



HONG KONG MONETARY AUTHORITY  
香港金融管理局

# Annual Report 2024



# HKMA at a Glance

The Hong Kong Monetary Authority (HKMA) is the government authority in Hong Kong responsible for maintaining monetary and banking stability.

The HKMA's four key functions are:

- maintaining currency stability within the framework of the Linked Exchange Rate System;
- promoting the stability and integrity of the financial system, including the banking system;
- helping to maintain Hong Kong's status as an international financial centre, including the maintenance and development of Hong Kong's financial infrastructure; and
- managing the Exchange Fund.

The HKMA is an integral part of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the Government) but operates with a high degree of autonomy, complemented by a high degree of accountability and transparency. The HKMA is accountable to the people of Hong Kong through the Financial Secretary and through the laws passed by the Legislative Council that set out the Monetary Authority's powers and responsibilities. In his control of the Exchange Fund, the Financial Secretary is advised by the Exchange Fund Advisory Committee.

## The HKMA's offices

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## The HKMA Information Centre

55/F, Two International Finance Centre  
8 Finance Street, Central, Hong Kong

Opening hours: 10:00 a.m. – 6:00 p.m., Monday to Friday  
10:00 a.m. – 1:00 p.m., Saturday  
(except public holidays)

The Centre consists of an exhibition area and a library containing materials on Hong Kong's monetary, banking and financial affairs and other central banking topics.



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Please refer to the *Guide to Hong Kong Monetary, Banking and Financial Terms* on the HKMA website for brief explanation of some of the terms used in this *Annual Report*.

The *Banking Stability* chapter in this *Annual Report* is the report on the workings of the Banking Ordinance and the activities of the office of the Monetary Authority during 2024 submitted by the Monetary Authority to the Financial Secretary in accordance with section 9 of the Banking Ordinance.





HONG KONG MONETARY AUTHORITY  
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## 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

# Highlights of 2024



## Economic and Financial Environment

The Hong Kong economy registers moderate growth in 2024, driven primarily by the rebound in goods exports amid improved external demand and the global tech cycle recovery. The labour market stays solid, while inflation remains mild as external price pressures ease further. The local stock market experiences a significant turnaround, while the property market remains generally soft as persistently high interest rates continue to weigh on market sentiment. For 2025, the economy is expected to face a challenging external environment due to escalating trade tensions. Nevertheless, Mainland's proactive economic stimulus measures, together with the multifaceted support provided to local enterprises, are expected to reinforce business confidence. Hong Kong will also continue to strengthen international exchanges and deepen regional ties and co-operation.

The banking sector in Hong Kong remains resilient, supported by robust capital and liquidity positions. Asset quality continues to be manageable.



## Monetary Stability

Notwithstanding the uncertainties surrounding the future path of US monetary policy, global growth prospects, and geopolitical tensions, the Hong Kong dollar foreign exchange and money markets continue to trade in a smooth and orderly manner. The Hong Kong dollar exchange rate softens in the first four months of 2024 and then strengthens for the rest of the year. Serving as the cornerstone of Hong Kong's monetary and financial stability, the Linked Exchange Rate System has continued to demonstrate its robustness and resilience in the face of various external shocks.



## Banking Stability

The HKMA responds promptly to support local small and medium-sized enterprises and upholds banking stability through risk-based supervision and contingency planning. We enhance the banking sector's operational and cyber resilience by providing supervisory guidance and supporting the industry in combating emerging risks. To encourage fintech adoption, we have launched a series of cross-sectoral initiatives, including a Generative Artificial Intelligence Sandbox.

To enhance consumer protection in the banking industry, the HKMA launches the Anti-Scam Consumer Protection Charter 2.0, introduces Money Safe, and implements a cooling-off period for banks' unsecured consumer credit products. Additionally, we provide guidance to banks on the use of generative artificial intelligence in customer-facing applications and work closely with the industry on an alternative Payment Arrangements for Property Transactions in the secondary market. The HKMA also provides guidance on digital asset-related activities, implements enhancements to the Cross-boundary Wealth Management Connect Pilot Scheme, and relaxes several restrictions on digital banks. The migration of consumer credit reference services to Credit Data Smart is completed.

The HKMA plays a pivotal role in Hong Kong's anti-money laundering and counter-financing of terrorism regime. By enhancing intelligence exchange and collaboration in our public-private partnership platform, suspicious transaction reporting has increased significantly, leading to more effective confiscation of criminal proceeds. Consultation on legislative changes for bank-to-bank information sharing has received broad support and will further enhance the detection and prevention of financial crime. We also provide guidance to banks on the use of artificial intelligence for suspicious activity monitoring, as well as measures to prevent and disrupt authorized payment scams, including enhancements to the pre-transaction alert mechanism.

The HKMA makes good progress in implementing international supervisory standards locally, including those on capital adequacy and disclosure. Additionally, various aspects of the Deposit Protection Scheme are enhanced to strengthen depositor protection.

The HKMA also advances its efforts to ensure a credible resolution regime by implementing resolution standards that require banks to update their financial contracts with counterparties to mitigate the risk of disorderly early termination during resolution. Additionally, the HKMA makes notable progress in devising preferred resolution strategies for banks, addressing resolvability barriers, and enhancing resolution execution capabilities.

## Highlights of 2024



### International Financial Centre

Together with its Mainland and Hong Kong counterparts, the HKMA launches a range of initiatives to deepen and widen mutual access between the financial markets of Hong Kong and the Mainland. These include enhancements to the Cross-boundary Wealth Management Connect Scheme; expansion of the scope of eligible collateral for the HKMA's RMB Liquidity Facility and the Northbound Swap Connect transactions; and refinements to the Northbound Swap Connect. These initiatives underpin Hong Kong's gateway position and reinforce the city's status as a global hub for offshore renminbi business.

The HKMA also makes headway in reinforcing the competitiveness of Hong Kong's financial platform in areas such as bond issuance, asset and wealth management, green and sustainable finance, and corporate treasury centres. To promote Hong Kong's financial services, the HKMA steps up its market outreach activities to overseas and Mainland stakeholders, ensuring they are well informed about the opportunities in Hong Kong's financial market and its resilience. The successful conclusion of the third Global Financial Leaders' Investment Summit and various other events have burnished Hong Kong's image as a leading international financial centre and created positive ripple effects. Additionally, as an active member of many international and regional central banking and regulatory forums, the HKMA continues to contribute to global efforts to maintain financial stability and promote financial market developments.

The HKMA's "Fintech 2025" strategy has made significant progress across various areas, including Central Bank Digital Currency and data infrastructure. Meanwhile, the HKMA is working closely with the People's Bank of China to push forward a linkage between Hong Kong's Faster Payment System and the Mainland's Internet Banking Payment System to support cross-boundary payments.



### Reserves Management

Global financial markets performed broadly well in 2024. Major economies recorded stable growth and major central banks progressively lowered their policy rates amid a gradual easing of inflation. The Exchange Fund records an investment income of HK\$218.8 billion, representing an investment return of 5.2%.

The HKMA continues its efforts in asset diversification and responsible investing. Meanwhile, the Long-Term Growth Portfolio records an annualised internal rate of return of 11.2% since its inception in 2009.



### Corporate Functions

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

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

## Highlights of 2024

### Key Figures for 2024



#### Monetary Stability

HKD exchange rate

**7.764** per USD

Backing Ratio

**109.6** %

Base Rate

**4.75** %

Monetary Base

**HK\$ 1,957.5** billion

Aggregate Balance  
(before Discount Window)

**HK\$ 44.8** billion



#### Banking Stability

Total assets

**HK\$ 28.5** trillion

Capital adequacy ratio

**21.8** %

Loan growth<sup>#</sup>

**-2.8** %

Liquidity  
coverage ratio  
(Q4 2024)

**178.4** %

Liquidity  
maintenance ratio  
(Q4 2024)

**67.0** %

Licenses

**150**  
licensed banks

**15**  
restricted licence banks

**11**  
deposit-taking  
companies

**41**  
approved  
money brokers

Classified loan ratio  
(all Als)

**1.96** %

Loan-to-deposit ratio

**57.0** %

Supervisory activities<sup>#</sup>

**174**  
off-site reviews

**119**  
on-site examinations

New residential mortgage loans

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

**60** %

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

**40** %

**654**  
thematic reviews<sup>1</sup>

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

**14**

G-SIBs hosted  
in Hong Kong

**All 29** G-SIBs

Loss-absorbing  
capacity of  
D-SIBs  
(Dec 2024)

**26.9** %  
of RWA

#### Notes:

Unless specified, figures are at the end of 2024.

<sup>#</sup> Figures for the year of 2024 as a whole.

Sources: Swift, Bank for International Settlements and HKMA

Als: Authorized institutions  
CDs: Certificates of Deposit  
CMU: Central Moneymarkets Unit  
CPI: Consumer Price Index  
D-SIBs: Domestic systemically important banks  
EF: Exchange Fund

FPS: Faster Payment System  
G-SIBs: Global systemically important banks  
HKD: Hong Kong dollar  
LTGP: Long-Term Growth Portfolio  
RMB: Renminbi  
RTGS: Real Time Gross Settlement

RWA: Risk-weighted amount  
SVF: Stored value facility  
Swift: Society for Worldwide Interbank Financial  
Telecommunication  
USD: US dollar

<sup>1</sup> Including (i) a survey and authorized institutions (Als)' self-assessment exercises to take stock of the implementation progress and identify enhancement areas in relation to Als' development of operational resilience frameworks, along with extensive outreach at both the bilateral and industry levels on framework development and practices; (ii) supervisory activities which focused on evaluations of Als' strategies and practices related to the granting of credit and the ongoing risk management of selected portfolios, such as commercial real estate and small and medium-sized enterprise lending; and (iii) consultative sessions with Als to review their implementation of the HKMA's Supervisory Policy Manual module GS-1 on "Climate Risk Management".



## Highlights of 2024



## International Financial Centre

RMB deposits (including outstanding CDs)

largest offshore  
RMB liquidity poolRMB **1,075.3**  
billionOffshore RMB  
bond issuance<sup>#</sup>RMB **1,071.6**  
billion (+37%)

Outstanding RMB loans

RMB **724.0**  
billion (+64%)Hong Kong's share of  
offshore RMB Swift payments globally<sup>#</sup>

in the world

> **70** %RMB RTGS average daily  
turnover<sup>#</sup>RMB **3.1**  
trillion (+50%)Average daily turnover  
under Northbound  
Bond Connect<sup>#</sup>RMB **41.7**  
billionAsian international bond issuance<sup>#</sup>

largest arranging hub

US\$ **131.6**  
billion equivalentHKD RTGS average daily  
turnover<sup>#</sup>HK\$ **1,156.1**  
billionAvailability of four  
RTGS systems and CMU<sup>#</sup>**100** %Asian international green and sustainable bond issuance<sup>#</sup>

largest arranging hub

US\$ **43.1**  
billion equivalent

FPS registrations

**15.8**  
million (+16%)Average daily real-time  
HKD transactions of FPS<sup>#</sup>**1.65**  
million (+33%)Established limited  
partnership funds**1,057**

SVF accounts

**79.78**  
million (+12%)Value of SVF transactions<sup>#</sup>HK\$ **752.3**  
billion (+18%)

## Reserves Management

EF investment income<sup>#</sup>HK\$ **218.8**  
billionEF investment return<sup>#</sup>**5.2** %EF compounded annual  
investment return (since 1994)**4.5** %(>2% increase in HK composite  
CPI over the same period)

EF assets

HK\$ **4,081.0**  
billion

Market value of LTGP investments

HK\$ **541.2**  
billionLTGP annualised internal rate  
of return  
(since 2009)**11.2** %

# Calendar of Events 2024



## Monetary Stability

**16 Sep**

To promote the development of bond markets in Hong Kong and Macao, a direct linkage is established between the Central Moneymarkets Unit of the HKMA and Macao Central Securities Depository and Clearing Limited of the Monetary Authority of Macao.

**25 Oct**

The HKMA expands the number of Primary Liquidity Providers (PLPs) for the offshore renminbi market in Hong Kong to eleven, and increases the total amount of renminbi liquidity available in the PLP Scheme from RMB18 billion to RMB20 billion.



## Banking

**7 Feb**

The HKMA publishes a report, *The Digitalisation of AML/CFT Supervision: Where Now and What Next?*, detailing how to enhance and modernise anti-money laundering supervision.

**20 Feb**

The HKMA issues two circulars to banks, providing guidance on the sale and distribution of tokenised products and the provision of digital asset custodial services respectively.

**28 Feb**

The HKMA issues guidelines to banks adjusting the countercyclical macroprudential measures for property mortgage loans and other related supervisory requirements on property loans. Key adjustments include: (1) increasing the maximum loan-to-value (LTV) ratios to 70% for self-occupied residential properties valued at HK\$30 million or below; 60% for self-occupied residential properties valued at HK\$35 million or above; and 60% for non-self-use residential properties; (2) increasing the maximum LTV ratio to 70% for non-residential properties; (3) increasing the maximum LTV ratio to 60% for mortgage loans assessed based on the net worth of mortgage applicants; and (4) suspending the interest rate stress testing requirement for property mortgage loans that assumes a 200-basis-point rise in the mortgage rate.

**28 Feb**

The application period for the 80% Guarantee Product and the 90% Guarantee Product of the SME Financing Guarantee Scheme (SFGS) is extended to end-March 2026.

# Calendar of Events 2024



## Banking

### 28 Mar

The HKMA, together with the Banking Sector SME Lending Coordination Mechanism, introduces nine measures to assist small and medium-sized enterprises (SMEs) in obtaining bank financing and to support their continuous development. Some key measures include never demanding early repayments from mortgage customers who repay on schedule; giving customers a transition period of at least six months for credit limit adjustments; and actively considering lowering interest charges and fees for SME customers in need.

### 1 Apr

A positive neutral countercyclical capital buffer of 1% is introduced.

### 10 Apr

The HKMA and The Hong Kong Association of Banks (HKAB) launch the Anti-Scam Consumer Protection Charter 2.0, with an expanded coverage to further assist the public in guarding against credit card scams and other digital frauds. The Charter 2.0 receives full support from Government departments, financial regulators and related organisations, with participation from over 230 financial institutions and merchant institutions across various sectors.



### 26 Apr

The HKMA launches the FiNETech series to promote fintech adoption. The inaugural FiNETech gathers around 100 banks, securities and insurance companies, as well as technology firms to explore next-level collaboration in the areas of Wealthtech, Insurtech, Greentech, artificial intelligence, and distributed ledger technology.



### 3 May

The HKMA publishes the *Hong Kong Taxonomy for Sustainable Finance* to enable informed decision making on green and sustainable finance (GSF) and facilitate relevant finance flows.

### 21 Jun

The HKMA issues a circular to banks to enhance protection for consumers against bogus telephone calls.

On the same date, HKAB launches the revised *Code of Practice on Person-to-Person Marketing Calls* to enhance the industry guidance regarding telemarketing activities.

