



HONG KONG MONETARY AUTHORITY
香港金融管理局

Chief Executive's Statement

Managing uncertainties by staying vigilant

For the HKMA, the year 2024 was marked by resilience and strength in the face of heightened uncertainty. The global landscape underwent profound changes, characterised by military conflicts in different parts of the world, pivotal elections reshaping geopolitics, and a global economy beset by unpredictability. Despite these challenges, major economies achieved steady growth as policymakers worldwide adeptly balanced the imperatives of taming inflation with the pursuit of tangible economic progress. Further, as the US cut interest rates for the first time in four years and the Mainland unveiled a series of supportive policies, some in the market had reason to feel optimistic. Still, the broader perspective continued to reflect a high degree of uncertainty.

To navigate such challenging times, the best strategy is to stay focused on our core strengths and unique value propositions as the offshore renminbi (RMB) business hub, fintech hub, and green and sustainable finance hub, all of which are important underpinnings of our status as a premier international financial centre. In 2024, we made significant strides on these important fronts. I am pleased that the international community continued to show confidence in our work, as demonstrated by the strong support we once again received for our flagship Global Financial Leaders' Investment Summit and many other activities and initiatives.

As the Hong Kong economy underwent cyclical and structural adjustments, we worked with banks to strengthen the support for small and medium-sized enterprises (SMEs) by alleviating their debt servicing burden amid a high interest rate environment, while also providing better support for their ongoing development. These concerted efforts, coupled with a series of policy measures and initiatives implemented by the Central and HKSAR governments, contributed to Hong Kong's gradual economic recovery. In 2024, our economy saw moderate growth of 2.5%.

As we move into 2025, heightened uncertainty continues to loom over the global economy, propelled by paradigm shifts in an increasingly complex and fragile geopolitical landscape. Higher tariffs and protectionist trade policies could disrupt global supply chains and exacerbate geo-economic fragmentation, introducing further ambiguity to the global economy. Any escalation in geopolitical tensions could impede real economic activity and trigger bouts of volatility in global financial markets.

At the HKMA, we shall remain vigilant in these testing times. We are steadfastly committed to fulfilling our mandate to safeguard Hong Kong's monetary and banking stability, while reinforcing its position as a pre-eminent international financial centre. We will forge stronger ties with market participants to drive advancements in emerging domains, ensuring that Hong Kong remains in the vanguard of global financial development.

Chief Executive's Statement

Linked Exchange Rate System – Our staunch anchor

Established more than four decades ago, the Linked Exchange Rate System (LERS) has been the cornerstone of monetary and financial stability in Hong Kong, demonstrating remarkable resilience in weathering a multitude of economic and interest rate cycles.

In 2024, despite uncertainties surrounding US interest rate policies, the Hong Kong dollar (HKD) market continued to operate smoothly, consistent with the design of the LERS. The HKD moved within the Convertibility Zone of HK\$7.75–7.85 per US dollar throughout the year, moderating slightly in the first four months amid softened liquidity and then gradually strengthening, ending the year near the strong side of the zone. The stable exchange rate reflects market confidence in the system, a confidence shared by the International Monetary Fund and the international financial community.

The HKMA's proactive public engagement efforts to explain and expound on the mechanics and merits of the LERS, complemented by rigorous market surveillance, enhance confidence in the LERS. We have harnessed granular data and integrated sophisticated data analytics and artificial intelligence tools to strengthen our capability for more timely and comprehensive market monitoring and financial stability analysis.

Healthy banking sector despite headwinds

Despite multiple macro headwinds, the Hong Kong banking system demonstrated resilience in 2024, underpinned by strong capital and liquidity positions. The consolidated total capital ratio of local banks stood at 21.8% as of the end of 2024, above the international minimum requirement of 8%. Liquidity was also ample, with a robust coverage ratio of 178.4% for large banks in the fourth quarter of 2024, compared to the statutory minimum threshold of 100%. Although the classified loan ratio rose to 1.96% by year-end driven by persistently high interest rates, ongoing debt issues for some Mainland property developers, and a subdued local commercial real estate market, the associated risks were contained. This was achieved through the banks' adherence to prudent credit risk management practices and the maintenance of adequate provisions.

