In addition to settling large-value payments, CHATS handles daily bulk clearings and settlement of stock market transactions, Mandatory Provident Fund schemes' switching transactions, credit card transactions, cheques, small-value bulk electronic payment items (EPS, auto-credit and auto-debit transactions) and automated teller machine transfers (Chart 4). HKEX's Fast Interface for New Issuance (FINI) was launched on 22 November. This is a new digital platform

that modernises the initial public offering (IPO) settlement process and shortens the time gap between IPO pricing (on Day T) and trading, from T+5 to T+2. Under FINI, only the IPO allotment money will be settled across the banks via RTGS payments from noon to 5:30 p.m. on Day T, rather than the subscription and refund of over-subscription money via bulk settlement runs which was the case before the launch of FINI.

The FPS serves as an extension of the Hong Kong dollar CHATS, enabling the public to make instant retail fund transfers and payments across different banks and SVFs on a round-the-clock basis. It has been operating smoothly since its inception in September 2018, and had a daily average real-time payment transaction value of HK\$9.0 billion (1,247,564 items) in 2023.

Chart 4 Hong Kong dollar RTGS system average daily turnover



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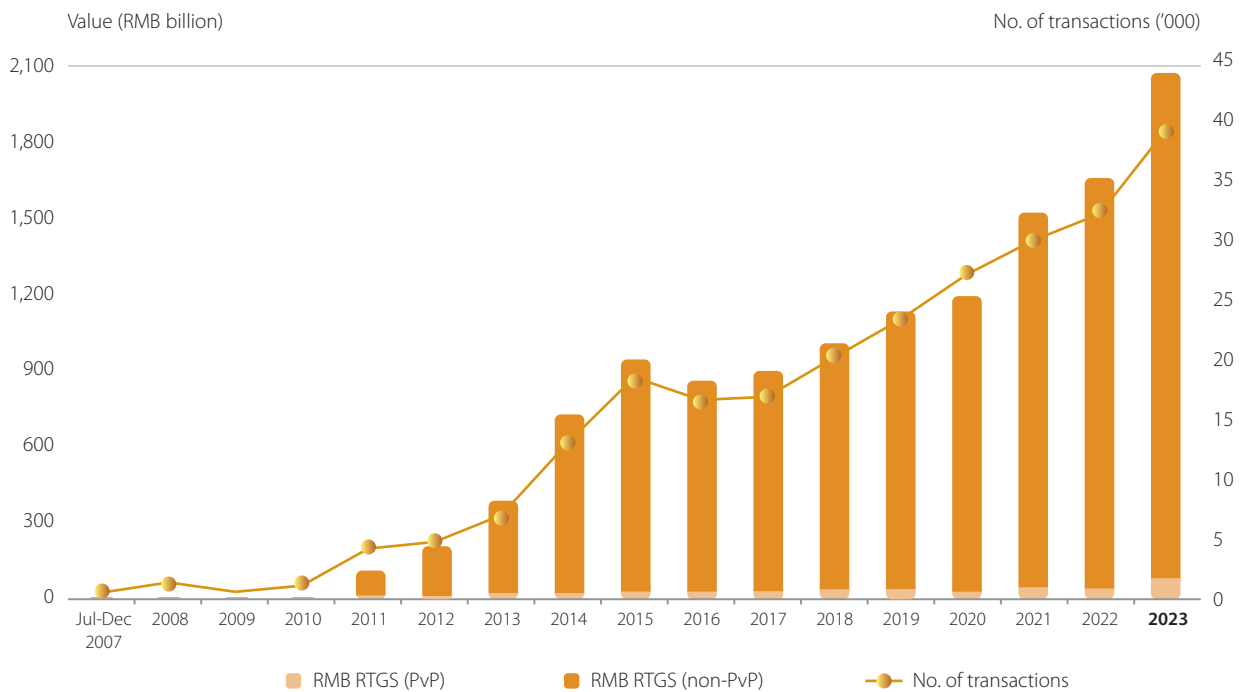
RTGS systems for other currencies in Hong Kong

The renminbi, US dollar and euro RTGS systems all operated smoothly during 2023. The cut-off time of the renminbi RTGS system has been extended in phases since June 2012 from 6:30 p.m. to 5:00 a.m. the next day (Hong Kong time), providing a total of 20.5 hours for same-day value payments. The extension gives financial institutions around the world a much longer operating window to settle offshore and cross-boundary renminbi payments through Hong Kong’s

infrastructure. The average daily value of Mainland-Hong Kong cross-boundary renminbi payments amounted to around RMB506 billion in 2023, accounting for 25% of the total turnover.

The average daily turnover and other details of the RTGS systems for other currencies are set out in Charts 5–7 and Table 1.

Chart 5 Renminbi RTGS system average daily turnover



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Chart 6 US dollar RTGS system average daily turnover