## Calendar of Events 2024



### Banking

#### 24 Jun

The HKMA, HKAB and the Chinese Banking Association of Hong Kong (HKCBA) co-organise a seminar on *Banking Sector's Support Measures for SMEs*, which brings together 200 representatives from the banking sector, trade associations and chambers, as well as SME operators to exchange views on the banking sector's support measures and diverse services for SMEs.



#### 25 Jun

The HKMA shares its work priorities to combat scams and fraud at the kick-off ceremony for *Celebrating the Establishment of the HKSAR: Financial Literacy Seminars by Chinese Enterprises*.



#### 28 Jun

The HKMA issues two circulars to authorized institutions (AIs) to set out the regulatory requirements for conducting pilots on cross-boundary credit referencing.

#### 3 Jul

The Legislative Council passes the Deposit Protection Scheme (Amendment) Bill 2024 to implement various measures to enhance the Deposit Protection Scheme in two phases. The first phase of enhancement measures comes into effect on 1 October, including raising the deposit protection limit to HK\$800,000 per depositor per bank.

#### 1 Aug

The HKMA, in collaboration with the Hong Kong Police Force (Police) and HKAB, expands the Suspicious Account Alert for internet banking and physical branch transactions. The Alert is further expanded to include Automated Teller Machines (including cash deposit machines) transactions in December.

A series of initiatives to bolster anti-fraud efforts are also introduced. For instance, the HKMA, the Police, and the banking industry collaboratively establish a mechanism to provide more timely and updated alerts of fraudulent bank websites and phone numbers in the "Scameter+" mobile application.

## Calendar of Events 2024



### Banking

#### 2 Aug

The HKMA shares insights on measures to prevent and detect financial crime at the *Financial Institutions AML Forum 2024*.



#### 5 Aug

The HKMA issues the conclusions of the public consultation regarding the review of the three-tier banking system. The respondents are broadly supportive of the proposal to implement the new two-tier banking system.

#### 6 Aug

The HKMA issues a report on its review of virtual banks. Based on the results, the development of virtual banks in Hong Kong has achieved the three policy objectives of introducing virtual banking.

Later in October, the HKMA issues the public consultation conclusions on the proposal to rename "Virtual Bank" as "Digital Bank". The respondents are broadly supportive of the proposal. The new name, as well as the relaxations of their business scope and operations, take effect on 25 October.

#### 8 Aug

HKMC Insurance Limited (HKMCI)<sup>1</sup> introduces a new arrangement under the Mortgage Insurance Programme to approve, on a case-by-case basis, eligible homeowners' applications for renting out their self-occupied properties.

#### 9 Aug

The HKMA and the Indonesia Financial Services Authority/Otoritas Jasa Keuangan enter into a Memorandum of Understanding (MoU) to strengthen co-operation and the sharing of supervisory information.

#### 13 Aug

The HKMA, the Hong Kong Cyberport Management Company Limited (Cyberport) and the FinTech Association of Hong Kong co-host the second edition of the FiNETech series, bringing together over 300 professionals from the banking, securities, insurance, and technology sectors.

During the event, the HKMA and Cyberport announce the launch of the new Generative Artificial Intelligence (GenAI) Sandbox to promote responsible innovation in GenAI across the banking industry. The first cohort of the GenAI Sandbox, which comprises 15 use cases from 10 banks and four technology partners, is announced in December.



<sup>1</sup> The HKMCI is a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited.



## Calendar of Events 2024



### Banking

#### 15 Aug

The HKMA, in collaboration with the Police, HKAB and the HKCBA, announces a series of measures to safeguard university students from falling victim to fraud.



#### 18 Aug

The HKMA and the Maldives Monetary Authority enter into an MoU on co-operation and sharing of supervisory information.

#### 19 Aug

The HKMA issues a circular with guiding principles on consumer protection in respect of the use of GenAI. The HKMA also encourages banks to explore the use of artificial intelligence in enhancing consumer protection.

#### 23 Aug

The HKMA and HKAB establish a joint Taskforce on SME Lending to further strengthen the work for supporting SMEs at both the individual case and the industry levels.

#### 9 Sep

The HKMA issues a circular to share the benefits of artificial intelligence in enhancing the monitoring of suspicious activities and the actions taken by the HKMA to support and accelerate the adoption of artificial intelligence by banks, including co-hosting an experience sharing forum with Cyberport in November.

#### 26 Sep

The HKMA and the Securities and Futures Commission (SFC) jointly publish the consultation conclusion paper on enhancements to the over-the-counter derivatives reporting regime in Hong Kong. The proposed enhancements will come into effect on 29 September 2025.

#### 27 Sep

The HKMA publishes the Research Paper on *Generative Artificial Intelligence in the Financial Services Sector*. The paper explores the transformative potential of GenAI and its implications for the financial industry, particularly in terms of operational efficiency, risk management and customer engagement.

#### 30 Sep

The HKMA publishes the public consultation conclusions on a proposal for information sharing among AIs to aid in the prevention or detection of crime. The respondents are generally in support of the proposal.

## Calendar of Events 2024



### Banking

#### 9 Oct

The HKMA and HKAB support the Banking Industry Integrity Charter introduced by the Independent Commission Against Corruption (ICAC) and co-host a launching ceremony for the Integrity Charter together with the ICAC. Senior management from 30 banks, including those from major retail banks and private wealth management banks in Hong Kong, attend the ceremony.



#### 10 Oct

The Banking (Capital) (Amendment) Rules 2023 (Commencement) Notice 2024 is gazetted, appointing 1 January 2025 as the commencement date for the Basel III final reform package in Hong Kong.

#### 10 Oct

To prevent the evolved malware scams targeting payment card transactions, the HKMA issues a circular to provide guidance for banks to further strengthen the security of online payment card transactions. Bank customers are able to authenticate these transactions through mobile banking Apps instead of SMS One-Time Passwords starting from the end of 2024.

#### 16 Oct

The HKMA issues guidelines to banks adjusting the countercyclical macroprudential measures for property mortgage loans. After the adjustments, the maximum LTV ratio and the debt servicing ratio (DSR) limit are standardised at 70% and 50% respectively for all residential properties and non-residential properties.

#### 16 Oct

The Government announces the enhancements to the SFGS. The measures allow borrowing enterprises to apply for principal moratorium for up to 12 months, for both existing and new loans. In addition, the maximum loan guarantee periods of the 80% and 90% Guarantee Products are extended to 10 years and eight years respectively. The partial principal repayment options are offered for new loans under the two guarantee products. These measures take effect on 18 November.

#### 18 Oct

The HKMA, together with the banking sector, introduces five new measures to further support, through financing as well as banking products and services, the continuous development of SMEs, and assist them in expanding into new businesses and markets. Some key measures include releasing bank capital to facilitate the financing needs of SMEs; setting aside dedicated funds to support SMEs, and launching more credit products and services to assist SMEs in their transformation.

## Calendar of Events 2024



### Banking

#### 28 Oct

The HKMA launches “Fintech Connect”, a cross-sectoral sourcing platform, to bridge financial institutions with fintech solution providers. This one-stop platform helps promote precise matching of supply and demand for fintech services, fostering collaboration and innovation. The HKMA, in partnership with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, further enhances the platform by incorporating Qianhai-based fintech solution providers, fostering greater collaboration in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), and promoting mutual growth in the fintech ecosystem.

#### 5 Nov

The HKMA issues guidance to banks operating payment card issuing and merchant acquiring businesses in respect of payment card direct debit authorisation to enhance consumer protection during the suspension or closure of merchants.

#### 8 Nov

The HKMA introduces a cooling-off period for unsecured consumer credit products with a view to promoting responsible borrowing and reducing the risk of impulsive and excessive borrowing.

#### 11 Nov

The HKMA, Cyberport, HKAB and the HKCBA co-organise the SME Digital Technology Solution Day. Over 100 participants from SMEs in the food and beverage and retail sectors, bank representatives as well as technology solution providers gather to exchange views on how the banking sector can support SMEs’ digital transformation through big data and technology. Technology service providers also showcase various digital technology solutions for SMEs.

#### 13 Nov

The HKMA jointly holds with the Police, the Digital Policy Office (DPO) and HKAB an anti-digital fraud workshop to raise industry awareness of the latest modus operandi of scams leveraging deepfake technology and to share good practices for managing the associated risks.



#### 15 Nov

The HKMA issues a circular to mobilise merchant acquiring banks, through the sharing of good market practices, to expand the adoption of mobile Point-of-Sale terminals by payment card merchants to further empower cardholders to protect their cards.

#### 21 Nov

The HKMA launches the Professional Level of the Enhanced Competency Framework on Green and Sustainable Finance for banking practitioners. The module aims to facilitate middle-level and senior-level banking practitioners to acquire specialised GSF knowledge and develop professional competencies in GSF-related areas.

## Calendar of Events 2024



### Banking

#### 24 Nov

The full migration of consumer credit reference services to Credit Data Smart is completed.

#### 2 Dec

The HKMA and HKAB jointly organise an industry sharing session on operational resilience, attended by almost 300 participants from over 100 banks.

#### 3 Dec

The HKMA introduces Money Safe, which provides an extra layer of security to customers' bank deposits, further empowering customers to better protect themselves from frauds and scams.

#### 4 Dec

The HKMA issues guidelines to banks on the introduction of a one-off special mortgage scheme for uncompleted residential properties. This special scheme offers banks the flexibility to provide mortgage loans with a maximum LTV ratio of 80% to eligible homebuyers and adjusts the DSR limit to 60%.

#### 9 Dec

The HKMA announces that an additional spatial dataset, which provides information on the five types of self-service banking machines of 20 retail banks in Hong Kong, is made available via Open Application Programming Interface for public use.

#### 14–15 Dec

The HKMA features interactive booths to raise public awareness about the prevention of fraud, scams and money laundering at the Anti-Scam Carnival held at the West Kowloon Cultural District.



#### 20 Dec

The HKMA issues a circular to provide guidance to banks on measures to prevent, detect and disrupt authorised payment scams.

## Calendar of Events 2024



### International Financial Centre

#### 8 Jan

The Green and Sustainable Finance Cross-Agency Steering Group (CASG) announces key initiatives to support Hong Kong in capitalising sustainable finance opportunities, including adopting International Financial Reporting Standards Sustainability Disclosure Standards locally as appropriate; leveraging technology to support sustainability reporting and data analysis; and supporting the development of transition finance.



#### 24 Jan

The People's Bank of China (PBoC) and the HKMA announce six policy measures to deepen the financial co-operation between Hong Kong and the Mainland. These measures include: (1) expanding the list of eligible collateral for the HKMA's RMB Liquidity Facility to include onshore bonds issued by the Ministry of Finance of the People's Republic of China (CMOF) and the policy banks on the Mainland; (2) further opening up the onshore repurchase agreement market to foreign institutional investors; (3) releasing the amendments to the Implementation Arrangements for the Cross-boundary Wealth Management Connect (Cross-boundary WMC) Pilot Scheme in the GBA; (4) implementing facilitative measures on the remittances for property purchase by Hong Kong and Macao residents in the Mainland cities in the GBA; (5) promoting collaboration on cross-boundary credit referencing; and (6) expanding the cross-boundary e-CNY<sup>2</sup> pilot in Hong Kong.

#### 28–30 Jan

The HKMA delegation visits Bangkok to hold a bilateral meeting with the Bank of Thailand focusing on the use of local currencies in cross-border trade, financial digitalisation and fintech, as well as GSF. The delegation also participates in HKAB's *Thailand Business Forum*.



#### 7 Feb

The Government issues around HK\$6 billion worth of digital green bonds, denominated in Hong Kong dollars, renminbi, US dollars and euro, under the Government Green Bond Programme<sup>3</sup>, representing the first multi-currency digital bond offering in the world.

<sup>2</sup> e-CNY refers to digital renminbi.

<sup>3</sup> Subsequently renamed as Government Sustainable Bond Programme.



## Calendar of Events 2024



### International Financial Centre

#### 26 Feb–1 Mar

During the *Hong Kong Green Week — Finance Stream*, the HKMA co-hosts the *Climate Business Forum: Asia Pacific* with the International Finance Corporation, and the *Asia Climate Finance Roundtable* with the International Monetary Fund (IMF) respectively. The whole event attracts more than 1,600 participants from close to 30 jurisdictions.

#### 29 Feb

The Hong Kong Mortgage Corporation Limited (HKMC) successfully issues its triple-tranche Hong Kong dollar benchmark bonds, totalling HK\$12 billion, which is the largest-ever Hong Kong dollar senior unsecured bond transaction and the largest 10-year Hong Kong dollar public bond issuance in the institutional market.

#### 7 Mar

The HKMA announces the commencement of Project Ensemble, a new wholesale Central Bank Digital Currency (CBDC) project to render support for the development of the tokenisation market in Hong Kong.

#### 12 Mar

The HKMA launches the Stablecoin Issuer Sandbox arrangement to communicate supervisory expectations to parties interested in issuing fiat-referenced stablecoins in Hong Kong and to obtain feedback from participants on the proposed regulatory requirements. The list of participants of the sandbox is announced in July.

#### 27 Mar

The CASG and the International Sustainability Standards Board hold an industry roundtable to discuss and promote sustainability disclosures by companies and financial institutions in Hong Kong.



#### 11 Apr

The HKMA, the Hong Kong Institute for Monetary and Financial Research (HKIMR)<sup>4</sup> and the Hong Kong University of Science and Technology co-organise the *International Conference on Central Bank Digital Currencies and Payment Systems*.



<sup>4</sup> The HKIMR is a subsidiary of the Hong Kong Academy of Finance to carry out the research activity.

## Calendar of Events 2024



### International Financial Centre

#### 3 May

The HKMA releases details on the extension of the Green and Sustainable Finance Grant Scheme, with the expanded scope of subsidies to cover transition finance instruments, with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation.

#### 6 May

The Shenzhen-Hong Kong cross-boundary data validation platform is launched on a pilot basis to provide a credible means for validating the authenticity of documents presented by data owners, without involving any cross-boundary transfer or storage of the original documents.

#### 7 May

The HKMA establishes the Project Ensemble Architecture Community to join hands with the industry to shape standards and provide suggestions to support the development of Hong Kong's tokenisation market.

#### 13 May

The PBoC, the HKMA and the SFC announce a series of Swap Connect enhancement measures to enrich the product types and improve the ancillary services, with a view to addressing onshore and offshore investors' diverse risk management needs.

#### 17 May

The PBoC and the HKMA expand the scope of e-CNY pilot in Hong Kong to facilitate the set up and use of e-CNY wallets by Hong Kong residents, as well as top-up of e-CNY wallets through the Faster Payment System.

Hong Kong, being the first place in conducting cross-boundary e-CNY pilot, also becomes the first place outside the Mainland that enables its residents to set up e-CNY wallets locally.

#### 23–25 May

The HKMA delegation visits Kuala Lumpur and holds a bilateral meeting with the Bank Negara Malaysia which focuses on digital finance and fintech, GSF, payment systems, use of local currencies for cross-border trade and Islamic finance, and also joins HKAB's *Malaysia Business Forum*.