While maintaining rigorous surveillance of the credit risk landscape including prudent management of the risks inherent in property mortgage loans, the HKMA, in response to changes in market conditions, implemented two rounds of adjustments to the countercyclical macroprudential measures for property mortgage loans in 2024. These adjustments were made in response to the evolving property markets and the associated risks to the banking sector. Notably, the maximum loan-to-value ratio and debt-service ratio limits for all residential properties were restored to their pre-2009 levels, prior to the introduction of the countercyclical macroprudential measures.

Apart from stepping up our focus on banks' credit risk management, we also worked to strengthen banks' operational and technology resilience, addressing the growing dependence on third-party service providers which poses new challenges for banks. The global CrowdStrike incident in July last year, for example, highlighted the severe consequences of operational failures in today's interconnected world. While its impact on banks in Hong Kong was minimal, it underscored the importance of the HKMA's work to ensure that banks adopt robust frameworks to protect the continuity of critical operations during severe but plausible scenarios. Encouragingly, all banks in Hong Kong have developed operational resilience frameworks and are now in the critical stage of conducting mapping and scenario testing exercises to identify and address vulnerabilities in delivering their critical operations.

Chief Executive's Statement

At the same time, amid evolving cyber threats, the HKMA has intensified its efforts to strengthen the banking sector's cyber resilience by issuing new guidance, conducting thematic reviews, and conducting a cross-sectoral Cyber Mapping exercise in collaboration with other domestic financial authorities. This exercise aims to assess and address systemic cyber risks arising from the interconnections among financial institutions, financial market infrastructures, and technology service providers. With a pilot of this exercise having been concluded in 2024, the full-scale exercise will take place this year.

Another trend borne out of technological advancement is the increasing threat and sophistication of financial fraud and scams, requiring co-ordinated responses from banks, regulators, law enforcement agencies, and the public. We have required banks to reinforce their internet banking security controls, along with their monitoring and surveillance systems. The Fraud and Money Laundering Intelligence Taskforce (FMLIT) was expanded to include all major retail banks plus six Stored Value Facility licensees last year, increasing the speed and scale of intelligence exchange, resulting in a greater amount of criminal proceeds being confiscated. Meanwhile, the consultation on legislative changes to facilitate bank-to-bank information sharing has received broad support and should further enhance the detection and prevention of financial crime.

Beyond these efforts, it remains critical to keep the public informed and vigilant about suspicious transactions while empowering them to take action to protect themselves. The coverage of pre-transaction alerts warning users about suspicious accounts was expanded in 2024, while the Anti-Scam Consumer Protection Charter 2.0 was also enhanced to bring in more stakeholders with the common goal of protecting the public against fraud. As an additional safeguard against fraudsters, "Money Safe" was initiated, allowing customers to segregate a portion of their deposits for better protection against fraud and scams.

In addition to the various efforts to empower customers to better protect themselves against fraud and scams mentioned above, we also prioritised enhancing their ability to avoid impulsive and excessive borrowing. We mandated last year that retail banks offer a minimum seven-day cooling-off period for unsecured consumer credit products, enabling consumers to carefully reconsider their financial obligations and assess their repayment capacity after entering into a

credit agreement. Meanwhile, one of our consumer data infrastructure projects, "Credit Data Smart", was successfully launched last year, marking a significant milestone in enhancing consumer credit reference services.

Alongside our supervisory efforts, another key focus of our work in 2024 was supporting a continued flow of credit through the real economy, especially for SMEs, which are the backbone of Hong Kong's economy. Last year, we joined forces with the banking sector to roll out "9+5" support measures to facilitate SMEs' access to bank financing and foster their upgrade and transformation. Banks have committed not to demand early repayment from mortgage customers who remain current on their repayments or to reduce credit limits based solely on declines in collateral value. To date, over 39,000 SMEs have benefitted from credit reliefs and newly approved loans totalling HK\$95 billion, and banks have set aside around HK\$390 billion of dedicated funds in their loan portfolio to support the continuous development of SMEs amid evolving market conditions. Furthermore, the HKMA and HKAB jointly established the Taskforce on SME Lending to provide support to SMEs on both individual and industry-wide levels. In light of recent trade tensions and uncertainties surrounding the external economic environment, we introduced in April 2025 three sector-specific measures to further support SMEs from various industries, as well as two more measures to support Hong Kong's economic development.