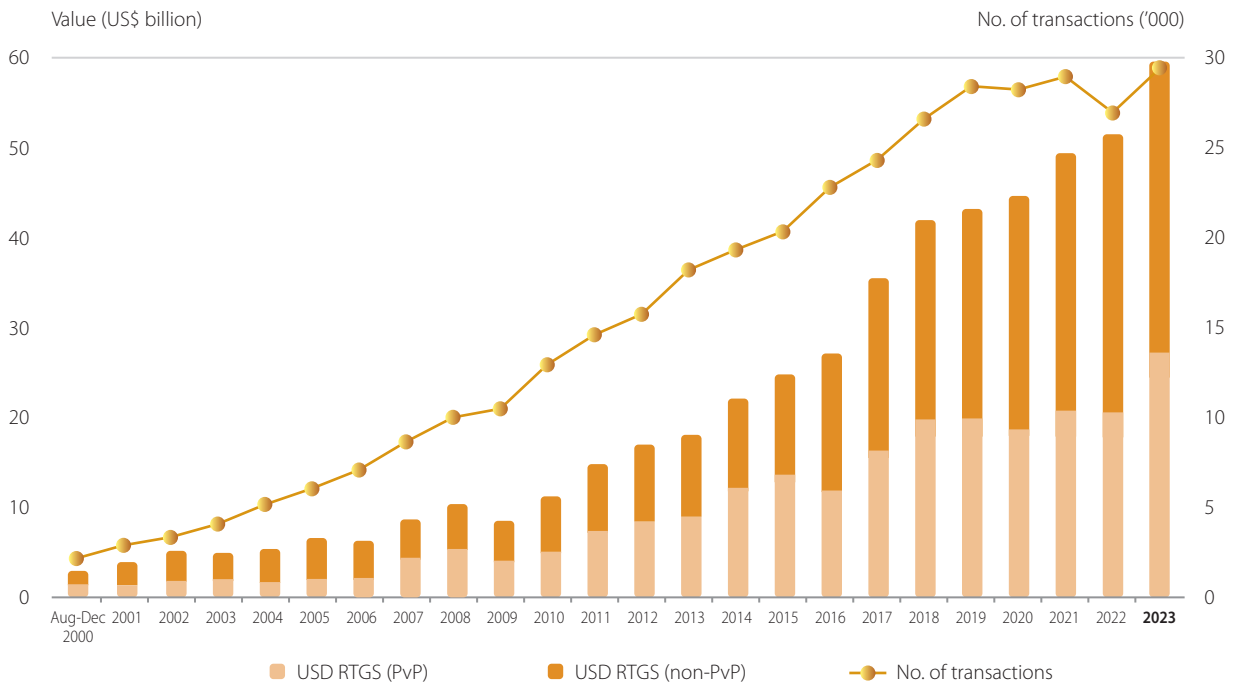
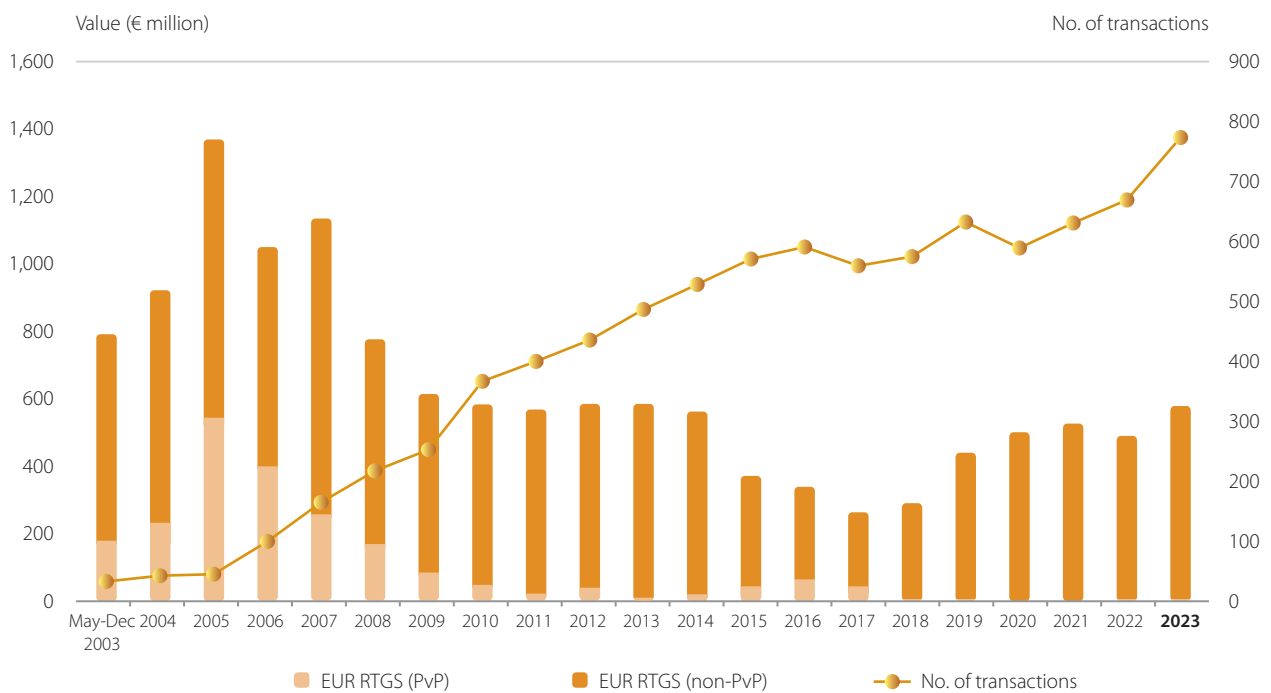


Chart 7 Euro RTGS system average daily turnover



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Table 1 RTGS systems for other currencies

RTGS system	Launch date	Settlement institution or Clearing Bank	Number of participants at the end of 2023	Average daily turnover in 2023	Average daily transactions in 2023
Renminbi RTGS system	June 2007	Bank of China (Hong Kong) Limited	Direct: 208	RMB2,063.6 billion ^a	38,397
US dollar RTGS system	August 2000	The Hongkong and Shanghai Banking Corporation Limited	Direct: 114 Indirect: 94	US\$59.8 billion ^a	29,471
Euro RTGS system	April 2003	Standard Chartered Bank (Hong Kong) Limited	Direct: 37 Indirect: 18	€577 million	775

a. Average daily turnover represented a record high in 2023.

Like the Hong Kong dollar FPS, the renminbi FPS (an extension of renminbi CHATS) has been operating smoothly since its inception in September 2018. It had a daily average real-time payment transaction value of RMB355 million (1,824 items) in 2023.

Payment-versus-payment

Payment-versus-payment (PvP) is a settlement mechanism for foreign exchange transactions which ensures that payments involving two currencies are settled simultaneously. In Hong Kong, six cross-currency PvP links have been established among the Hong Kong dollar, renminbi, US dollar, and euro RTGS systems.

Hong Kong's US dollar RTGS system has also established three cross-border PvP links, with Malaysia's ringgit RTGS system in 2006, Indonesia's rupiah RTGS system in 2010, and Thailand's baht RTGS system in 2014. PvP greatly improves settlement efficiency and eliminates the settlement risk arising from time lags in settlements and time zone differences, known as Herstatt risk. In 2023, the transaction values of Hong Kong dollar, renminbi, US dollar and euro-related PvP transactions amounted to approximately HK\$15,177 billion, RMB20,519 billion, US\$6,387 billion, and €129 million respectively.