## Calendar of Events 2024



### International Financial Centre

#### 5 Jun

Project mBridge<sup>5</sup> reaches the Minimum Viable Product stage to solve the key pain points in cross-border payments.

#### 6–7 Jun

The Hong Kong Academy of Finance (AoF), the HKIMR, the National Bureau of Economic Research (NBER), the Bank for International Settlements (BIS), and the Business School of the Hong Kong University of Science and Technology co-organise the *NBER East Asian Seminar on Economics 2024*.

#### 27 Jun

The HKMA and the Banque de France announce their collaboration on wholesale CBDC. The two central banking institutions delve into the study of interoperability between their respective wholesale CBDC infrastructures.



#### 9 Jul

The PBoC, the HKMA and the SFC reach a consensus to support offshore investors to use onshore bonds issued by the CMOF and policy banks on the Mainland and held under Northbound Bond Connect as margin collateral for Northbound Swap Connect transactions. This measure provides Northbound Swap Connect investors with an additional choice of non-cash collateral.

#### 15–16 Jul

The AoF, the HKIMR, the IMF, the BIS and the ASEAN+3 Macroeconomic Research Office (AMRO) jointly host a conference on *Safeguarding Global Financial Stability in a New Era*.

#### 17 Jul

The Financial Services and the Treasury Bureau and the HKMA jointly issue the consultation conclusions on the legislative proposal to implement a regulatory regime for fiat-referenced stablecoin issuers in Hong Kong. The respondents generally support the proposed regulatory requirements and implementation arrangements. The Stablecoins Bill is subsequently introduced into the Legislative Council for scrutiny in December.

<sup>5</sup> "mBridge" refers to the Multiple CBDC Bridge.

## Calendar of Events 2024



### International Financial Centre

#### 18 Jul

The Government issues around HK\$25 billion worth of green bonds, denominated in renminbi, US dollars and euro, under the Government Sustainable Bond Programme.

In particular, the Government offers the 20-year and 30-year renminbi green bonds for the first time. The 30-year bond is also the longest tenor renminbi bond offered by the Government.

#### 2 Aug

The PBoC and the HKMA sign an MoU on Cross-Boundary Linkage of Payment Systems between the Mainland and Hong Kong, establishing a co-operation framework for the linkage.

#### 26 Aug

The HKMA and the DPO jointly announce that the connection arrangement between the HKMA's Commercial Data Interchange (CDI) and the Government's Consented Data Exchange Gateway (CDEG) is in full operation.

Through the CDI-CDEG linkage, the Companies Registry connects to CDI as its first government data source. The connection arrangement is open to all CDI participating banks.

#### 26–29 Aug

The HKMA, the AMRO and the Asian Development Bank Institute (ADBI) host the second Financial Leadership Training Program in Hong Kong. More than 40 senior representatives from central banks, ministries of finance and related government agencies in the ASEAN+3<sup>6</sup> member economies as well as international organisations participate.



<sup>6</sup> The ASEAN+3 comprises the 10 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.

## Calendar of Events 2024



### International Financial Centre

**28 Aug**

The HKMA hosts the launch ceremony for Project Ensemble Sandbox and introduces four main themes of asset tokenisation use cases for the initial round of experimentation, marking a significant step forward in the advancement of tokenisation in real-world application within the financial sector.



**16 Sep**

The HKMA and the Dubai Financial Services Authority (DFSA) co-host the inaugural HKMA-DFSA Joint Climate Finance Conference in Hong Kong, bringing together more than 240 participants across both regions.

The HKMA and the DFSA sign an MoU to further deepen their strategic partnership on sustainable finance.



**23 Sep**

The HKMA commences Phase 2 of the e-HKD Pilot Programme to delve deeper into innovative use cases for new forms of digital money and the project is renamed as Project e-HKD+.

The HKMA also establishes the e-HKD Industry Forum to provide a collaborative platform to discuss common issues.

**24 Sep**

The National Development and Reform Commission's Department of Foreign Capital and Overseas Investment and the HKMA jointly hold a seminar in Hong Kong on *Supporting Mainland Enterprises' Cross-border Financing in Hong Kong*. The seminar brings together Mainland enterprises, industry associations, financial institutions and law firms, with around 200 participants in attendance.





## Calendar of Events 2024



### International Financial Centre

#### 3 Oct

The HKMA and the Qatar Central Bank hold a bilateral meeting in Doha to enhance collaboration between the financial services sectors of the two jurisdictions.



#### 7 Oct

The HKMA establishes CMU OmniClear Limited, which carries out the operations and business development activities of the Central Moneymarkets Unit on behalf of the HKMA.

#### 14–15 Oct

The HKIMR hosts the 14th Annual International Conference on the Chinese Economy, titled *China and the Changing Global Trade Landscape: Challenges and Opportunities* and co-organises the second day conference with Asia Global Institute and the ADBI. Over 150 participants attend the conference.

#### 17 Oct

The HKMC successfully concludes its third social bond issuance of around HK\$23.8 billion equivalent, which marks the largest social bond issuance in Asia Pacific.

#### 18 Oct

CMU OmniClear Limited and SIX<sup>7</sup> sign an MoU for co-operation in securities depository and settlement to foster the growth of cross-border investment.



<sup>7</sup> SIX is a global provider of financial information. It also provides and operates stable and efficient infrastructure for the Swiss and Spanish financial centres.

## Calendar of Events 2024



### International Financial Centre

21 Oct

The HKMA launches the Sustainable Finance Action Agenda, setting out eight goals in four areas, including banking for net zero, investing in a sustainable future, financing net zero, and making sustainability more inclusive. The agenda aims to ensure that banks manage the risks associated with the net zero transition properly, further consolidate Hong Kong's position as the sustainable finance hub in the region, and support the sustainable development of Asia and beyond.



23 Oct

The HKMA announces the official Chinese name for the Interbank Account Data Sharing (IADS) initiative, and the launch of the IADS Developer Platform in collaboration with the Hong Kong Science and Technology Parks Corporation, enabling banks to securely and efficiently share bank account data with other banks, subject to customer consent.



The HKMA also holds the IADS Showroom Day, allowing banks to share practical applications of IADS for SMEs and individual customers.

28 Oct

The HKMA collaborates with the Banco Central do Brasil to conduct cross-border tokenisation experiments under Project Ensemble and Drex pilot<sup>8</sup> programme.

28 Oct

The HKMA and the Bank of Thailand collaborate to explore cross-border tokenisation use cases under Project Ensemble and Project San<sup>9</sup>.



<sup>8</sup> The Drex pilot, as the foundation of the Brazilian CBDC, aims to support the development of a tokenised financial market in Brazil.

<sup>9</sup> Project San, an internal initiative of the Bank of Thailand, aims to build and test a prototype for the tokenisation ecosystem.

## Calendar of Events 2024



### International Financial Centre

#### 28 Oct

The HKMA co-organises the ninth edition of the city's flagship fintech event, Hong Kong FinTech Week 2024, with Invest Hong Kong (InvestHK).

The HKMA also announces initiatives covering various areas, including accelerating asset tokenisation, breaking down boundaries for payment, unlocking data potential, and empowering banks to go fintech, to spearhead the journey of fintech development in Hong Kong.



#### 30–31 Oct

The HKMA and the Global Association of Risk Professionals co-host the 15th Global Risk Forum.

Thereafter, the HKMA and the BIS jointly organise an international financial conference in Hong Kong titled *Opportunities and Challenges of Emerging Technologies in the Financial Ecosystem*, bringing together over 100 representatives from international bodies, central banks, regulatory authorities, financial institutions, technology firms, consultancy firms and academia around the world.



#### 18–20 Nov

The HKMA organises the third Global Financial Leaders' Investment Summit, which brings together over 350 participants, including global and regional leaders from more than 120 financial institutions, with over 100 institutions represented by their group chairmen or CEOs. The theme of the main summit is *Sailing through changes*.

During the Summit, the HKMA, the SFC and the AoF co-organise the *Conversations with Global Investors* seminar, featuring 20 leading global investors and attended by around 280 overseas and local leaders from the financial industry, business, and public sectors.



## Calendar of Events 2024



### International Financial Centre

#### 28 Nov

The HKMA launches the Digital Bond Grant Scheme, which offers a maximum grant of HK\$2.5 million to each eligible digital bond issuance in Hong Kong, with a view to promoting the development of the digital securities market and encouraging broader adoption of tokenisation technology in capital market transactions.

#### 3–4 Dec

The HKMA hosts the Financial Stability Board Plenary Meeting in Hong Kong. The meeting is held in Asia for the first time since 2016, bringing together over 50 leaders and senior officials from national financial authorities and 12 international standard-setting bodies.

#### 4 Dec

The HKMA and the State Secretariat for International Finance under the Federal Department of Finance of Switzerland co-organise the seventh Hong Kong-Switzerland Financial Dialogue.



#### 5 Dec

The HKMA and the Saudi Central Bank hold the second bilateral meeting in Hong Kong to further strengthen the bilateral co-operation between the financial services sectors of the two jurisdictions.

#### 20 Dec

The HKMA and the Central Bank of the United Arab Emirates hold the second bilateral meeting in Hong Kong, further solidifying co-operation and connectivity between the financial services sectors of the two jurisdictions.

The two authorities also sign an MoU to establish connectivity of the debt capital markets and the related financial market infrastructures between Hong Kong and the United Arab Emirates with a view to facilitating cross-border debt securities issuance and investment activities.



## Calendar of Events 2024



### Reserves Management

19 Sep

The HKMA organises its sixth annual ESG<sup>10</sup> Workshop, bringing together over 90 investment professionals from both public and private markets to discuss the evolving landscape of responsible investing. It also features the launch of the inaugural HKMA ESG Expectations document for its investment counterparties.



31 Oct

The HKMA and PIF<sup>11</sup> sign an MoU to work towards jointly anchoring a new investment fund with a target size of US\$1 billion at the Future Investment Initiative Eighth Edition in Riyadh.



11 Nov

The HKMA joins hands with multilateral organisations, including the Asian Development Bank, the Asian Infrastructure Investment Bank, and the International Finance Corporation, to announce a strategic partnership at the Asia Climate Investment Seminar, strengthening strategic co-operation in sustainable finance in Asia.



<sup>10</sup> ESG refers to environmental, social and governance.

<sup>11</sup> PIF (Public Investment Fund) is the sovereign wealth fund of Saudi Arabia.



## Calendar of Events 2024



### Corporate Functions

6 Feb

The HKMA rolls out a Cantonese anti-scam song “Don’t Click Links Indiscriminately” to remind the public to stay vigilant against phishing scams.



17 Jul

The HKMA launches Hong Kong’s first educational board game to teach game players how to obtain green financing to transform brown industries into low-carbon emitters.



2 Dec

The HKMA collaborates with a local TV station to produce a video series to promote the opportunities and the flexibility in cross-boundary investment via the Cross-boundary WMC Scheme.







## Priorities for 2025 and Beyond

The global outlook for 2025 remains unclear, with considerable uncertainty surrounding the US economic and trade policies alongside upside risks to US inflation, leading to concerns about the future path of the US policy rate. Meanwhile, economic stimulus measures announced and being rolled out in Mainland China have led to improved sentiment both in the Mainland and in Hong Kong, while inbound tourism should improve further on the back of various tourism-related supportive measures by the Government. Hong Kong's financial system remains well-positioned to withstand adverse shocks given its sound resilience and ample buffers built up over the years.

The HKMA will continue to play its part in promoting the stability and integrity of Hong Kong's financial system and infrastructure. We will remain vigilant regarding the uncertain macroeconomic environment, seeking to promptly identify emerging risks and respond to them in an agile manner. Meanwhile, we will actively seek opportunities and create policy headroom to further enhance Hong Kong's status as an international financial centre. In managing the Exchange Fund, we will continue to invest with prudence and flexibility, implement appropriate defensive measures, and maintain a high degree of liquidity. We will also continue to diversify our investments to strive for higher long-term returns, ensuring that the Exchange Fund remains effective in achieving its purpose of maintaining monetary and financial stability of Hong Kong.

## Priorities for 2025 and Beyond

### Stability and integrity of the financial system

Global uncertainties are expected to persist in 2025, driven largely by new and uncharted policy directions under the new US administration and the resulting geoeconomic fragmentation. With the responsibility of promoting the stability and integrity of Hong Kong's financial system, the HKMA will remain vigilant against potential risks, ensuring that it stays at the forefront of latest developments and is ready to act in support of the Hong Kong economy when necessary.

### Staying vigilant against potential risks

Looking ahead to 2025, uncertainties surrounding the macroeconomic environment may create volatility in global financial markets. Nevertheless, Hong Kong's financial system is well-positioned to withstand adverse shocks, given its resilience and the buffers built up over the years. The HKMA also has the capability, resources and commitment to safeguard Hong Kong's monetary and financial stability.

The HKMA will continue to closely monitor risks and vulnerabilities in the domestic and external environments, and deploy appropriate measures where necessary to maintain Hong Kong's monetary and financial stability. We will also carry out research into issues affecting the Hong Kong economy and assess the potential risks associated with these issues.

### Maintaining banking stability

The uncertainty surrounding the macroeconomic environment is likely to present challenges to the banking sector. At the same time, ongoing digitalisation advances and the adoption of innovative technology, such as generative artificial intelligence (GenAI), while bringing many benefits, are also introducing new operational and technological risks to banks. Against this backdrop, the HKMA will strive to further enhance banks' ability to withstand various shocks by providing policy and practical guidance, as well as undertaking ongoing supervisory engagement with individual banks and the sector as a whole. In parallel, we will continue to strengthen and adapt our banking regulatory frameworks and supervisory approaches, taking into account technological developments, changes in customer expectations, and international standards and best practices.

### A risk-based supervisory focus

#### Credit, liquidity and market risks

Amid pressures on the credit landscape, the HKMA will continue to focus on monitoring the asset quality of authorized institutions (AIs) and assessing the effectiveness of their credit risk management practices, particularly with respect to loan classification and provisioning as well as problem loans management. Meanwhile, we will maintain close communication with the banking and commercial sectors and encourage AIs to continue supporting the real economy under the overarching principle of prudent risk management.

The HKMA will continue to take a proactive approach to supervising the market risk management of AIs, amid heightened volatilities in global financial markets stemming from the uncertain interest rate outlook in major advanced economies and elevated geopolitical tensions. In light of the uncertain macroeconomic environment, as well as the growing digitalisation of banking services, we will also review how AIs manage liquidity risk with a view to enhancing their capabilities in handling abrupt fund flows.

#### Operational and technology risk

The HKMA will continue its work in enhancing the overall operational resilience of the banking sector by reviewing banks' progress in identifying and remediating vulnerabilities in delivering their critical operations as part of the implementation of their operational resilience frameworks.

Given the growing dependence of the banking industry on third-party service providers, the HKMA will further strengthen banks' management of third-party risks by developing new guidance for implementing the international standards set out by the Basel Committee on Banking Supervision (Basel Committee).

On cyber resilience, the HKMA will assess systemic cyber risks through the cross-sectoral Cyber Mapping exercise together with other domestic financial authorities as recommended by the International Monetary Fund. Additionally, we will drive banks to enhance their ability to recover critical operations in the face of severe cyber incidents by reviewing their implementation of secure tertiary data backup arrangements and introducing a cyber resilience testing framework.