In our developmental work to promote the stability and effective working of the banking system, we continued to drive technology adoption and encourage rapid uptake of fintech in the banking sector. Today, all retail banks in Hong Kong have adopted fintech in their operations. Recognising its potential in enhancing risk management, fraud prevention and customer experience within the banking sector, the HKMA partnered with Cyberport to launch a Generative Artificial Intelligence (GenAI) Sandbox last year to encourage the responsible adoption of GenAI by banks. We also issued guidance to banks, emphasising the importance of ensuring consumer protection when adopting GenAI in customer facing applications. Within the HKMA, we are utilising GenAI to enhance the efficiency of our analytical and supervisory work. More broadly, we continued to foster collaboration and innovation within the fintech ecosystem by connecting the financial services and technology sectors via the new FiNETech series of events, the new "Fintech Connect" matching platform, and a suite of cross-sectoral activities.

Chief Executive's Statement

Affirming international financial centre status

While 2024 presented a landscape fraught with challenges and uncertainties, Hong Kong not only remained firmly anchored as a leading international financial centre, but also continued to grow in scope and stature.

Our unique role as a vital conduit in global finance, seamlessly bridging Mainland China with international markets, remains pivotal and unparalleled. Through targeted initiatives and synergistic collaboration, Hong Kong has further solidified its position as a regional hub for fintech and sustainable finance. For a comprehensive overview of our efforts in green and sustainable finance, readers are invited to peruse the *Sustainability Report 2024*.

Stellar growth in renminbi business and deepening financial co-operation with the Mainland

The growth momentum of Hong Kong's RMB business continued in 2024 with significant expansion across trade settlement payments, offshore bond issuances and, notably, offshore bank lending. This growth was underscored by the RMB Real-Time Gross Settlement system, which achieved a record-high average daily turnover of RMB3.1 trillion, reflecting Hong Kong's increasing prominence as the global offshore RMB business hub.

We continued our concerted efforts to deepen financial ties between Hong Kong and the Mainland. The "Three Connections, Three Facilitations" arrangements introduced in 2024, alongside a new suite of six measures unveiled earlier this year, have culminated in significant policy breakthroughs. Among these initiatives was the introduction of the RMB100 billion HKMA RMB Trade Financing Liquidity Facility, which provides banks with a stable, cost-effective funding source for expanding RMB trade finance services to corporate clients, thereby supporting growth in the real economy. Furthermore, measures have for the first time been implemented to allow onshore bonds held through Northbound Bond Connect – notably those issued by the Ministry of Finance and policy banks – to be utilised as eligible collateral for the HKMA's RMB Liquidity Facility, OTC Clearing Hong Kong Limited and the offshore RMB bond repo business. This has enhanced the appeal of onshore bond holdings to offshore investors, stimulating greater global participation in the onshore bond market. Major progress was also made to upgrade Wealth Management Connect (WMC) to WMC 2.0 last year to provide a wider range of products, greater flexibility in sales and marketing, and an expanded individual investor quota. These measures collectively reinforce Hong Kong's stature as the global offshore RMB business hub and affirm our pivotal role as a gateway linking the Mainland with the rest of the world.

In parallel, we have striven to tighten connectivity and improve financial convenience for residents within the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). This has included facilitating remittances for Hong Kong residents purchasing properties in GBA Mainland cities, and linking Mainland's Internet Banking Payment System with Hong Kong's Faster Payment System (FPS) to enable real-time, small-value cross-boundary remittances.

Chief Executive's Statement

Fintech and innovation

When we unveiled our “Fintech 2025” strategy back in 2021, we laid down a clear roadmap for advancing Hong Kong’s fintech development. Four years later, significant progress has been made on all fronts of this strategic plan, fostering innovation that underpins the future of Hong Kong’s digital economy.

Digital banks, previously referred to as virtual banks, continued their strong growth momentum in 2024, gaining widespread acceptance among younger customers and SMEs. Concurrently, Commercial Data Interchange (CDI) – a cutting-edge data infrastructure that facilitates banks’ access to corporates’ business data for credit assessments – has made significant headway, with the number of loan applications and reviews facilitated reaching 42,000 by the end of 2024. Following CDI’s successful connection with the Companies Registry to streamline the collection of company particulars and enhance the “know your customer” process for banks, our next step is to phase in a connection with the Land Registry starting this year to further assist banks’ mortgage and loan assessments.