To further encourage adoption of PvP, the PvP settlement mechanism has been enhanced to enable US dollar-renminbi foreign exchange transactions to be settled on a multilateral netting basis as scheduled on CHATS, in addition to the current gross mode. This enhancement, launched in February, provides CHATS members with a means to net their funding obligations for these kinds of PvP transactions, thus enabling them to more easily manage their liquidity and foreign exchange settlement risk.

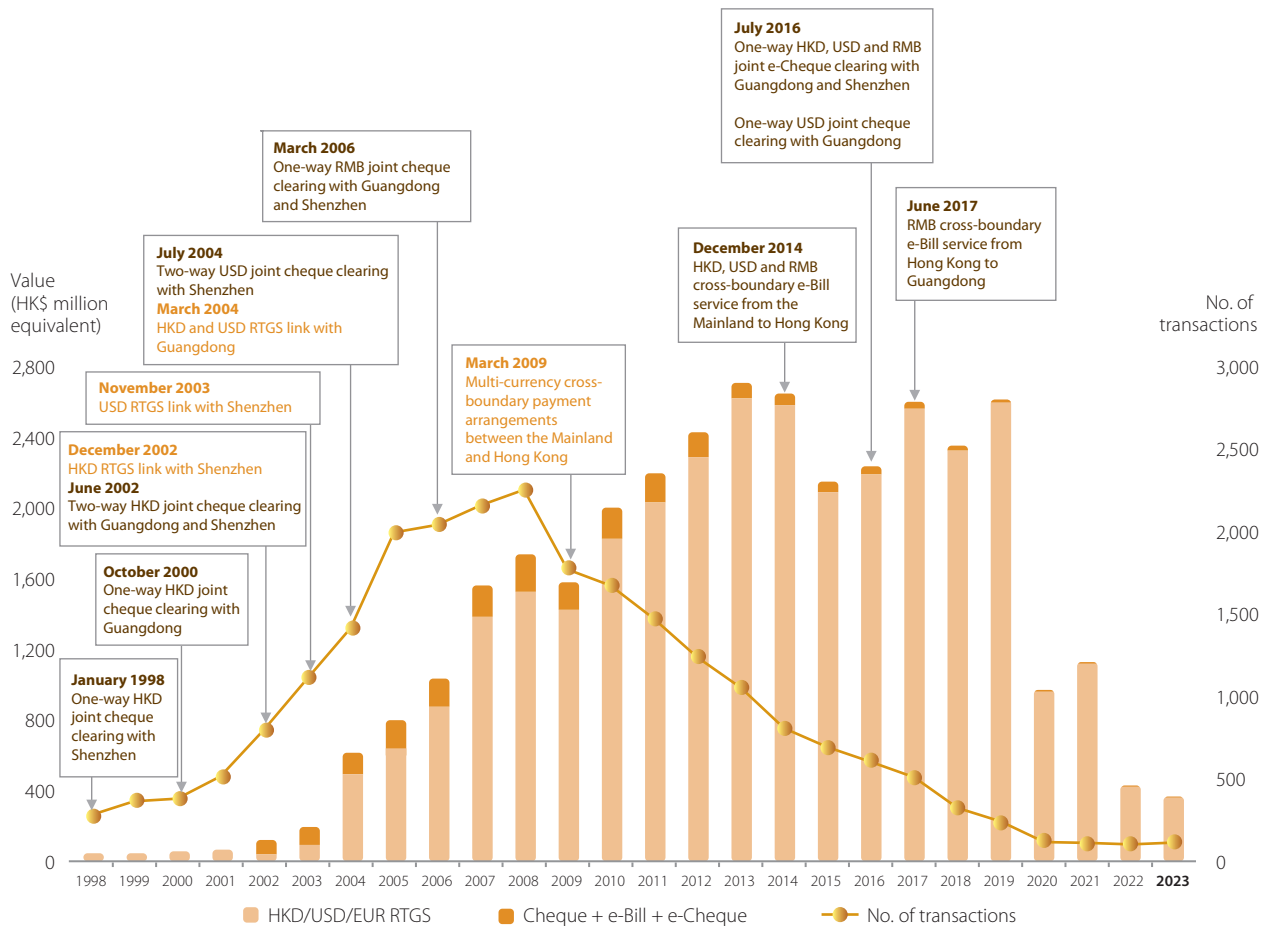
Payment links with the Mainland

The HKMA works closely with Mainland authorities to provide efficient cross-boundary payment links. In 2023, the average daily turnover of various system links, including RTGS cross-boundary links with Mainland's Domestic Foreign Currency Payment Systems, recorded a total value equivalent to around HK\$0.4 billion (Chart 8). The Hong Kong dollar and US dollar RTGS system links with Shenzhen and Guangdong handled more than 6,500 transactions, with a total value equivalent to HK\$59.2 billion.

The joint cheque-clearing facilities provide clearing service for cheques drawn on banks in Hong Kong and presented in Shenzhen and Guangdong. In 2023, these facilities processed about 11,000 Hong Kong dollar, renminbi and US dollar cheques, with a total value equivalent to around HK\$0.6 billion.

International Financial Centre

Chart 8 Average daily turnover in cross-boundary arrangements with the Mainland



Payment links with Macao

The one-way joint clearing facility between Hong Kong and Macao was launched in 2007 for Hong Kong dollar cheques, and in 2008 for US dollar cheques. In 2023, Hong Kong dollar cheques and US dollar cheques amounting to about HK\$7 billion and about US\$35 million respectively were cleared. To foster financial co-operation between Hong Kong and Macao and facilitate Hong Kong dollar payment flow, a service called the “HKD RTGS linkage between Hong Kong and Macao”, which links the Hong Kong dollar CHATS in Hong Kong and the Hong Kong dollar RTGS system in Macao, was launched on 31 October 2022.