## Priorities for 2025 and Beyond

While we are seeing the benefits from the banking industry's wider adoption of advanced technologies such as GenAI, we will remain vigilant to emerging risks and provide guidance relating to the use of these technologies as appropriate.

We will also strengthen banks' capabilities in combatting digital fraud and countering evolving fraud tactics through agile and pre-emptive collaboration with the industry and relevant stakeholders.

### Combatting money laundering and terrorist financing

In 2025, the HKMA will introduce system reforms, innovations and other initiatives to enhance the overall resilience of Hong Kong's anti-money laundering and counter-financing of terrorism ecosystem, reduce threats from illicit fund flows, and keep pace with the latest international standards and best practices.

As part of collaborative efforts across the Government to deepen understanding of potential weak spots created by technological advances, we will help develop the third comprehensive assessment of money laundering and terrorist financing risk in Hong Kong, and use the insights gained from it to develop effective, proportionate guidance to support the implementation of the new regulatory regime for stablecoin issuers.

We will continue our efforts to champion and promote the responsible use of technology, including artificial intelligence, where it can deliver public value. This will include strengthening the monitoring of suspicious activity to enable banks to identify and interdict more fraud and mule accounts, thereby further increasing the amount of high quality, actionable intelligence shared with law-enforcement bodies.

To strengthen our efforts to combat fraud and other financial crimes, we will propose the legislative changes needed to create essential gateways and safeguards relating to bank-to-bank information sharing on personal accounts. To improve the speed and volume in detecting illicit flows, we will commence work on an analytics platform for payments data.

### Wealth management and Mandatory Provident Fund-related businesses

In 2025, the HKMA will carry out both on-site examinations and off-site surveillance of the conduct of AIs in relation to securities, investment products, trust, insurance and Mandatory Provident Fund (MPF)-related businesses. We will specifically focus on high-yield complex products, digital assets (DA) and related investment products, Cross-boundary Wealth Management Connect (Cross-boundary WMC) business, digital distribution and advisory platforms, long term insurance products, and premium financing activities, while taking into account the latest market developments and evolving international standards.

The HKMA will also communicate closely with fellow regulators and the banking industry to provide guidance on regulatory standards in relation to the sale of securities, investment, insurance, and MPF products as appropriate. In particular, to support the sustainable and responsible development of the DA sector, we will continue to work with the Government and fellow regulators to ensure that the regulatory regime in place for the DA sector is robust, comprehensive, and well-balanced.

In addition, the HKMA will facilitate and monitor the industry's implementation of enhancements to the Cross-boundary WMC, and continue to engage with the industry and relevant regulatory authorities in efforts to further enhance the scheme and other cross-boundary banking initiatives.

We will also consolidate and clarify existing guidance on wealth management and MPF-related businesses, as appropriate, in order to further improve the accessibility of the HKMA's regulatory requirements and facilitate compliance by the industry.

## Priorities for 2025 and Beyond

### Policy development

#### Implementation of Basel standards in Hong Kong

The Basel III Final Reform Package came into effect in Hong Kong on 1 January 2025. The HKMA will provide AIs with ongoing guidance and clarification on common interpretative issues relating to the Final Reform Package to ensure its consistent adoption within the industry.

In December 2022, the Basel Committee introduced a new standard for the prudential treatment of banks' cryptoasset exposures. This was followed by targeted amendments in July 2024 to provide further clarity on the criteria for stablecoins to receive preferential regulatory treatment. Concurrently, the Basel Committee also published a document entitled *Disclosure of cryptoasset exposures*, which set out updated disclosure requirements for cryptoasset exposures. To implement these standards in Hong Kong, the HKMA will work on potential legislative amendments to various sets of rules, including the Banking (Capital) Rules, the Banking (Disclosure) Rules, the Banking (Exposure Limits) Rules (BELR), and the Banking (Liquidity) Rules. The HKMA will also propose certain refinements to the BELR based on implementation experience and industry feedback. A statutory consultation on the amendments will be conducted in the first half of 2025, with the aim of implementing the new standards by 1 January 2026, in accordance with the Basel timeline. The HKMA will prepare the relevant banking returns and supporting guidance to facilitate banks' implementation of the new standards.

#### Other supervisory policies and risk management guidelines

To stay abreast of the latest international standards, supervisory practices and developments in the industry, the HKMA plans to update certain Supervisory Policy Manual (SPM) modules. These include CA-G-5 on "*Supervisory Review Process*", CA-B-2 on "*Systemically Important Banks*", IC-5 on "*Stress-testing*", IR-1 on "*Interest Rate Risk in the Banking Book*", and IC-3 on "*Reporting Requirements Relating to Authorized*

*Institutions' External Auditors under the Banking Ordinance*".

The SPM module CR-G-13 on "*Counterparty Credit Risk Management*" will be revised to reflect the sound practices introduced by the "Guidelines for counterparty credit risk management" issued by the Basel Committee in December 2024.

#### Basel Core Principles for Effective Banking Supervision

The Basel Committee published the revised *Core Principles for Effective Banking Supervision* (BCP)<sup>1</sup> in April 2024. The revised BCP reflects supervisory and regulatory developments since the last revision in 2012, as well as the impact of recent structural trends on banks and banking systems. In 2025, the HKMA will conduct a detailed self-assessment to ensure that its regulatory and supervisory frameworks comply with the revised BCP.

#### Accounting standards

The International Accounting Standards Board plans to issue an Exposure Draft on Dynamic Risk Management (DRM) in 2025. The HKMA will collaborate with other relevant authorities to consider the implications of the proposed DRM accounting model on existing prudential requirements.

### Enforcement

During 2024, the HKMA carried out a consultation with the banking industry on proposals to expand the investigation and enforcement powers of the Monetary Authority, ensuring the availability of necessary powers to effectively perform the functions under the Banking Ordinance. Having taken into account feedback received from the consultation, the HKMA will refine its proposals and develop the necessary legislative amendments for further consultation with various stakeholders.

<sup>1</sup> The BCP is the de facto minimum standard for sound prudential regulation and supervision of banks and banking systems.



## Priorities for 2025 and Beyond

### Resolution

The HKMA is continuing its multi-year programme to build an operational resolution regime for Als. For 2025, we will prioritise the following areas (Table 1).

**Table 1** Forward priorities on resolution in 2025

#### Resolution policy and standards



- Consult and finalise the Code of Practice chapters on the HKMA's approach to valuations in resolution, as well as the ex-ante capabilities and arrangements that an AI should put in place to support timely and robust resolution valuations
- Advance the development of policy standards for resolution restructuring

#### International and cross-border co-operation



- Contribute to international resolution policy developments and their effective implementation, particularly the 12 initiatives on resolution reform planned for 2025 by the Financial Stability Board, through its Resolution Steering Group and sub-groups
- Chair the Study Group on Resolution of the Executives' Meeting of East Asia-Pacific Central Banks, and organise regional meetings and workshops on resolution regimes and crisis readiness

#### Resolution planning



- Lead regional resolution planning and co-ordinate with other authorities through 14 Crisis Management Groups and Crisis Management Colleges to enhance the resolvability of global systemically important banks and the cross-border crisis preparedness of authorities
- Advance resolution planning for domestic systemically important banks and other relevant Als to enhance their resilience and resolvability, including fostering their build-up and maintenance of loss-absorbing capacity resources, and requiring them to develop systems and arrangements to support their liquidity, continuity of operations, and access to financial market infrastructures during resolution
- Publish a report on the HKMA's implementation of resolution standards and relevant Als' efforts to address resolvability barriers

#### Resolution execution capability



- Advance the development of the HKMA's approach to bail-in mechanics with the aim of publishing the relevant guidelines in due course
- Strengthen the HKMA's preparedness for executing resolution transfer transactions, including establishing bridge institutions and operating them with appropriate governance arrangements
- Enhance the crisis management framework and the coordination among authorities through the development of a cross-sectoral playbook and walkthrough

## Priorities for 2025 and Beyond

### Banking sector development

The HKMA will continue its efforts to promote sound business conduct among banks and foster the healthy growth of the banking sector, thereby enhancing public confidence in the sector and Hong Kong's overall competitiveness as an international financial centre.

#### Building a safe and inclusive banking sector

##### Code of Banking Practice

The HKMA will continue to monitor Als' implementation of the provisions of the Code of Banking Practice, as well as their overall compliance with the Code.

##### Monitoring developments in innovative banking services and popular banking products

To strengthen consumer protection, the HKMA will monitor developments in innovative banking services and popular banking products and provide guidance to the banking industry as appropriate. It will also continue to promote a deeper understanding among consumers of banking products and services, along with their associated risks, by engaging with stakeholders, such as the Consumer Council, and exploring collaboration opportunities with other sectors, including academia and non-governmental organisations.

##### Protecting bank customers against the rising threat of fraud and scams

To better protect bank customers against the rising threat of fraud and scams, the HKMA will continue its consumer education efforts, reminding the public to stay vigilant and promoting various self-protection tools provided by banks, including the newly introduced Money Safe. We will also step up our own surveillance of fraud and scams within the HKMA's regulatory remit. For instance, regarding scams specifically related to crypto firms — such as the illegal use of bank names and unlicensed deposit-taking activities by crypto firms — we will intensify our monitoring and strengthen public education to raise public awareness and understanding of these scams. We will also collaborate with fellow regulators and major technology firms to combat online financial scams.

Additionally, to enhance support for customers and Als in resolving claims related to losses incurred from scams, the HKMA will continue discussions with the banking industry to explore a more aligned and consistent approach for handling these claims.

##### Payment Arrangements for Property Transactions

The HKMA will proceed with the implementation of the Payment Arrangements for Property Transactions (PAPT) proposal in respect of sale and purchase transactions in the secondary market, promote wider adoption of the PAPT for mortgage refinancing transactions, and explore necessary enhancements based on the experience gained. We will also bring together various stakeholders to combat property fraud through enhanced control measures and consumer education as appropriate.



## Priorities for 2025 and Beyond

### Deposit Protection Scheme

Following the smooth implementation of enhancement measures for the Deposit Protection Scheme (DPS), the Hong Kong Deposit Protection Board will continue to strengthen its promotional efforts to raise public awareness of the enhanced DPS. In particular, it will conduct social media campaigns and educational outreach activities to engage key target groups, such as young people and the elderly. Ongoing efforts will also be made to ensure the payout readiness of the DPS. A payout rehearsal will be held in 2025 to ensure that the network of service providers can effectively manage payout operations.

### Mandatory Reference Checking Scheme

The HKMA will undertake a review of the Mandatory Reference Checking (MRC) Scheme in collaboration with relevant industry associations with a view to expanding it in the next phase to cover a wider scope of staff. We will also work with fellow regulators to explore extending the MRC Scheme to cover staff in other financial sectors, in a move to address the “rolling bad apples”<sup>2</sup> phenomenon in the wider financial services industry.

### Cross-boundary credit referencing

The HKMA will continue to work closely with the relevant Mainland authorities, banking industry and credit reference agencies to press ahead with the cross-boundary credit referencing pilots, and explore potential expansion of the pilots to include a broader scope of use cases and data coverage.

### Bank culture

As part of its ongoing initiative to promote a sound culture in the banking sector, the HKMA will continue to exchange views with the leadership of AIs regarding the effectiveness of their culture enhancement efforts and provide supervisory feedback. We will also maintain dialogue with regulators outside Hong Kong on the development of bank culture.

### Participation in global financial consumer protection efforts

Internationally, the HKMA will continue to actively participate in global financial consumer protection efforts, with a focus on promoting responsible lending and addressing the surge in scams and frauds resulting from the increasing use of digitalised banking channels. In January 2025, the HKMA was appointed Chair of the FinCoNet<sup>3</sup> Standing Committee 2, where it will lead the workstream on oversight and supervision of debt collection, debt advice and debt management firms.

### Financial inclusion

The HKMA will continue to engage with the banking industry, the business community, and other relevant stakeholders to promote financial inclusion in Hong Kong, taking into account market developments and new opportunities arising in the digital age. We will also collaborate with the banking industry to develop guidance on banking services for elderly customers.

<sup>2</sup> “Rolling bad apples” refers to the situation where individuals who have engaged in misconduct at one institution can obtain employment elsewhere without disclosing their prior misconduct to the new employer.

<sup>3</sup> FinCoNet refers to International Financial Consumer Protection Organisation.

## Priorities for 2025 and Beyond

### Future-proofing the banking sector

#### Technology adoption by banks

In light of the many benefits that innovative technology may offer to banks when risks are properly managed, the HKMA will continue to operate and enhance its GenAI Sandbox and Supervisory Incubator for Distributed Ledger Technology (DLT) to foster the responsible adoption of GenAI and DLT by banks, enabling them to keep pace with the rapid evolution of technology.

We will also step up our collaboration with relevant authorities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and leverage the Fintech Connect matching platform to cultivate cross-boundary fintech innovation in the region.

Building on the momentum achieved through our fintech promotional work, we will conduct a comprehensive review of the evolution of banks' fintech adoption and their future fintech strategies. This review will determine whether there is a need for us to further elevate the sophistication and maturity of fintech adoption by banks in Hong Kong and if so, it will also inform the design of a new strategic blueprint.

#### Supervisory transformation

In response to the increasingly dynamic supervisory environment and the growing demand for more agile supervisory responses, the HKMA will embark on a strategic transformation programme for its core supervisory functions. This will involve undertaking a comprehensive assessment and revamping of the HKMA's regulatory and supervisory functions, which encompass prudential supervision, conduct supervision, policy development, anti-money laundering efforts and enforcement. The primary goal of this revamp programme is to enhance our supervisory capacity by effectively utilising the existing talent pool to address emerging supervisory needs. Additionally, revamping these supervisory functions will serve to maximise the value of our existing supervisory technology capabilities, thereby ensuring that our core functions remain adaptable and resilient in the evolving supervisory landscape.

#### Supervisory technology

Regarding supervisory technology (Suptech), the HKMA is in the process of implementing a data-driven and technology-empowered supervision framework that leverages novel technologies, such as GenAI, to enhance its supervisory capabilities. This framework will comprise a suite of intelligent tools, notably a GenAI-powered supervisory examination automation platform, which will support the rapid identification of risks and enable more agile supervisory responses.

In addition, we will explore opportunities to further enhance risk data reporting by banks with the aim of facilitating the use of Suptech for more in-depth supervisory analyses. Furthermore, we will continue to upgrade our foundational Suptech systems and implement advanced analytics solutions to improve our supervisory effectiveness and enhance our forward-looking capabilities.

#### Capacity building in the banking sector

The HKMA recognises the importance of the banking sector having a clear roadmap for manpower planning. To this end, we are currently leading a collaborative study with the Hong Kong Institute of Bankers on potential talent gaps over the next five years (i.e. from 2026 to 2030). This joint study is a sequel to the paper titled *Capacity Building for Future Banking, 2021–2025* published in June 2020.