Our Central Bank Digital Currency (CBDC) journey has also reached new milestones, driving the healthy development of the digital money ecosystem. Project mBridge, the seamless cross-border wholesale CBDC platform co-founded by the HKMA and several other central banks, achieved the “minimum viable product” stage in 2024. Project e-HKD+ has also progressed well, with Phase 2 of the e-HKD Pilot Programme being launched to explore innovative use cases for new forms of digital money, including e-HKD and tokenised deposits. In tandem, we have collaborated closely with the People’s Bank of China to broaden the scope of the e-CNY pilot scheme in Hong Kong. We also launched Project Ensemble, a new wholesale CBDC initiative and progressed some real life use cases with a view to supporting the development of the tokenisation of real world assets in Hong Kong.

In conjunction with our studies exploring the potential of central bank digital money, we are also closely monitoring the development of stablecoins, which act as “private digital money” for settling transactions within the digital asset market. Since stablecoins act as an interface between traditional finance and the digital asset market, any shocks in the digital asset sector could reverberate to the traditional financial system should stablecoins become widely adopted. In response to these risks, Hong Kong is establishing a new regulatory regime for fiat-referenced stablecoin issuers, in line with recommendations from international organisations. A Bill was introduced into the Legislative Council for scrutiny in December last year. To balance the need for financial stability with the promotion of innovation, a sandbox arrangement has also been launched to facilitate two-way communication of supervisory expectations with entities interested in issuing stablecoins in Hong Kong.

The FPS has continued to record steady growth in registrations and turnover, with the average daily number of transactions increasing by 33% year on year in 2024, spurred by a steady rise in adoption and a gradual extension of the scope of usage. The FPS x PromptPay link between Hong Kong and Thailand has been operating smoothly since its launch at the end of 2023, laying a strong foundation for us to explore similar linkages with other jurisdictions.

Chief Executive's Statement

Financial platform enhancements

Over the years, the HKMA has taken proactive steps to build and enhance Hong Kong's financial platform to promote financial stability and maintain its global competitive edge. A key focus has been to enhance the breadth, depth, and vibrancy of our bond market. In 2024, we supported the Government in issuing HK\$120 billion in bonds under the Government Sustainable Bond Programme (GSBP) and the new Infrastructure Bond Programme (IBP). Under the GSBP, we facilitated the inaugural issuance of the 20-year and 30-year RMB institutional green bonds, with the latter being the longest-tenor RMB bond ever offered by the Government, effectively providing new benchmarks for the market. Under the IBP, we assisted the Government in issuing institutional bonds denominated in HKD and RMB through a new tendering arrangement that supports the formation of the Government's HKD and RMB yield curves.

We also further consolidated Hong Kong's status as a premier offshore debt financing platform for Mainland local governments and corporates. Further to the multiple issuances by the Shenzhen Municipal Government and the Government of Hainan Province in recent years, the Government of Guangdong Province also made its debut issuance of offshore RMB bonds in Hong Kong last year.

In parallel with our efforts to enhance the bond market, we also leveraged our debt financing capabilities to pioneer tokenisation in the capital markets. Building on the success of the tokenised government green bond issued in 2023, we launched a HK\$6 billion multi-currency tokenised green bond in February last year, both groundbreaking as the first of their kind globally. To accelerate market adoption of tokenisation, we launched EvergreenHub, a one-stop knowledge repository, alongside the Digital Bond Grant Scheme, which provides subsidies to incentivise digital bond issuance in Hong Kong.

The success of Hong Kong's bond market owes much to the safe and efficient infrastructure provided by the Central Moneymarkets Unit (CMU) over the years. With an aspiration to develop the CMU into a major central securities depository servicing market participants in the region, we established CMU OmniClear Limited last year to operate the CMU, further commercialising its operations for it to pursue new business development initiatives more effectively.

In 2024, one key area that demanded our close attention was supply chain financing. Global supply chains have undergone significant changes in recent years, due to factors such as COVID-19, geopolitical tensions, and economic transformation. To ensure that Hong Kong remains a premier trade financing hub amid these shifts, strengthening our understanding of the associated risks and opportunities is essential. We established a working group last year, comprising representatives from banks and corporations, to study how Hong Kong's financial sector should respond to the supply chain reconfiguration. The working group has completed the first phase of its work and developed preliminary recommendations in areas such as digital trade and green supply chains.