International Financial Centre

Debt securities settlement system

From its initial role providing services in support of the issuance, clearing and settlement of Exchange Fund Bills and Notes and Hong Kong Government bonds, the CMU has evolved to provide multi-currency settlement, clearing and custodian services to debt securities that are denominated in Hong Kong dollar or other currencies. The CMU's linkages with international and regional central securities depositories (CSDs) enable investors outside Hong Kong to hold and settle securities lodged with the CMU, while Hong Kong investors can hold and settle foreign securities held with CSDs outside Hong Kong. By the end of December, the total outstanding amount of debt securities lodged with the CMU had reached the equivalent of around HK\$3 trillion.

In 2023, the CMU processed an average daily value of HK\$23.0 billion in 241 secondary market transactions (Chart 9). By the end of the year, the outstanding amount of Exchange Fund Bills and Notes, Government bonds and debt securities issued by the public and private sectors stood at HK\$1,255.4 billion, HK\$364.2 billion, and HK\$1,363.9 billion equivalent respectively (Chart 10).

Chart 9 CMU average daily turnover

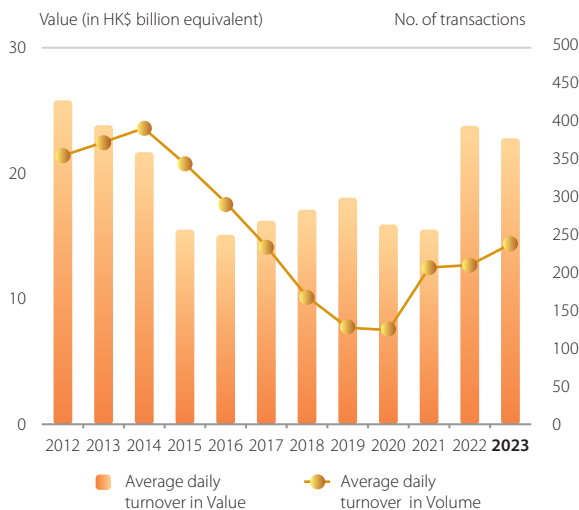
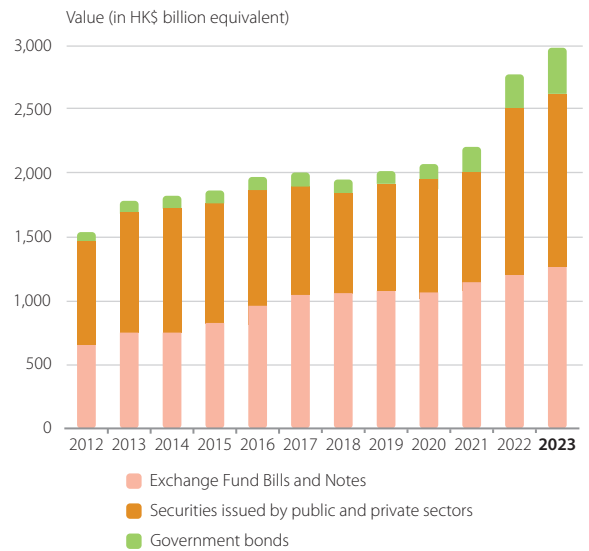


Chart 10 Outstanding amount of CMU issues

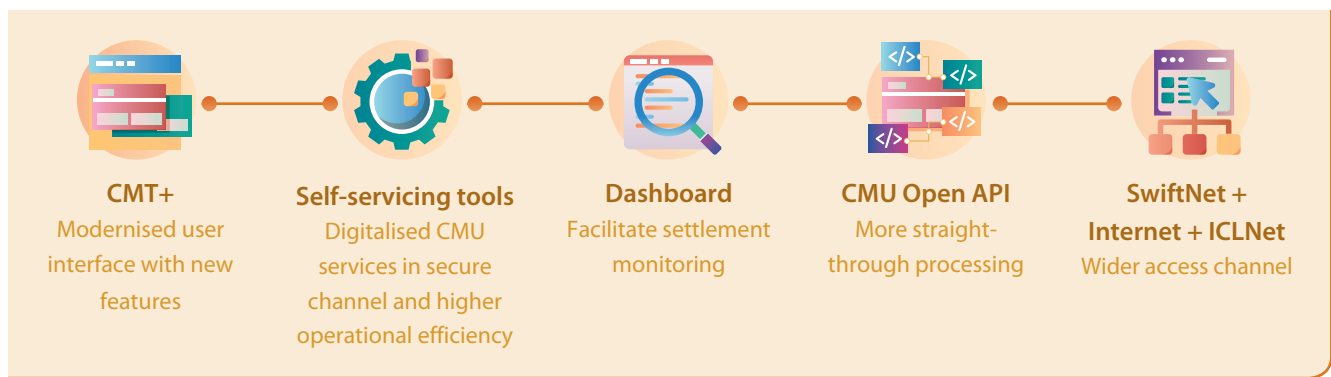


During the year, the CMOF, the PBoC, Mainland municipal governments and corporates also issued renminbi-denominated bonds/bills in Hong Kong through the CMU platform. A total of 12 rounds of bonds/bills issuance were issued for CMOF/PBoC in 2023 with an aggregated issue size of RMB210 billion, compared with RMB143 billion in 2022.

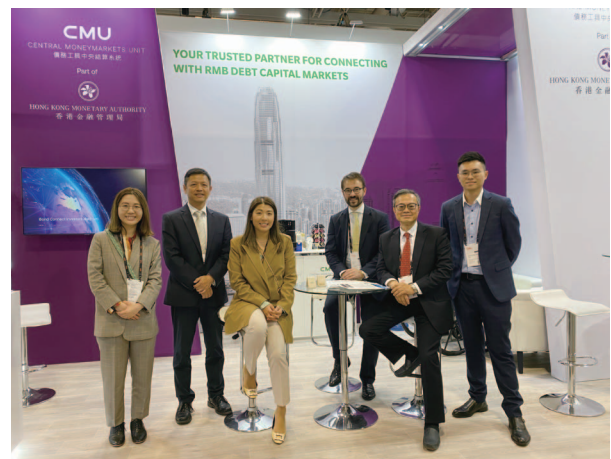
To help Hong Kong capitalise on the further opening up of the Mainland debt market and to support new business initiatives, the HKMA commenced enhancements on the system front by introducing the CMU New Platform in a phased approach. The first phase, successfully launched in July, saw the implementation of a modernised user interface to support various electronic services, including e-lodgement and securities account management (Figure 3). The CMU Open API service was also made available to CMU members to facilitate straight-through processing, increasing automation and operational efficiency. The second phase of the development of the CMU New Platform is underway, which involves enhancing system capability and functionality in order to increase the settlement and operational efficiency of the CMU.