This follow-up study aims to identify skill requirements, assess talent gaps within the banking sector in a forward-looking manner, and provide recommendations for the upskilling and reskilling initiatives needed to address the industry's evolving talent needs. The findings are expected to be published in 2025.

The Enhanced Competency Framework (ECF) for Banking Practitioners, which provides systematic training and industry-recognised qualifications, has played a key role in enhancing the competency level of our banking practitioners. The ECF comprises 10 modules covering different professional workstreams. The HKMA will keep under review possible areas for enhancement. This will ensure that the ECF continues to be effective in developing talent for the banking industry and enhancing the professional competence of existing practitioners.

## Priorities for 2025 and Beyond

Building on the positive response to previous seminars, the HKMA will continue to organise the Regulator's Dialogues in the upcoming year. These sessions will provide bank directors and practitioners with updates on current banking issues and the latest regulatory developments.

In addition to enhancing the professional competence of existing practitioners, the HKMA will continue to collaborate with key stakeholders in the coming year to strengthen efforts in attracting and nurturing young talent. These will include various initiatives aimed at providing young talent with real-life work experience, practical banking knowledge, and networking opportunities to better equip them for future careers in the banking industry.

### Oversight of financial market infrastructures

The HKMA is committed to promoting the safety and efficiency of the financial market infrastructures (FMIs) under its oversight in accordance with the Payment Systems and Stored Value Facilities Ordinance (PSSVFO), the Principles for Financial Market Infrastructures (PFMI)<sup>4</sup>, and the various guidance documents issued by the Committee on Payments and Market Infrastructures of the Bank for International Settlements (CPMI).

In the coming year, the HKMA will continue to actively participate in the international working groups relating to cross-border payments and monitor the implementation of new and innovative FMI-related initiatives. Additionally, we will actively participate in the work of international standard setting bodies, including the CPMI-IOSCO<sup>5</sup> PFMI implementation monitoring and assessment exercise, review our oversight requirements to incorporate the latest international practices, and remain poised to respond to emerging market and technological developments.

### Hong Kong's competitiveness as an international financial centre

Building on Hong Kong's strong foundation and the abundant opportunities the city presents, the HKMA will strive to reinforce its status as a leading international financial centre in the years to come.

### Deepening connectivity between the financial markets of Hong Kong and the Mainland, enhancing Hong Kong's role as an offshore renminbi business hub, and strengthening connections within GBA

The HKMA will continue to explore opportunities to enhance and expand the various Mainland-Hong Kong Connect schemes to further strengthen connectivity with the Mainland financial market, and provide a wider array of risk management and liquidity management tools. Specifically, these efforts include exploring the expansion of the scope of Southbound Bond Connect investors to include non-bank financial institutions, such as securities firms and insurance companies, promoting the wider use of onshore bonds as collateral in offshore markets, and supporting the further opening up of the onshore repo market. Such initiatives will broaden access to Mainland onshore markets for offshore investors, notably Bond Connect investors, and address their growing need for liquidity and risk management as they increase their investments in renminbi assets.

The HKMA will also work closely with Mainland authorities to explore further enhancements and expansion of the Cross-boundary WMC to meet the growing wealth management needs of individual investors and capture future opportunities arising from Mainland's economic development and financial market integration between Hong Kong and the Mainland.

<sup>4</sup> In April 2012, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions published the PFMI, which constitute the international standards for the oversight of FMIs, including systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories.

<sup>5</sup> CPMI-IOSCO refers to the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions.

## Priorities for 2025 and Beyond

Moreover, the HKMA will continue to collaborate with Mainland authorities and the financial industry to further develop Hong Kong's offshore renminbi market, with a particular focus on deepening market liquidity, expanding the range of renminbi products, enhancing financial infrastructure and stepping up our outreach efforts. We will also enhance financial co-operation in the GBA to provide greater convenience to corporates and individuals, facilitate cross-boundary capital flows, and create more business opportunities for the banking industry in Hong Kong.

### Enhancing financial platform competitiveness

#### Promoting innovation in bond markets

Whilst the adoption of tokenisation in the bond market is still at an early stage, the technology holds the potential to generate efficiency gains, reduce costs, enhance liquidity, and broaden investor participation. We will continue to promote the wider adoption of tokenisation in capital markets by providing funding support under our Digital Bond Grant Scheme, building capacity and sharing knowledge via our EvergreenHub knowledge repository, and assisting with further Government digital bond issuances to reinforce the demonstrative effect to the market and enhance market liquidity and scalability. Additionally, we will explore new innovations in areas such as interoperability, secondary market activity, and collateral mobility, while studying the current legal and regulatory environment to identify potential areas of enhancement to support further development of the digital bond market.

#### Strengthening Hong Kong's competitiveness as an international asset and wealth management hub

The HKMA will continue to proactively engage with the asset and wealth management industry to attract more capital, talent, and investment activities to Hong Kong. At the same time, we will collaborate with the Government and the industry to strengthen further Hong Kong's competitiveness as an international asset and wealth management hub, by enhancing the preferential tax regimes for funds, single family offices, and carried interest.

#### Embracing supply chain-related opportunities

Based on the policy recommendations of the Working Group on Supply Chain, the HKMA will collaborate with relevant stakeholders on initiatives to position Hong Kong to seize opportunities as an international financial centre and trading hub amid supply chain reconfiguration.

#### Enhancing Hong Kong's treasury markets

The HKMA works closely with the Treasury Markets Association and engages market participants to keep enhancing the professionalism and competitiveness of Hong Kong's treasury market, particularly in relation to financial benchmarks, promotion of the Foreign Exchange Global Code, and opportunities to further develop Hong Kong's treasury market.

### Reinforcing Hong Kong's position as a fintech hub in Asia

#### Hong Kong as a fintech hub in Asia

Building on the achievements realised to date under the "Fintech 2025" strategy, the HKMA will continue to unlock the full potential and benefits of fintech, harnessing its power to drive sustainable growth within the financial industry. We will focus on strengthening efforts related to Central Bank Digital Currencies, further developing the next-generation data infrastructure to facilitate more efficient financial intermediation, and deepening the fintech talent pool.

#### Faster Payment System

Riding on the rapid public adoption of the Faster Payment System (FPS) over the past six years, the HKMA will continue to explore additional potential use cases for the FPS in collaboration with the industry and various Government departments, with a view to further promoting e-payments in Hong Kong.

#### e-CNY

The HKMA will continue to support the Digital Currency Institute of the People's Bank of China in advancing the digital renminbi (e-CNY) pilot for cross-boundary payments in Hong Kong. These include efforts to promote merchant acceptance of e-CNY, organise public education and promotional activities, explore upgrades to higher tiers for the e-CNY, and identify additional corporate use cases.

## Priorities for 2025 and Beyond

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

The HKMA will continue to ensure the smooth and reliable operation of Hong Kong's various financial infrastructures while strengthening their overall resilience and ensuring compliance with international standards.

### Ensuring the safety and soundness of the local retail payment industry

In its role of supervising stored value facility licensees and overseeing designated retail payment systems under the PSSVFO, the HKMA will continue to refine its risk-based approach in line with relevant international and local developments to promote a safe and efficient retail payment industry.

### Stablecoins and other crypto-assets

With the introduction of the Stablecoins Bill into the Legislative Council in December 2024, the HKMA will focus on implementing the licensing regime for stablecoin issuers in the coming year. This will involve issuing licensing and supervisory guidelines to help applicants understand the licensing process and ensure compliance with the regulatory requirements.

In parallel, recognising the significant potentials of digital assets when risks are effectively mitigated, we will actively promote the responsible and sustainable development of the digital asset sector in Hong Kong. We will also actively contribute to international discussions on digital finance to ensure its development aligns with global standards and best practices.

### Nurturing future finance leaders and strengthening applied research capabilities

The Hong Kong Academy of Finance (AoF)<sup>6</sup> will continue to strengthen its work across three key areas: knowledge exchange and overseas collaborations, thought leadership in macro and industry trends, and the development of future leaders. The AoF's Leadership Development Programme, including its flagship Financial Leaders Programme, will be further enhanced to cultivate leadership talent and broaden the macro and cross-disciplinary perspectives of members and industry participants.

The Hong Kong Institute for Monetary and Financial Research (HKIMR), a subsidiary of the AoF that serves as its research arm, will continue to conduct studies on topics relevant to Hong Kong's financial services industry and regulators. These studies typically focus on areas such as monetary policy, banking, and financial market developments that are strategically important to Hong Kong and Asia. Apart from undertaking research activities, the AoF will continue to make concerted efforts to engage in knowledge exchange with a diverse range of stakeholders, including industry associations, local and international researchers, and research institutions, to enhance the AoF/HKIMR brand and broaden its outreach.

<sup>6</sup> The AoF was set up with the full collaboration of the HKMA, the SFC, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. It brings together personnel from academia, the industry, professional associations and the regulatory community, with the aim of developing financial leadership and promoting research collaboration.

## Priorities for 2025 and Beyond

### Strengthening connections with the world

#### Stepping up market outreach efforts

Building on the visits of HKMA delegations in 2024 to Qatar, Thailand and Malaysia, as well as bilateral meetings in Hong Kong with the Central Bank of the United Arab Emirates and the Saudi Central Bank, the HKMA plans to step up its engagement with various Middle Eastern and Association of Southeast Asian Nations economies in 2025. The aim is to deepen collaborations with the central banks and financial industry participants in the two regions, and to promote co-operation in areas such as financial infrastructure, fintech development and market connectivity. We will also continue our other outreach activities to promote Hong Kong's financial services platform and keep overseas and Mainland stakeholders informed of the emerging opportunities in Hong Kong's financial market.

#### Actively participating in international central banking and regulatory forums

The HKMA will maintain its active participation in international and regional forums to promote global financial stability.

We will continue to play an active role in priority work areas of the Financial Stability Board (FSB). One example is to lead a thematic peer review on the FSB regulatory framework for crypto-asset activities. We will also actively contribute to other financial stability topics, such as non-bank financial intermediation, financial innovation, cross-border payments, cyber and operational resilience, and climate-related financial risks.

### Sustainability efforts

Following the launch of the Sustainable Finance Action Agenda<sup>7</sup> in October 2024, the HKMA is stepping up its efforts to implement the eight goals set out in the Action Agenda in collaboration with both the private and public sectors at local, regional and global levels, in moves that will further consolidate Hong Kong's position as a sustainable finance hub in the region. Additionally, we will continue our policy work to strengthen the climate resilience of the banking sector and support banks in their transition to net zero.

Further details of our sustainability work can be found in our *Sustainability Report 2024*.

<sup>7</sup> The Sustainable Finance Action Agenda is available on the HKMA website (<https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2024/20241021e4a1.pdf>).





## About the HKMA

The Hong Kong Monetary Authority is Hong Kong's central banking institution. The HKMA has four main functions:

- maintaining currency stability within the framework of the Linked Exchange Rate System;
- promoting the stability and integrity of the financial system, including the banking system;
- helping to maintain Hong Kong's status as an international financial centre, including the maintenance and development of Hong Kong's financial infrastructure; and
- managing the Exchange Fund.

## About the HKMA

### HKMA's legal mandate

The HKMA was established on 1 April 1993 after the Legislative Council passed amendments to the Exchange Fund Ordinance in 1992 empowering the Financial Secretary to appoint a Monetary Authority.

The powers, functions and responsibilities of the Monetary Authority are set out in the Exchange Fund Ordinance, the Banking Ordinance, the Financial Institutions (Resolution) Ordinance, the Deposit Protection Scheme Ordinance, the Payment Systems and Stored Value Facilities Ordinance, and other relevant Ordinances. The division of functions and responsibilities in monetary and financial affairs between the Financial Secretary and the Monetary Authority is set out in an exchange of letters dated 25 June 2003. The exchange of letters discloses delegations made by the Financial Secretary to the Monetary Authority. The letters are public documents and can be found on the HKMA website.

The Exchange Fund Ordinance establishes the Exchange Fund under the control of the Financial Secretary. According to the Ordinance, the Fund shall be used primarily for affecting the exchange value of the Hong Kong dollar. It may also be used (whilst having regard to its primary purpose) for maintaining the stability and integrity of the monetary and financial systems of Hong Kong, with a view to maintaining Hong Kong as an international financial centre.

The Monetary Authority is appointed under the Exchange Fund Ordinance to assist the Financial Secretary in performing his functions under the Exchange Fund Ordinance and to perform such other functions as are assigned by other Ordinances or by the Financial Secretary. The office of the Monetary Authority is known as the HKMA, and the Monetary Authority is the Chief Executive of the HKMA.

The Banking Ordinance provides the Monetary Authority with the responsibility and powers for regulating and supervising banking business and the business of taking deposits. Under the Ordinance, the Monetary Authority is responsible for the authorization of licensed banks, restricted licence banks and deposit-taking companies in Hong Kong.

The Financial Institutions (Resolution) Ordinance provides that the Monetary Authority is the resolution authority for banking sector entities. The Monetary Authority is vested with a range of powers to effect the orderly resolution of a non-viable banking sector entity (the failure of which could pose systemic risk). The purpose is to maintain financial stability, while seeking to protect public funds.

The Securities and Futures Ordinance and the Mandatory Provident Fund Schemes Ordinance provide certain powers to the Monetary Authority regarding the securities and mandatory provident fund businesses of banks.

The Monetary Authority has been delegated with powers of inspection and investigation by the Insurance Authority under the Insurance Ordinance in relation to the insurance related businesses of banks.

The Anti-Money Laundering and Counter-Terrorist Financing Ordinance empowers the Monetary Authority to supervise banks' compliance with the customer due diligence and record-keeping requirements under the Ordinance.

The Deposit Protection Scheme Ordinance confers responsibility on the Monetary Authority to assist in the operation of the Deposit Protection Scheme and to trigger payment of compensation from the Deposit Protection Scheme Fund to depositors of a failed licensed bank.

The Payment Systems and Stored Value Facilities Ordinance provides a statutory regime for the Monetary Authority to designate and oversee certain significant clearing and settlement systems and retail payment systems operating in Hong Kong. It also empowers the Monetary Authority to administer a licensing regime for electronic and physical "facilities", which are used to store monetary value and which meet the criteria specified in the Ordinance.