Chief Executive's Statement

Outreach to amplify Hong Kong's global influence

As we advanced our development initiatives on various fronts throughout the year, we also geared up our outreach efforts to ensure that the international community was kept abreast of the growth opportunities we offer. We fortified our global connections and explored new avenues for collaboration. The Global Financial Leaders' Investment Summit, held for the third consecutive year in November last year, attracted some 350 prominent global and regional leaders from more than 120 financial institutions, with over 100 institutions represented by their group chairmen or chief executive officers (CEOs). With the resounding support from the global financial community, we have decided to organise the Summit annually as one of the high-level flagship financial events in the world going forward, fostering constructive dialogue and showcasing Hong Kong's unique appeal as Asia's world city. Other high-powered events hosted in Hong Kong in 2024 included the Financial Stability Board (FSB) Plenary Meeting, marking the first time this meeting was held in Asia since 2016, as well as the HKMA-BIS International Financial Conference, bringing together leaders from the global regulatory and financial community.

In addition to anchoring our outreach efforts with flagship events in Hong Kong, we also proactively reached out to strengthen our connections with traditional markets as well as rapidly growing regions such as the Middle East and Association of Southeast Asian Nations (ASEAN) last year. We had fruitful visits to Qatar, Thailand, and Malaysia, and signed a number of Memoranda of Understanding (MoUs) to forge closer ties with our counterparts in the Middle East and Asia to facilitate cross-border financial co-operation.

Complementing these engagement efforts, the HKMA continues to play a prominent role in the central banking and regulatory community at both the regional and global levels, chairing key meetings and working groups under the Bank for International Settlements (BIS) and the FSB. The HKMA's participation and leadership in international forums are a testament to our contribution to the global financial community and Hong Kong's importance as an international financial centre, solidifying our influence and recognition on the world stage.

Chief Executive's Statement

The Exchange Fund – Investing prudently to achieve sustainable long-term growth

In 2024, the investment environment turned out to be broadly favourable, with major economies recording stable growth and central banks incrementally lowering their policy rates in response to a gradual easing of inflation. However, market sentiment shifted in the last quarter as heightened volatility emerged amid renewed concerns over rising inflation and increasing bond yields, driven by growing anxiety over the US fiscal policy for the coming year. Against this mixed backdrop, the Exchange Fund posted an investment income of HK\$218.8 billion for the year 2024 as a whole, reflecting a 5.2% annual return. Both the bond and equity portfolios performed well. Our Long-Term Growth Portfolio achieved an annualised internal rate of return of 11.2% since its inception in 2009.

Looking ahead to 2025, financial markets are expected to remain shrouded in uncertainty, influenced by US economic and trade policies, alongside upside risks to US inflation and downside risks to growth, complicating the interest rate policy path. Furthermore, any escalation in trade frictions among major economies or geopolitical tensions could significantly impact real economic activity and potentially amplify volatility in the financial markets.

In the face of these challenges, the HKMA will continue to adhere to its principle of “capital preservation first while maintaining long-term growth”. We will continue to manage the Exchange Fund with prudence and flexibility, implementing appropriate defensive measures, and maintaining a high degree of liquidity. We will also continue our efforts to integrate environmental, social, and governance (ESG) principles into our investment strategy as we strive to achieve net zero greenhouse gas emissions for the Investment Portfolio by 2050. Further details on our responsible investment progress are available in the *Sustainability Report 2024*.

Pursuit of excellence and staying competitive

At the time of writing, the opening gambit in a highly anticipated global trade conflict has been made. Coming full circle to my message at the outset, if 2024 was marked by uncertainties, 2025 will likely be a year of even greater unpredictability and confusion as we venture deeper into uncharted territory. This evolving environment presents both formidable challenges and unique opportunities. International financial centres such as Hong Kong are at the forefront of the profound shifts in the global financial, economic and technology landscape. The HKMA must not merely keep pace but must anticipate these developments. We need to stay highly vigilant to global financial market volatility driven by policy uncertainties and geopolitics, and be ready to steer through the impending turbulence. At the same time, we must safeguard the resilience of our monetary and financial systems while supporting the real economy and providing a steadfast foundation for growth. Furthermore, we need to press on with our developmental agenda to enhance Hong Kong's position as an international financial centre, bolstering our competitiveness through global connectivity, technology deployment, and proactive action in tackling climate challenges. With the support of all our stakeholders, along with the unwavering commitment and high degree of professionalism of the HKMA team, I believe we can look to the future with renewed confidence and fortitude.



Eddie Yue
Chief Executive
25 April 2025