International Financial Centre

Figure 3 CMU New Platform - Phase 1



Various marketing and outreach activities have been undertaken to raise the profile and increase recognition of the CMU in the financial community, and to communicate our plans for developing the CMU into a major international CSD. These included participation in conferences and seminars organised by international and local bodies, and the publication of CMU newsletters and online videos. During the year, the CMU exhibited at the Sibos¹⁰ event for the first time. Training sessions on both new and core CMU services were also organised for CMU members to enhance their understanding of the services.



The CMU delegation at Sibos 2023 organised by Swift in Toronto, Canada



Members of the CMU delegation interact with industry participants and regional/international CSDs at the Sibos event



CMU Brochure

¹⁰ Sibos is the annual conference, exhibition and networking event organised by Swift for the financial industry.

International Financial Centre

Over-the-counter derivatives trade repository

By the end of 2023, the HKTR system had recorded 5,017,584 outstanding transactions, compared with 3,956,374 in 2022. The HKMA participated in a number of international discussions and working groups on reporting standards for trade repositories, keeping itself abreast of developments and helping ensure the HKTR continues to meet international standards and best practices.

Hong Kong's retail payment industry

The HKMA promotes the safety and efficiency of the retail payment industry by implementing the regulatory regime for SVFs and RPSs in accordance with the PSSVFO. Under the PSSVFO, the HKMA is empowered to license SVF issuers, designate important RPSs, and discharge supervisory and enforcement functions.

Stored value facilities (including e-wallets and prepaid cards)

The HKMA regulates the SVF licensees (Table 2) under a risk-based approach, drawing on the supervisory experience it has accumulated since the inception of the SVF licensing regime as well as relevant market developments.

During the year, the HKMA followed up with SVF licensees about their progress in implementing enhancements to their account structure and account opening requirements, and provided supervisory guidance to the industry on key issues such as the rolling out of new functions and services. Alongside this, the HKMA proactively engaged with different market participants to raise awareness of issues related to the usage and regulation of SVFs. Over the year, 32 licensing enquiries were received by the HKMA.

The HKMA also provided necessary supervisory guidance to the SVF industry. This included, among other things, guidance to help SVF licensees improve the efficiency and effectiveness of their control systems in the areas of corporate governance, float protection, payment security, and anti-money laundering and counter-financing of terrorism controls.

Table 2 Register of SVF licensees
(in alphabetical order) (as at 31 December 2023)

SVF Licensees

33 Financial Services Limited
Alipay Financial Services (HK) Limited
Autotoll Limited
ePaylinks Technology Co., Limited
HKT Payment Limited
Octopus Cards Limited
PayPal Hong Kong Limited
RD Wallet Technologies Limited
TNG (Asia) Limited
Transforex (Hong Kong) Investment Consulting Co., Limited
UniCard Solution Limited
WeChat Pay Hong Kong Limited
Yintran Group Holdings Limited

Licensed Banks (currently issuing or facilitating the issue of, or with no objection from the HKMA for issuing or facilitating the issue of, SVFs)^a

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Dah Sing Bank, Limited
Hongkong and Shanghai Banking Corporation Limited (The)

a. Pursuant to Section 8G of the PSSVFO (with reference to Section 2 of the PSSVFO and also Section 2(1) of the Banking Ordinance), a licensed bank is regarded as being granted a licence.

International Financial Centre

As major e-wallet and retail payment operators in Hong Kong have begun providing cross-border retail payment services to users in response to emerging cross-border payment needs, merchants are increasingly accepting SVF in both the Mainland and Hong Kong. The HKMA will continue to work with SVF licensees to ensure that efficient, secure and convenient cross-border payment solutions are being made available to users.

In support of the new round of the Consumption Voucher Scheme announced in the Financial Secretary's 2023–24 Budget, the HKMA actively co-ordinated with the relevant Government agencies and the SVF licensees appointed for the scheme, and promoted dialogue and co-operation between them. In the three-year period that the Consumption Voucher Scheme was in operation, a total of more than 13 million individual SVF accounts and over 220,000 corporate SVF accounts were opened.

The number of SVF accounts stood at 71.4 million as at the end of 2023, or around 9.5 accounts per resident. In the fourth quarter, 2.0 billion transactions totalling HK\$164.5 billion were recorded (Chart 11).

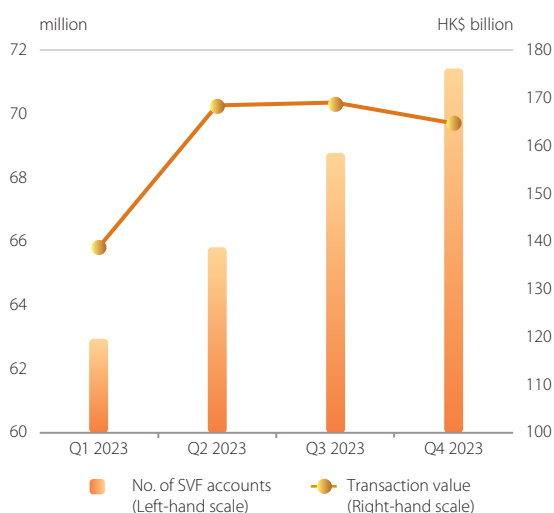
Retail payment systems

In accordance with the PSSVFO, six RPSs, which process payment transactions involving participants in Hong Kong, have been designated by the Monetary Authority on the grounds that the proper functioning of these systems is of significant public interest (Table 3). The HKMA adopts a risk-based approach in its oversight of the designated RPSs, which are required under the PSSVFO to operate in a safe and efficient manner. During the year, designated RPSs implemented the additional guidance issued by the HKMA to better manage risk of data breaches arising from system participants' third-party service providers.