## Corporate Governance

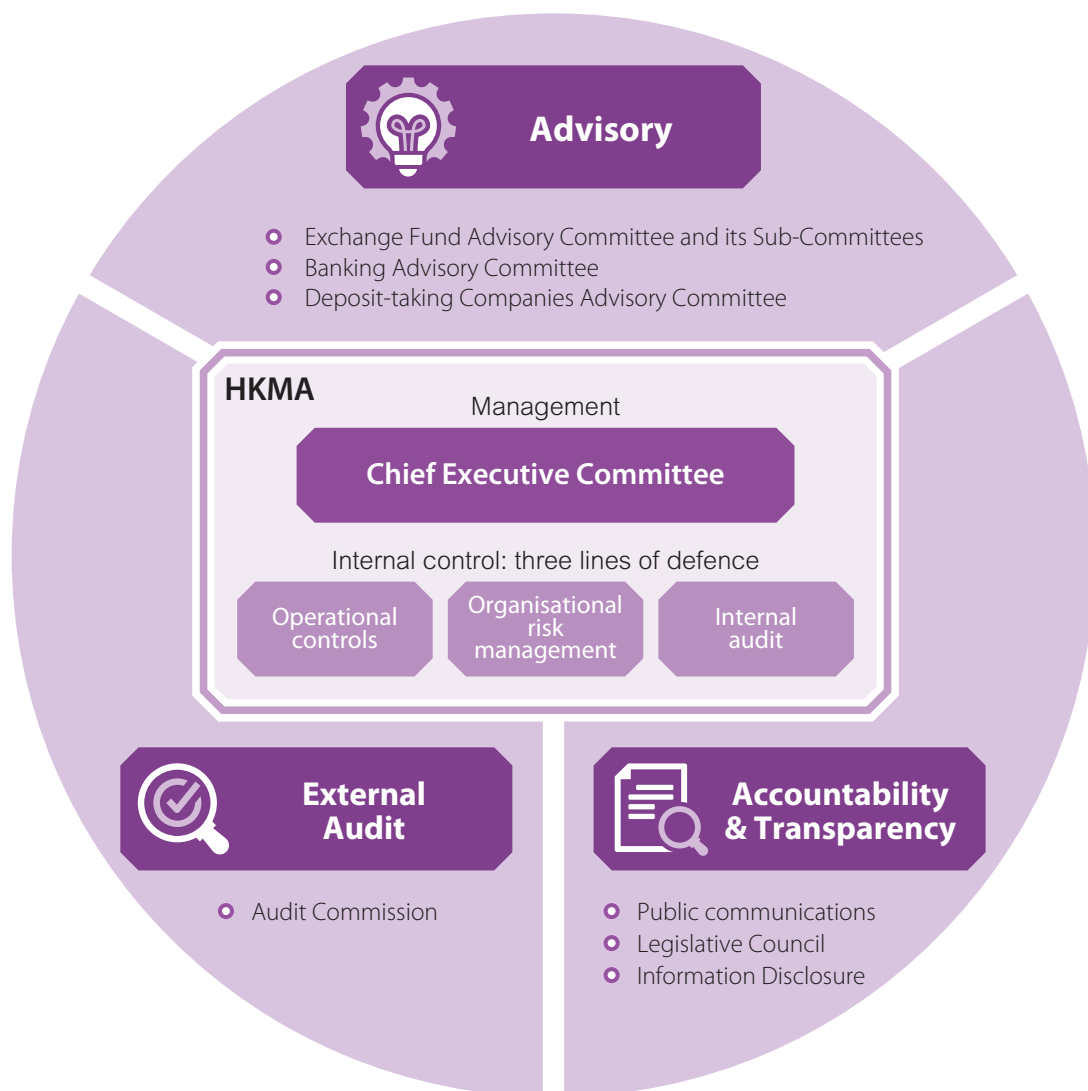
As Hong Kong's central banking institution, the HKMA is committed to high standards of corporate governance, as good governance is crucial in maintaining and safeguarding the trust and confidence of the public in the HKMA to fulfil its statutory mandate.

## Corporate Governance

To achieve its commitment to good corporate governance, the HKMA:

- puts in place a well-defined governance structure;
- pursues a high degree of accountability and transparency, and maintains close contacts with stakeholders; and
- exercises robust controls to manage risks and ensure that staff behaviours at all levels and its day-to-day operations are consistent with specified standards.

Our corporate governance framework encompasses several key components, including consultation and guidance from statutory Advisory Committees, accountability and transparency, and internal controls and external audit.



## Corporate Governance

### The HKMA and the HKSAR Government

The HKMA is an integral part of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the HKSAR Government), but is able to employ staff on terms different from those of the civil service in order to attract personnel of the right experience and expertise. The Chief Executive of the HKMA and his staff are public officers. In its day-to-day work, the HKMA operates with a high degree of autonomy within the relevant statutory powers conferred upon, or delegated to, the Monetary Authority.

The Financial Secretary is responsible for determining the monetary policy objective and the structure of the monetary system of Hong Kong: a letter from the Financial Secretary to the Monetary Authority dated 25 June 2003 specifies that these should be currency stability defined as a stable exchange value at around HK\$7.80 to one US dollar maintained by Currency Board arrangements. The Monetary Authority is on his own responsible for achieving the monetary policy objective, including determining the strategy, instruments and operational means for doing so. The Monetary Authority also has responsibilities in relation to the maintenance of the stability and integrity of the monetary system of Hong Kong.

The Financial Secretary, assisted by the Secretary for Financial Services and the Treasury, has responsibility for policies for maintaining the stability and integrity of Hong Kong's financial system and the status of Hong Kong as an international financial centre. In support of these policies, the Monetary Authority's responsibilities include:

- promoting the general stability and effective working of the banking system;
- promoting the development of the debt market, in co-operation with other relevant bodies;
- matters relating to the issuance and circulation of legal tender notes and coins;
- promoting the safety and efficiency of the financial infrastructure through the development of payment, clearing and settlement systems and, where appropriate, the operation of these systems; and
- seeking to promote, in co-operation with other relevant bodies, confidence in Hong Kong's monetary and financial systems, and market development initiatives to help strengthen the international competitiveness of Hong Kong's financial services.

The Exchange Fund is under the control of the Financial Secretary. The Monetary Authority, under delegation from the Financial Secretary, is responsible to the Financial Secretary for the use of the Exchange Fund, and for the investment management of the Fund.



## Corporate Governance

### Advisory Committees and management

#### Advisory Committees

The Advisory Committees provide advice and guidance on the main areas of work of the HKMA.

The Exchange Fund Advisory Committee (EFAC) is established under the Exchange Fund Ordinance for the purpose of advising the Financial Secretary on matters related to his control of the Exchange Fund. The Financial Secretary is the ex officio Chairman of EFAC. Other members, including the Monetary Authority, are appointed in a personal capacity by the Financial Secretary under the delegated authority of the Chief Executive of the Hong Kong SAR. Members of EFAC are appointed for the expertise and experience that they can bring to the Committee. EFAC is assisted in its work by five Sub-Committees, which monitor and give guidance to specific areas of the HKMA's work. They report and make recommendations to the Financial Secretary through EFAC. See pages 53 to 63 for more details on EFAC and its five Sub-Committees.

The Banking Advisory Committee (BAC) and the Deposit-taking Companies Advisory Committee (DTCAC) are established for the purpose of advising the Chief Executive of the Hong Kong SAR on matters relating to the Banking Ordinance, in particular matters relating to the carrying on of banking business or deposit-taking business as the case may be, by banks, restricted licence banks and deposit-taking companies. Both committees consist of the Financial Secretary, who is the Chairman, the Monetary Authority, and other persons appointed by the Financial Secretary under the delegated authority of the Chief Executive of the Hong Kong SAR. See pages 64 to 65 for more details on BAC and DTCAC.

#### Management

The Chief Executive's Committee (CEC) comprises the Chief Executive of the HKMA, who chairs the Committee, the Deputy Chief Executives, and other senior staff. The Committee meets regularly to report to the Chief Executive on the progress of major tasks being undertaken by the various departments of the HKMA and to advise him on policy matters relating to the operations of the HKMA. See pages 66 to 67 for the membership list of CEC.

### Accountability and transparency

The autonomy given to the HKMA in its day-to-day operations, and in the methods it uses to pursue policy objectives determined by the Government, is complemented by a high degree of accountability and transparency.

The HKMA is accountable to the people of Hong Kong through the Financial Secretary, who appoints the Monetary Authority, and through the laws passed by the Legislative Council that set out the Monetary Authority's powers and responsibilities. The HKMA also recognises a broader responsibility to promote a better understanding of its roles and objectives and to keep itself informed of community concerns. In its day-to-day operations and in its wider contacts with the community, the HKMA pursues a policy of transparency and accessibility. This policy has two main objectives:

- to keep the financial industry and the public as fully informed about the work of the HKMA as possible, subject to considerations of market sensitivity, commercial confidentiality and statutory restrictions on disclosure of confidential information; and
- to ensure that the HKMA is in touch with, and responsive to, the community it serves.

### Public communications

The HKMA serves Hong Kong by promoting monetary and banking stability, by managing the official reserves effectively, and by developing and overseeing a robust and diverse financial infrastructure. These processes help to strengthen Hong Kong's role as an international financial centre and to foster Hong Kong's economic well-being.

The HKMA must have the confidence of the community if it is to perform its duties well. The HKMA therefore takes seriously the duty of explaining its policies and work to the general public. It maintains extensive relations with the mass media and uses social media platforms to communicate with the public more effectively in the digital era. It also makes every effort to address any concerns within the community relevant to the HKMA's responsibilities. In particular, the HKMA makes timely clarifications on misinformation and rumours about the HKMA's policies via both traditional and social media.



## Corporate Governance

The HKMA also maintains an Information Centre at its offices, consisting of a library and an exhibition area, which is open to the public six days a week. Further information on the HKMA's work on public communications and engagement is contained in the *Corporate Functions* chapter on pages 185 to 191.

### Legislative Council

The relations between the HKMA and the Legislative Council play an important part in promoting accountability and transparency. The Chief Executive of the HKMA committed to appear before the Panel on Financial Affairs of the Legislative Council three times a year to brief Members and to answer questions on the HKMA's work. Regular reports presented by the Chief Executive of the HKMA at the Panel on Financial Affairs can be found on the HKMA website.

Representatives from the HKMA also attend Legislative Council panel and committee meetings from time to time to explain and discuss particular issues and to assist Members in their scrutiny of draft legislation.



### Information disclosure

The HKMA seeks to follow international best practices in its transparency arrangements. It produces a range of regular and special publications in both English and Chinese. The HKMA's bilingual website ([www.hkma.gov.hk](http://www.hkma.gov.hk)) carries a large number of HKMA publications, press releases, speeches and presentations, in addition to dedicated sections on research, statistics, regulatory resources, consumer information and other topics.

The HKMA from time to time reviews the adequacy of its disclosure of information on the Exchange Fund and Currency Board Accounts. Since 1999, the HKMA has participated in the International Monetary Fund's Special Data Dissemination Standard project for central banks. The HKMA publishes records of meetings of the Currency Board Sub-Committee of EFAC and the reports on Currency Board operations. The supervisory policies and guidelines on banking have been published on the HKMA website since 1996.

### Internal controls and external audit

The HKMA adopts robust control mechanisms to ensure that it upholds a high standard of staff conduct, prudent risk management as well as appropriate checks and balances. Internal and external audit functions provide independent assessment on the adequacy and effectiveness of the control mechanisms.

### Code of Conduct

A Code of Conduct, which provides guidance to staff on their ethical and legal responsibilities, is in place to ensure that staff behaviours are consistent with specified standards at all levels.

### Internal controls

#### Operational controls

All departments and divisions have ownership and responsibility to identify and assess risks of their operational processes and put in place appropriate controls for ensuring proper day-to-day operations of the HKMA. This serves as the first line of defence for risk management.

### Organisational risk management

Risk management is also undertaken at the corporate level, with the Risk Committee, chaired by the Chief Executive of the HKMA, being one of the cornerstones of the organisational risk management framework.

Potential and emerging risks identified by the business units, and the adequacy of the control measures and mitigating strategies they devise, are reviewed and reported at the Risk Committee, which decides on appropriate follow-up actions.

### Internal audit

The Internal Audit Division of the HKMA independently assesses the adequacy and effectiveness of governance, risk management and control processes of different functional units, and advises on areas for improvement.

### External audit

In accordance with section 7 of the Exchange Fund Ordinance, the Audit Commission of the HKSAR Government audits the financial statements of the Exchange Fund. The Commission does not charge for this service. The audited financial statements of the Exchange Fund are included in the *HKMA Annual Report*.

# Advisory Committees

## The Exchange Fund Advisory Committee

In his control of the Exchange Fund, the Financial Secretary is advised by the Exchange Fund Advisory Committee (EFAC). EFAC is established under section 3(1) of the Exchange Fund Ordinance, which requires the Financial Secretary to consult the Committee in his exercise of control of the Exchange Fund. The Financial Secretary is ex officio Chairman of EFAC. Other members, including the Monetary Authority, are appointed in a personal capacity by the Financial Secretary under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region. Members of EFAC are appointed for the expertise and experience that they can bring to the Committee. Such expertise and experience include knowledge of monetary, financial and economic affairs and of investment issues, as well as of accounting, management, business and legal matters.

EFAC is assisted in its work by five Sub-Committees, which monitor and give guidance to specific areas of the HKMA's work. They report and make recommendations to the Financial Secretary through EFAC. The Committee held five meetings in 2024 to discuss a full range of issues relating to the work of the HKMA, most of which had been previously discussed by the relevant Sub-Committees.

*Brief biographies of EFAC Members and the Code of Conduct for EFAC Members can be found on the HKMA website. A Register of Members' Interests, which contains the declarations of interests by Members, is available for public inspection during 10:00 a.m. to 6:00 p.m. Monday to Friday (except public holidays) at the HKMA offices.*

*The terms of reference for EFAC and its Sub-Committees are available on the HKMA website.*



## Advisory Committees

### Chairman

1 March 2025



**The Honourable Paul CHAN Mo-po**, GBM, GBS, MH, JP  
The Financial Secretary

### Members



**Mr Eddie YUE**, JP  
The Monetary Authority



**Mr Benjamin HUNG Pi-cheng**, BBS, JP  
President, International  
Standard Chartered Bank



**Mr Nicky LO Kar-chun**, SBS, JP



**Mr Stephen YIU Kin-wah**, JP  
Chairman  
Insurance Authority



**Mr Tim LUI Tim-leung**, GBS, JP



**Mrs Ayesha MACPHERSON LAU**, BBS, JP  
Chairman  
Mandatory Provident Fund Schemes Authority

## Advisory Committees



**Mr SUN Yu, JP**

Vice Chairman and Chief Executive  
Bank of China (Hong Kong) Limited



**Professor TAM Kar-yan, MH, JP**

Vice President (Administration and Business) and Chair Professor  
The Hong Kong University of Science and Technology



**Mr Raymund CHAO Pak-ki**



**Dr the Honourable Victor FUNG Kwok-king, GBM, GBS**

Chairman  
Fung Investments



**Mr David LIAO Yi-chien, JP**

Co-Chief Executive  
Asia and Middle East  
The Hongkong and Shanghai Banking Corporation Limited



**Mr Michael WONG Yick-kam, SBS, MH, JP**



**Mr Jack CHAN Hoi, JP**

Chairman, EY China  
Regional Managing Partner, EY Greater China  
(from 1 March 2024)



**Mr Dennis CHOW Chi-in**

Chair, Deloitte Asia Pacific  
Deputy Chair, Deloitte Global  
(from 15 July 2024)

## Advisory Committees



**Dr James C LIN**

Senior Partner  
Davis Polk & Wardwell  
(from 25 November 2024)



**Ms Agnes CHAN Sui-kuen, BBS**

Senior Advisor, Chairman Office, Greater China  
Ernst & Young  
(until 11 February 2024)



**Ms Irene LEE Yun-lien**

Chairman  
Hysan Development Company Limited  
(until 30 April 2024)



**The Honourable Rimsky YUEN Kwok-keung, GBM, SC, JP**

Temple Chambers  
(until 31 August 2024)

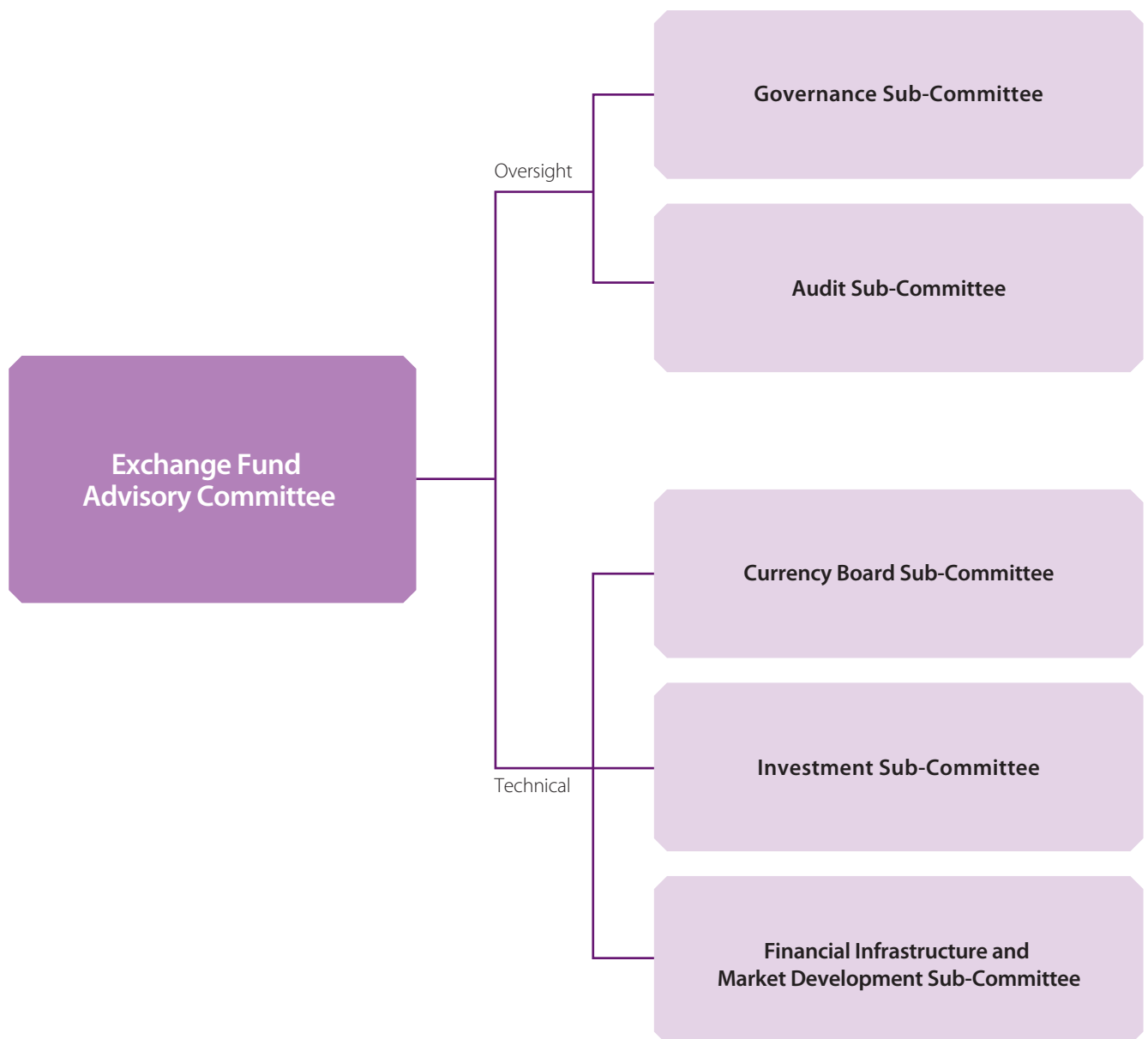
## Secretary

**Ms Sarah KWOK**

## Advisory Committees

### The Exchange Fund Advisory Committee

#### Sub-Committee Structure





## Advisory Committees

### The Exchange Fund Advisory Committee

#### Governance Sub-Committee

The Governance Sub-Committee monitors the performance of the HKMA and makes recommendations to EFAC on remuneration and human resources policies, and on budgetary, administrative and governance issues. The Sub-Committee met five times in 2024 to consider a range of subjects including the HKMA's expenditure budget, performance assessment, annual pay review and strategic planning matters. The Sub-Committee also received regular reports on the work of the HKMA.

#### Chairman

**Mr Nicky LO Kar-chun**, SBS, JP

#### Members

**Mr Stephen YIU Kin-wah**, JP

Chairman  
Insurance Authority

**Mrs Ayesha MACPHERSON LAU**, BBS, JP

Chairman  
Mandatory Provident Fund Schemes Authority

**Mr Raymund CHAO Pak-ki**

**Mr Michael WONG Yick-kam**, SBS, MH, JP

**Mr Dennis CHOW Chi-in**

Chair, Deloitte Asia Pacific  
Deputy Chair, Deloitte Global  
(from 15 July 2024)

**Ms Agnes CHAN Sui-kuen**, BBS

Senior Advisor, Chairman Office, Greater China  
Ernst & Young  
(until 11 February 2024)

**Mr Tim LUI Tim-leung**, GBS, JP

**Professor TAM Kar-yan**, MH, JP

Vice President (Administration and Business) and Chair Professor  
The Hong Kong University of Science and Technology

**Dr the Honourable Victor FUNG Kwok-king**, GBM, GBS

Chairman  
Fung Investments

**Mr Jack CHAN Hoi**, JP

Chairman, EY China  
Regional Managing Partner, EY Greater China  
(from 1 March 2024)

**Dr James C LIN**

Senior Partner  
Davis Polk & Wardwell  
(from 25 November 2024)

**The Honourable Rimsky YUEN Kwok-keung**, GBM, SC, JP

Temple Chambers  
(until 31 August 2024)

#### Secretary

**Ms Sarah KWOK**

## Advisory Committees

### The Exchange Fund Advisory Committee

#### Audit Sub-Committee

The Audit Sub-Committee reviews and reports on the HKMA's financial reporting process and the adequacy and effectiveness of the internal control systems of the HKMA. The Sub-Committee reviews the HKMA's financial statements, and the composition and accounting principles adopted in such statements. It also examines and reviews with both the external and internal auditors the scope and results of their audits. None of the members of the Sub-Committee performs any executive functions in the HKMA. The Sub-Committee met two times in 2024 and received reports on the work of the Risk Committee and the Internal Audit Division.

#### Chairman

**Mr Stephen YIU Kin-wah, JP**

Chairman  
Insurance Authority

#### Members

**Mr Tim LUI Tim-leung, GBS, JP**

**Mr Jack CHAN Hoi, JP**

Chairman, EY China  
Regional Managing Partner, EY Greater China  
(from 1 March 2024)

**Ms Agnes CHAN Sui-kuen, BBS**

Senior Advisor, Chairman Office, Greater China  
Ernst & Young  
(until 11 February 2024)

**Mr Raymund CHAO Pak-ki**

**Mr Dennis CHOW Chi-in**

Chair, Deloitte Asia Pacific  
Deputy Chair, Deloitte Global  
(from 15 July 2024)

#### Secretary

**Ms Sarah KWOK**

## Advisory Committees

### The Exchange Fund Advisory Committee

#### Currency Board Sub-Committee

The Currency Board Sub-Committee monitors and reports on the Currency Board arrangements that underpin Hong Kong's Linked Exchange Rate System. It is responsible for ensuring that Currency Board operations are in accordance with established policy, recommending improvements to the Currency Board system, and ensuring a high degree of transparency in the operation of the system. Records of the Sub-Committee's meetings and the reports on Currency Board operations submitted to the Sub-Committee are published regularly. In 2024, the Sub-Committee met four times.

#### Chairman

**Mr Eddie YUE, JP**  
The Monetary Authority

#### Members

**Mr Arthur YUEN, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Mr Darryl CHAN, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Professor Lawrence J. LAU, GBS, JP**  
Ralph and Claire Landau Professor of Economics  
The Chinese University of Hong Kong

**Professor TANG Heiwai**  
Director, Asia Global Institute  
Victor and William Fung Professor in Economics, Associate Dean (External Relations)  
HKU Business School

**Ms Mary HUEN Wai-yi, JP**  
Chairperson  
The Hong Kong Association of Banks  
(from 1 January 2025)

**Ms Luanne LIM, MH**  
Chairperson  
The Hong Kong Association of Banks  
(until 31 December 2024)

**Mr Howard LEE, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Dr John GREENWOOD, SBS, OBE**  
Chief Economist  
International Monetary Monitor Limited

**Dr PENG Wensheng**  
Chief Economist, Head of Research Department  
China International Capital Corporation Limited  
Dean of the CICC Global Institute (CGI)

**Professor Michael SONG Zheng**  
Wei Lun Professor of Economics  
Chairman, Department of Economics  
The Chinese University of Hong Kong

**Mrs Helen CHAN, SBS**  
(until 12 June 2024)

#### Secretary

**Ms Sarah KWOK**

## Advisory Committees

### The Exchange Fund Advisory Committee

#### Investment Sub-Committee

The Investment Sub-Committee monitors the HKMA's investment management work and makes recommendations on the investment policy and strategy of the Exchange Fund and on risk management and other related matters. The Sub-Committee held five meetings during 2024.

#### Chairman

**Mr Eddie YUE, JP**  
The Monetary Authority

#### Members

**Mr Howard LEE, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Mr Stephen YIU Kin-wah, JP**  
Chairman  
Insurance Authority

**Mr Raymund CHAO Pak-ki**

**Mr Michael WONG Yick-kam, SBS, MH, JP**

**Dr James C LIN**  
Senior Partner  
Davis Polk & Wardwell  
(from 25 November 2024)

**Mr Nicky LO Kar-chun, SBS, JP**

**Professor TAM Kar-yan, MH, JP**  
Vice President (Administration and Business) and Chair Professor  
The Hong Kong University of Science and Technology

**Dr the Honourable Victor FUNG Kwok-king, GBM, GBS**  
Chairman  
Fung Investments

**Mr Dennis CHOW Chi-in**  
Chair, Deloitte Asia Pacific  
Deputy Chair, Deloitte Global  
(from 15 July 2024)

#### Secretary

**Ms Sarah KWOK**

## Advisory Committees

### The Exchange Fund Advisory Committee

#### Financial Infrastructure and Market Development Sub-Committee

The Financial Infrastructure and Market Development Sub-Committee makes recommendations on measures to further develop Hong Kong's status as an international financial centre and strengthen the international competitiveness of Hong Kong's financial services, including promoting the development, operational excellence, safety and efficiency of the financial infrastructure in Hong Kong; and promoting the development of Hong Kong as an offshore renminbi centre and fostering the development of other enabling factors. It also makes recommendations on initiatives for the HKMA and monitors the work of the HKMA. In 2024, the Sub-Committee met four times.

#### Chairman

**Mr Eddie YUE, JP**  
The Monetary Authority

#### Members

**Mr Arthur YUEN, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Mr Darryl CHAN, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Ms Angel NG Yin-yee**  
Regional CEO, Greater China  
Prudential plc

**Professor TAM Kar-yan, MH, JP**  
Vice President (Administration and Business) and Chair Professor  
The Hong Kong University of Science and Technology

**Mr Michael WONG Yick-kam, SBS, MH, JP**

**Mr Howard LEE, JP**  
Deputy Chief Executive  
Hong Kong Monetary Authority

**Mrs Ayesha MACPHERSON LAU, BBS, JP**  
Chairman  
Mandatory Provident Fund Schemes Authority

**Ms Diana CESAR, JP**  
Executive Director and Chief Executive  
Hang Seng Bank

**Ms Luanne LIM, MH**  
Chief Executive Officer, Hong Kong  
The Hongkong and Shanghai Banking Corporation Limited

**Ms Susan CHAN Wai-lan**  
Senior Managing Director, Head of Asia Pacific  
BlackRock

## Advisory Committees

**Mr CHEN Leiming**

Senior Vice President  
Ant Group

**Mrs Florence YIP CHIU Kwai-fong, JP****Dr James C LIN**

Senior Partner  
Davis Polk & Wardwell  
(from 25 November 2024)

**The Honourable Rimsky YUEN Kwok-keung, GBM, SC, JP**

Temple Chambers  
(until 31 August 2024)

### Secretary

**Ms Sarah KWOK****Dr JIA Hongrui**

Chief Executive Officer  
SPDB International Holdings Limited

**Mr Stephen CHAN Man**

Deputy Chief Executive  
Bank of China (Hong Kong) Limited  
(from 1 February 2024)

**Mr Dennis CHOW Chi-in**

Chair, Deloitte Asia Pacific  
Deputy Chair, Deloitte Global  
(until 10 June 2024)



## Advisory Committees

### Banking Advisory Committee

The Banking Advisory Committee is established under section 4(1) of the Banking Ordinance to advise the Chief Executive of the Hong Kong Special Administrative Region on matters relating to the Banking Ordinance, in particular matters relating to banks and the carrying on of banking business. The Committee consists of the Financial Secretary as the Chairman, the Monetary Authority, and other persons appointed by the Financial Secretary under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region.

Three joint meetings of the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee were held in 2024.

#### Chairman

**The Honourable Paul CHAN Mo-po**, GBM, GBS, MH, JP  
The Financial Secretary

#### Ex Officio Member

**Mr Eddie YUE**, JP  
The Monetary Authority

#### Members

**The Honourable Christopher HUI Ching-yu**, GBS, JP  
Secretary for Financial Services and the Treasury

**Ms Luanne LIM**, MH  
Chief Executive Officer, Hong Kong  
The Hongkong and Shanghai Banking Corporation Limited  
Representing The Hongkong and Shanghai Banking Corporation Limited

**Dr Kelvin WONG Tin-yau**, SBS, JP  
Chairman  
Securities and Futures Commission  
Representing Securities and Futures Commission

**Ms Harshika PATEL**  
Chief Executive Officer  
Asia Private Bank  
J.P. Morgan  
(from 1 December 2024)

**Mr Toshiaki Yamamoto**  
Senior General Manager  
Chief Executive  
Sumitomo Mitsui Banking Corporation  
Hong Kong Branch  
(from 1 December 2024)

**Mr Paul YANG**  
Chief Executive Officer  
Corporate and Institutional Banking Asia Pacific  
BNP Paribas  
(until 30 November 2024)

**Mr SUN Yu**, JP  
Vice Chairman and Chief Executive  
Bank of China (Hong Kong) Limited  
Representing Bank of China (Hong Kong) Limited

**Ms Mary HUEN Wai-yi**, JP  
Executive Director and Chief Executive Officer,  
Hong Kong and Greater China & North Asia  
Standard Chartered Bank (Hong Kong) Limited  
Representing Standard Chartered Bank (Hong Kong) Limited

**The Honourable CHAN Chun-ying**, BBS, JP  
Member  
Legislative Council

**Ms Cecile BARTENIEFF**  
Chief Executive Officer  
Asia Pacific Region  
Societe Generale  
(from 1 December 2024)

**Ms Angel NG Yin-yee**  
The then Head of Asia North and Australia, Cluster and Banking  
Citi  
(until 12 April 2024)

#### Secretary

**Ms Jasmin FUNG**

## Advisory Committees

### Deposit-taking Companies Advisory Committee

The Deposit-taking Companies Advisory Committee is established under section 5(1) of the Banking Ordinance to advise the Chief Executive of the Hong Kong Special Administrative Region on matters relating to the Banking Ordinance, in particular matters relating to deposit-taking companies and restricted licence banks and their carrying on of a business of taking deposits. The Committee consists of the Financial Secretary as the Chairman, the Monetary Authority, and other persons appointed by the Financial Secretary under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region.