Table 3 System operators of designated RPSs
(in alphabetical order) (as at 31 December 2023)

American Express
EPS Company (Hong Kong) Limited (EPSCO)
Joint Electronic Teller Services Limited (JETCO)
Mastercard
UnionPay International
Visa

Chart 11 Growth trend of the SVF industry in 2023

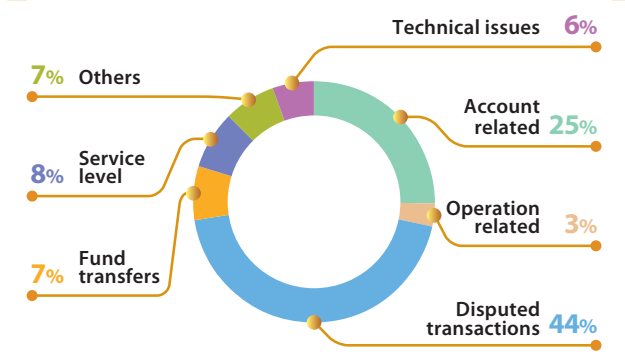


International Financial Centre

Complaints and enquiries on stored value facilities and retail payment systems

The HKMA received a total of 645 complaints and enquiries regarding SVF licensees and RPS operators in 2023. Account-related and disputed transactions continued to be the most common types of the 382 SVF complaints received during the year (Chart 12). SVF licensees and RPS operators are required to regularly review their capacity and efficiency in responding to public complaints, and the HKMA monitors the handling of complaints by the SVF licensees and RPS operators to ensure that they are being processed in a fair and timely manner. The HKMA also reviews all the complaints and enquiries it received, following up with relevant SVF licensees and RPS operators if potential supervisory issues are identified.

Chart 12 SVF complaints received in 2023



Since the inception of the Retail Payment Oversight Division in December 2015, it has received around 3,100 complaints and enquiries. The HKMA handled some cases referred to the Ombudsman, but none of which was upheld. In the year of 2023, no cases were referred to the Ombudsman.

Enhancement of the process for handling complaints against SVF licensees and RPS operators

To enhance the efficiency and effectiveness of complaints handling work, and as part of its digitalisation programme, the HKMA is committed to upgrading its system for handling complaints regarding SVF licensees and RPS operators and enhancing the support available to the public. Its goals are to achieve the following outcomes:

- Meeting performance pledge
- Producing accurate and detailed data analysis
- Providing online complaint form
- Deploying speech-to-text technology
- Enhancing communication with SVF licensees, RPS operators, and the public

Under its digitalisation programme, the HKMA has deployed visualisation tools to help understand emerging trends and facilitate more data-driven perspectives. The HKMA has continued to enhance existing technology tools and adopt new ones, for instance by utilising robotic process automation in its investigative processes as well as speech-to-text technology to support the automatic transcription and analysis of audio recordings. Benefits include freeing up staff from repetitive duties and enabling them to focus on higher value-added tasks.

Regulation of stablecoin issuers and crypto-asset-related work

On 27 December, the Financial Services and the Treasury Bureau and the HKMA issued a public consultation paper on the legislative proposal to implement a regulatory regime for stablecoin issuers. In finalising the proposed regime, the HKMA will consider the feedback received from the public consultation, while continuing to engage with different stakeholders, monitor market developments and participate in international discussions. With a view to facilitating the subsequent implementation of the regulatory regime, the HKMA introduced a sandbox arrangement on 12 March 2024 which serves as a channel for the HKMA to communicate its supervisory expectations to institutions planning to issue fiat-referenced stablecoins in Hong Kong, and obtain feedback from them.

In the meantime, the HKMA actively participated in international discussions and co-ordination work on the regulation of crypto-asset activities. In particular, it has been contributing to the work of the FSB in assessing and addressing the financial stability risks and vulnerabilities associated with multi-function crypto-asset intermediaries, stablecoins, decentralised finance and tokenisation, among others.

International Financial Centre

Hong Kong Academy of Finance

The AoF was set up in June 2019 to serve as a centre of excellence for the development of financial leadership, and as a repository of knowledge for monetary and financial research, including applied research. In 2023, the AoF's leadership development and research efforts focused on key contemporary developments in the financial sector, including fintech and digitalisation, green finance and environmental, social and governance (ESG) issues, and the GBA and the Mainland.

The AoF's Leadership Development Programme included a diverse range of activities. Seminars in physical and hybrid formats were held, including six sessions of the Distinguished Speakers Series featuring world-renowned speakers (Table 4). The discussions covered global economic and geopolitical developments and financial market issues, as well as the speakers' personal success stories. A roundtable on *Antitrust, Privacy, Cybersecurity, Sanctions, and FDI* was also held. The AoF also co-organised a number of events with other organisations, including the Government's Civil Service College, the IA, the International Finance Forum, the Hong Kong Green Finance Association and The Hong Kong University of Science and Technology. In particular, the AoF co-organised the high profile *Conversations with Global Investors* seminar on 8 November in collaboration with the HKMA and the SFC, as part of the Global Financial Leaders' Investment Summit.



Mr Paul Chan, Financial Secretary of the Government of HKSAR and Honorary President of AoF, gives opening remarks at the International Finance Forum co-organised by AoF



Mr Zhou Xiaochuan (middle), former Governor of PBoC, shares insights on the economic system and monetary policy tools in an AoF seminar moderated by Mr Arthur Yuen (right), Deputy Chief Executive of HKMA and Deputy Chairman of AoF. Mr Eddie Yue (left), Chief Executive of HKMA and Chairman of AoF, attends the seminar



Mr Jamie Dimon, Chairman and Chief Executive Officer of JPMorgan Chase & Co., discusses a range of geopolitical, banking and financial issues pertinent to the US, Hong Kong, and international finance in an AoF seminar



The "Conversations with Global Investors" seminar at the Global Financial Leaders' Investment Summit

International Financial Centre

Table 4 Distinguished Speakers Series in 2023

16 Feb	Mr Jonathan Gray President and Chief Operating Officer, Blackstone
30 May	Ms Julia Leung Chief Executive Officer, Securities and Futures Commission
2 June	Mr Jamie Dimon Chairman and Chief Executive Officer, JPMorgan Chase & Co.
12 July	Dr Richard Clarida Global Economic Advisor, PIMCO and former Vice Chairman of the US Federal Reserve
29 Nov	Mr Zhou Xiaochuan Vice Chairman, Boao Forum for Asia and former Governor of People's Bank of China
11 Dec	Mr Al Gore Chairman, Generation Investment Management and former US Vice President

Building on the success of the inaugural Financial Leaders Programme in 2022, the AoF continued the Programme in 2023 with the aim of inspiring financial talents, equipping them with a leadership mind-set and the ability to look at issues from a macro perspective, and expanding their networks. The 2023 cohort comprised 23 promising financial talents. During the nine-month programme, the graduates took part in in-depth discussion sessions with over 30 distinguished leaders from regulatory bodies and many other industry sectors, and went on an inaugural four-day field trip to Shenzhen in September 2023. The 2024 Programme will begin in April 2024.

During the year, the AoF expanded its membership and recruited more up-and-coming talents to help create a pipeline of future leaders. Members of the AoF are senior management and promising talents from financial institutions, regulators, professional firms and academia in the field of finance.

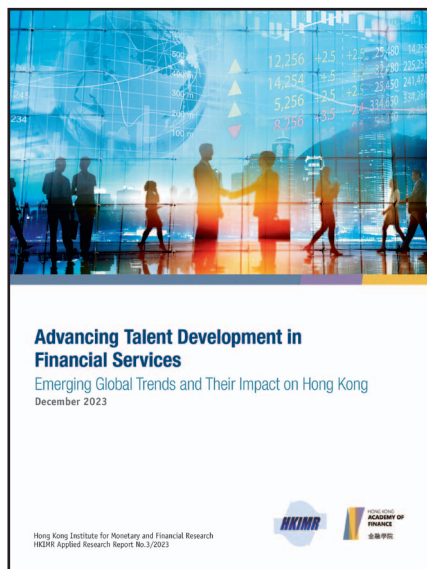
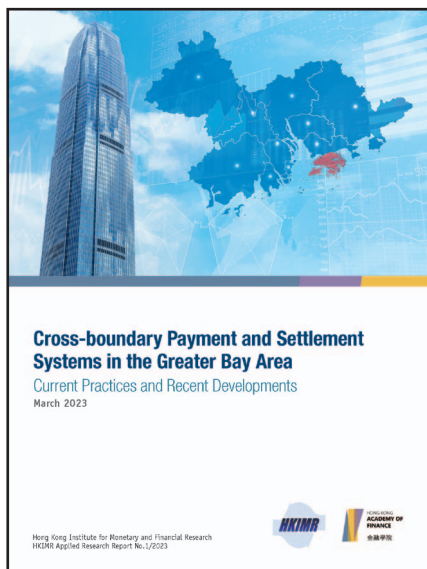
Many of the AoF's events were made available online, with some broadcast to online financial platforms in the Mainland. This not only attracted a much larger audience from within and outside Hong Kong, but also improved the recognition of the AoF and enhanced the reputation of Hong Kong as an international financial centre. The AoF continued to publicise its activities digitally through its YouTube channel, website, quarterly newsletters and social media channels, further establishing itself as a reputable platform for knowledge exchange and insights into economic and financial issues, particularly those related to Hong Kong and the Mainland.

International Financial Centre

The research arm of the AoF, the Hong Kong Institute for Monetary and Financial Research (HKIMR), published three applied research reports in 2023 on cross-boundary payment and settlement systems in the GBA, the digitalisation of financial services in Hong Kong, and advancing talent development in financial services. The HKIMR also published four applied research papers covering topics on ESG, market microstructure, and connectivity between financial markets. These research outputs were widely disseminated to local and international market participants, regulators and academics, and received positive responses from the financial community. In September, the HKIMR became a founding member institution of the ASEAN+3¹¹ Finance Think-tank Network (AFTN), which aims to strengthen co-operation and collaboration among economic and financial think tanks and research organisations across the region. A signing ceremony was held on 29 September to formalise the establishment of the AFTN.



The HKIMR signs a Memorandum of Co-operation to join the ASEAN+3 AFTN as a founding member institution



Applied research reports released by the HKIMR during the year

¹¹ ASEAN+3 comprises the ten Association of Southeast Asian Nations (ASEAN) member countries (Brunei, Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), together with China, Japan and South Korea.

International Financial Centre

International and regional co-operation Participation in the international financial community

The HKMA participates actively in central banking and regulatory forums to contribute to global financial stability.

The HKMA is a member of the FSB Plenary, the FSB Standing Committee on Assessment of Vulnerabilities and the FSB Standing Committee on Supervisory and Regulatory Cooperation. Under the FSB, the HKMA actively contributes to the work on non-bank financial intermediation (NBFI), crypto-assets and financial innovation, and cross-border payments, among other topics. It was a member of the FSB Steering Committee group on NBFI, which, until its termination in late-2023, was charged with organising and providing strategic direction on NBFI-related initiatives within the FSB, as well as ensuring effective co-ordination with standard-setting bodies in this area. The HKMA also co-chaired the FSB's Non-bank Monitoring Experts Group until June, which publishes the annual Global Monitoring Report on NBFI. The report assesses global trends and risks from NBFI and is part of the FSB's policy work to enhance the resilience of the NBFI sector. In addition, the HKMA co-chairs the FSB Regional Consultative Group for Asia starting July for a two-year term, with the aim of promoting interaction between FSB members and non-FSB members in the region on policy initiatives and facilitating exchange of views on financial stability issues.

In other areas, the HKMA co-chairs the Financial Innovation Network under the FSB Standing Committee on Assessment of Vulnerabilities, which monitors and assesses financial innovations from a financial stability perspective. The HKMA also led a team that assessed Switzerland's implementation of Too-Big-To-Fail reforms for global systemically important banks.

As a member of the FSB Cross-border Payments Coordination Group and the Task Force on Cross-border Payments set up by the Committee on Payments and Market Infrastructures under the BIS, the HKMA contributed to the development of priority actions and a G20 roadmap to address the challenges of the existing arrangements for cross-border payments.

The HKMA is a member of the BIS, which aims to provide central banks with a forum for dialogue and broad international co-operation. The HKMA participates in BIS bimonthly meetings and various BIS committees, including the Asian Consultative Council, the Markets Committee, the Committee on the Global Financial System, the Basel Committee and the Committee on Payments and Market Infrastructures. Since September, the HKMA has been chairing the Meeting of Governors from Major EMEs. The Meeting convenes three times a year to discuss issues of importance to EMEs, including macroeconomic and financial developments and risks, structural changes in the global economy, policy considerations of central banks, and other topical matters.

The BIS opened its Representative Office for Asia and the Pacific, their first overseas office, in Hong Kong in 1998 to serve as a regional centre for the activities of the BIS in Asia. The HKMA maintains a close working relationship with the BIS regional office to promote international standards and best practices among the central banking community in Asia.

In 2019, the BIS Innovation Hub established one of the first BIS Innovation Hub Centres in Hong Kong. The Centre collaborates closely with the HKMA, with its current project focus areas being CBDC, open finance and green finance. As part of Innovation BIS 2025, the medium-term strategy of the BIS, the re-orientation of the BIS Asian Office since 2019 has brought deeper engagement and closer collaboration with Asian central banks.

Separately, since 2021 the HKMA has been co-chairing the Policy and Standards Group, which leads the Basel Committee's work on the development and implementation of common prudential standards. For details about the HKMA's participation in the Basel Committee, see the *Banking Stability* chapter on page 105.

International Financial Centre

HKMA-BIS Joint Conference

The HKMA and the BIS co-organised an international financial regulatory conference in March in Hong Kong, which brought together over 100 senior officials from central banks and regulatory authorities as well as top executives of financial institutions from more than 25 economies. The event marked Hong Kong's first large-scale conference for the international financial regulatory community following the reopening of the boundary between Hong Kong and the Mainland in January and the lifting of all social distancing measures in the city in early March.



Mr Pablo Hernández de Cos, Governor of the Bank of Spain and Chair of the Basel Committee on Banking Supervision, delivers the keynote speech

The Conference followed a two-day meeting of the Basel Committee held in Hong Kong, the first physical meeting of the Committee held outside of Basel since the outbreak of the pandemic in 2020. It featured discussions on the latest banking regulatory and supervisory policies to help maintain global financial stability.



(From left) Mr Norman Chan, Senior Advisor of AoF and Former Chief Executive of HKMA; Ms Victoria Saporta, Executive Director of the Bank of England; Mr Makoto Minegishi, Deputy Director-General of the Bank of Japan; Mr Wayne Byres, Former Chair of the Australian Prudential Regulation Authority; and Mr Bill Winters, Group Chief Executive of the Standard Chartered Bank PLC at the panel "How regulatory authorities and banks cope with an ever-changing financial world"

International Financial Centre

Regional co-operation

The HKMA is committed to regional co-operative initiatives to promote financial stability in Asia and harness the region's collective voice in international financial affairs.

The HKMA continued to chair the EMEAP Working Group on Financial Markets in 2023. The Working Group is responsible for making policy recommendations on central bank services and developments in the foreign exchange, money and bond markets. Under the HKMA's chairmanship, the Working Group introduced new enhancements to the Asian Bond Fund initiative to further increase its accessibility for investors and to grow the fund assets.

The HKMA continued to chair the EMEAP Study Group on Resolution, which supports knowledge sharing among authorities in the region in relation to resolution. The HKMA also continued to lead the Monetary and Financial Stability Committee's half-yearly Macro-Monitoring Report, which enables the central banking community to assess the region's risks and vulnerabilities and understand the policy implications.

On the regional front, as part of its ongoing efforts to strengthen Hong Kong's connections with other Asian economies and support their development, the HKMA co-organised the inaugural Financial Leadership Training Programme with the ASEAN+3 Macroeconomic Research Office and the Asian Development Bank Institute for senior representatives from central banks, ministries of finance and related government agencies of the ASEAN+3 economies.

Supporting the Global Financial Safety Net

The pandemic and macroeconomic environment have together highlighted the importance of the Global Financial Safety Net in safeguarding financial stability. As a member of the global financial community, Hong Kong has maintained its commitment to strengthening the Global Financial Safety Net through its participation in the International Monetary Fund (IMF) New Arrangements to Borrow (NAB)¹², ASEAN+3, and the Chiang Mai Initiative Multilateralisation (CMIM)¹³.

Collaboration with the Middle East

The HKMA visited the Middle East to bolster ties with key financial stakeholders, and to lay a solid foundation for long-term financial co-operation between Hong Kong and Middle Eastern countries.

The HKMA held bilateral meetings with the Central Bank of the United Arab Emirates and the Saudi Central Bank in May and July respectively. The meetings explored the potential for joint collaborations in areas including financial infrastructure development, open market operations, financial market connectivity between the two jurisdictions, virtual asset regulations and developments, and sustainable development. The HKMA will continue to deepen its collaboration with the two central banks with the aim of promoting investment and financial market connectivity between the Middle East and Asia.

During the visits, the HKMA also held meetings with the local financial regulators, tech companies, and institutional investors including sovereign wealth funds and family offices to exchange views on a host of topics that aim to extend financial collaboration.

In December, the HKMA and the Dubai Financial Services Authority announced a partnership aimed at exploring the further development of policies to support and enable climate finance in the Middle East and Asia. The flagship initiative of this partnership will be a Joint Climate Finance Conference to be held in Hong Kong in 2024.

¹² The NAB is a stand-by loan facility set up in 1998 to provide supplementary resources to the IMF for lending purposes. Under the NAB, Hong Kong is prepared to extend loans to the IMF when additional resources are needed to deal with exceptional situations that pose a threat to the stability of international financial systems.

¹³ Effective March 2010, the CMIM became a regional financing mechanism that provides short-term US dollar support to member economies facing liquidity shortages. It has 27 participating parties, including the ministries of finance and central banks of the 13 ASEAN+3 countries plus the HKMA. The total access fund stands at US\$240 billion. Further enhancements have been made to optimise the operation of the CMIM. In March 2021, the CMIM agreement was amended to increase the IMF de-linked portion from 30% to 40% of each member's maximum arrangement amount, and to institutionalise the use of local currencies, in addition to the US dollar, for CMIM financing on a voluntary and demand-driven basis.