Three joint meetings of the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee were held in 2024.

#### Chairman

**The Honourable Paul CHAN Mo-po**, GBM, GBS, MH, JP  
The Financial Secretary

#### Ex Officio Member

**Mr Eddie YUE**, JP  
The Monetary Authority

#### Members

**The Honourable Christopher HUI Ching-yu**, GBS, JP  
Secretary for Financial Services and the Treasury

**Ms Gilly WONG Fung-han**  
Chief Executive  
Consumer Council  
Representing the Consumer Council

**Mr CHONG Yam-kiang**  
Executive Director and Chief Executive  
Public Bank (Hong Kong) Limited

**Mrs Lourdes A. SALAZAR**

Chairperson  
The DTC Association (The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies)  
Representing The DTC Association

**The Honourable Elizabeth QUAT**, BBS, JP  
Member  
Legislative Council

**Mr Dennis CHOW Chi-in**  
Chair, Deloitte Asia Pacific  
Deputy Chair, Deloitte Global

#### Secretary

**Ms Jasmin FUNG**

# Chief Executive's Committee

1 March 2025

The Chief Executive's Committee comprises the Chief Executive of the HKMA, who chairs the Committee, the Deputy Chief Executives and the Executive Directors of the HKMA. The Committee meets regularly to report to the Chief Executive on the progress of major tasks being undertaken by the various departments of the HKMA and to advise him on policy matters relating to the operations of the HKMA.



**Eddie YUE, JP**  
Chief Executive



**Arthur YUEN, JP**  
Deputy Chief Executive



**Howard LEE, JP**  
Deputy Chief Executive



**Darryl CHAN, JP**  
Deputy Chief Executive



**Raymond LI, JP**  
Senior Executive Director  
Chief Executive Officer  
Hong Kong Mortgage Corporation  
(until 25 December 2024)

## Chief Executive's Committee



**Karen KEMP, JP**  
General Counsel



**Carmen CHU, JP**  
Executive Director  
(Banking Supervision)  
*(from 23 April 2024)*  
Executive Director  
(Enforcement and AML)  
*(until 22 April 2024)*



**Grace LAU, JP**  
Executive Director  
(Risk and Compliance)  
Chief Risk Officer  
(Exchange Fund Investment Office)



**Lillian CHEUNG, JP**  
Executive Director  
(Research)



**Raymond CHAN, JP**  
Executive Director  
(Enforcement and AML)  
*(from 23 April 2024)*  
Executive Director  
(Banking Supervision)  
*(until 22 April 2024)*



**Daryl HO, JP**  
Executive Director  
(Monetary Management)



**Alan AU, JP**  
Executive Director  
(Banking Conduct)



**Colin POU, JP**  
Executive Director  
Chief Executive Officer  
Hong Kong Mortgage Corporation  
*(from 26 December 2024)*  
Executive Director  
(Financial Infrastructure)  
*(until 25 December 2024)*



**Donald CHEN**  
Executive Director  
(Banking Policy)



**Kenneth HUI**  
Executive Director  
(External)



**Archie NG**  
Executive Director  
(Corporate Services)  
*(from 14 February 2024)*



**Nelson CHOW**  
Executive Director  
(Financial Infrastructure)  
*(from 30 December 2024)*

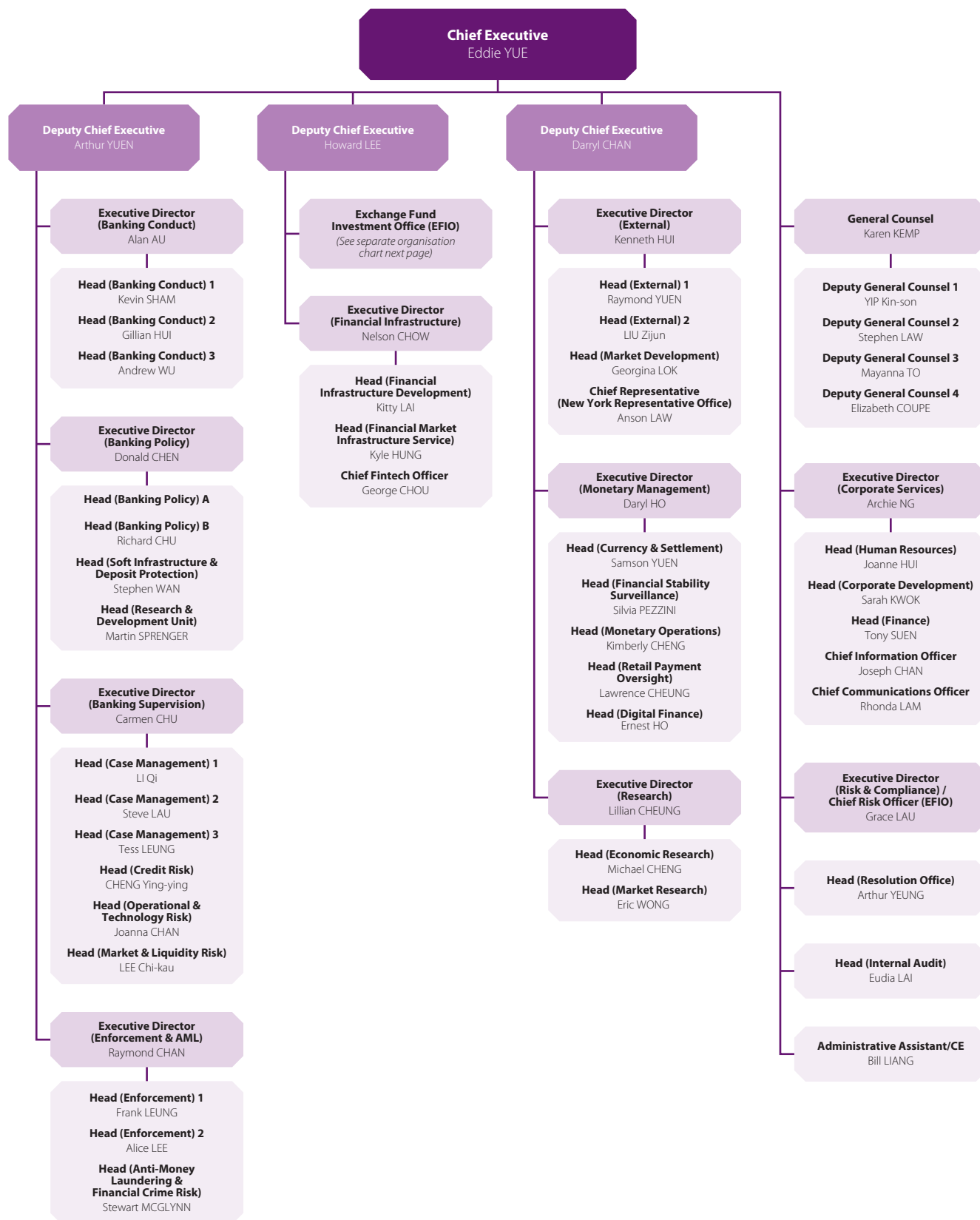


**Stefan GANNON, JP**  
Special Adviser to CE  
*(until 4 October 2024)*

# Organisation Chart

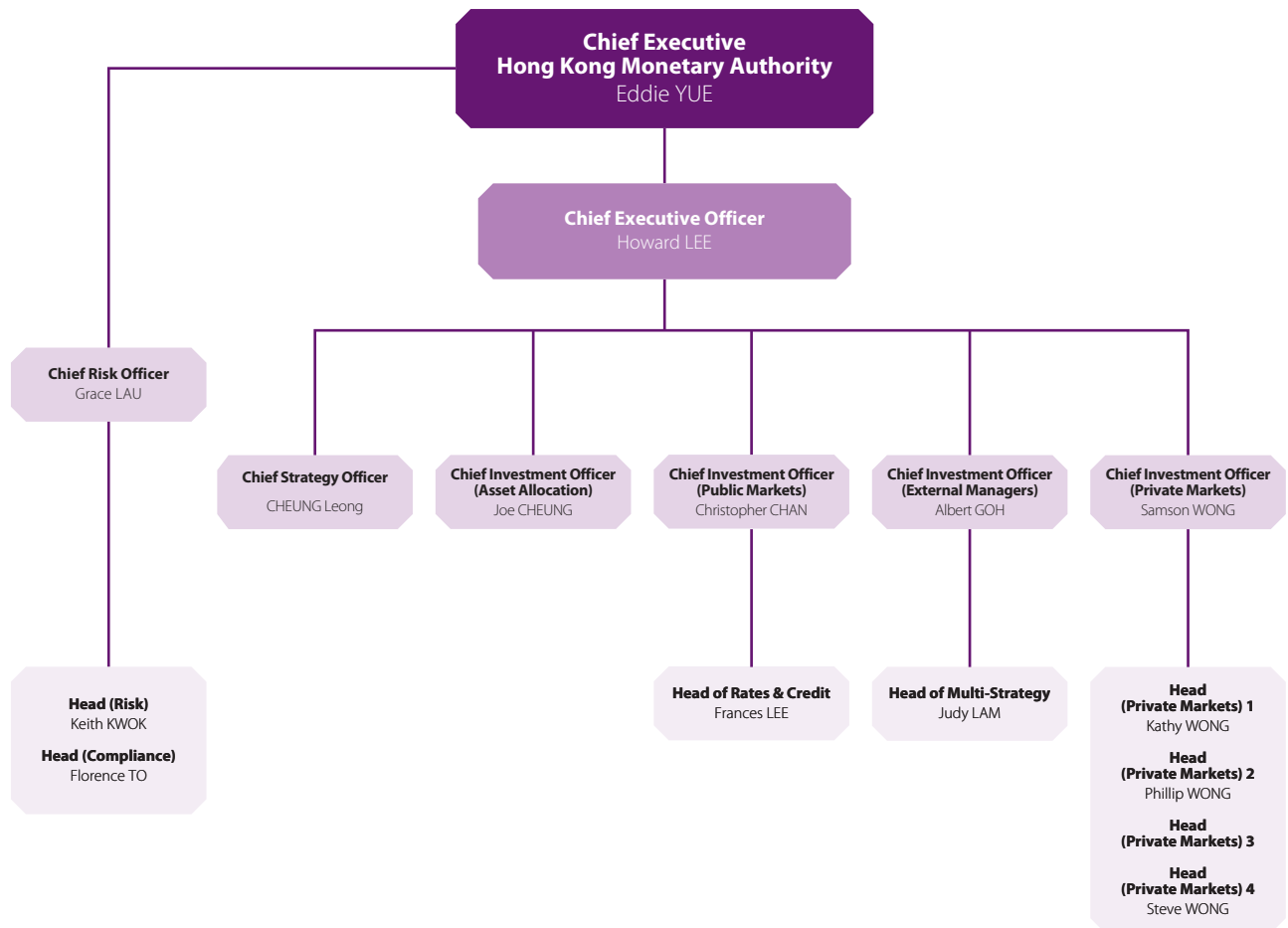
## Hong Kong Monetary Authority

1 March 2025



## Organisation Chart

### Exchange Fund Investment Office







## Economic and Financial Environment

The Hong Kong economy registered moderate growth in 2024, driven primarily by the rebound in goods exports amid improved external demand and the global tech cycle recovery. The labour market stayed solid, while inflation remained mild as external price pressures eased further. The local stock market experienced a significant turnaround, while the property market remained generally soft as persistently high interest rates continued to weigh on market sentiment. For 2025, the economy is expected to face a challenging external environment due to escalating trade tensions. Nevertheless, Mainland's proactive economic stimulus measures, together with the multifaceted support provided to local enterprises, are expected to reinforce business confidence. Hong Kong will also continue to strengthen international exchanges and deepen regional ties and co-operation.

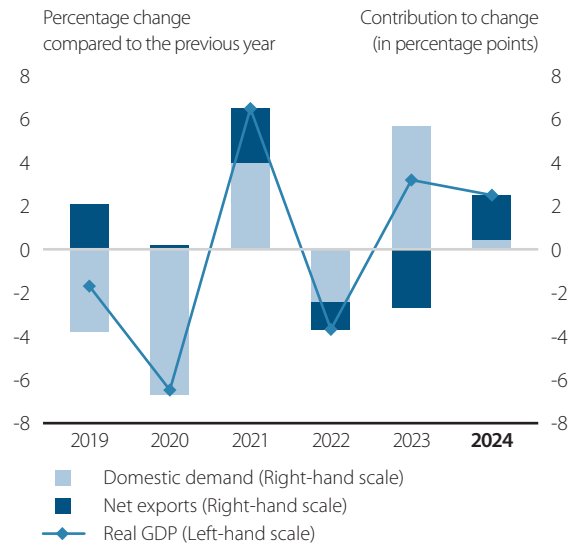
## Economic and Financial Environment

### The economy in review

#### Real activities

The Hong Kong economy expanded at a moderate pace in 2024, with its real gross domestic product (GDP) rising by 2.5% year on year, following growth of 3.2% in 2023 (Table 1 and Chart 1). Externally, exports of goods resumed positive growth on the back of improved external demand and the recovery of the global tech cycle, providing the major impetus for overall economic growth. Exports of services also grew further alongside the ongoing recovery of inbound tourism, as well as a surge in cross-border financial and fundraising activities during the second half of the year. Nevertheless, its positive impact on overall economic growth was more than offset by a substantial increase in imports of services, primarily driven by the continued increase in outbound tourism. Domestically, private consumption expenditure softened as local residents adjusted their consumption patterns. In contrast, overall investment expenditure experienced modest growth, supported by the increase in property transactions, as well as improved business sentiment in tandem with the gradually easing monetary conditions.

**Chart 1 Real GDP growth by contribution**



Source: Census and Statistics Department

**Table 1 Real GDP growth by expenditure component (period-over-period)**

(% Period-over-period, unless otherwise specified)	2024					2023				
	Q1	Q2	Q3	Q4	2024	Q1	Q2	Q3	Q4	2023
<b>Gross Domestic Product</b>	<b>1.3</b>	<b>0.4</b>	<b>(0.1)</b>	<b>0.8</b>	<b>2.5</b>	3.1	0.1	0.8	0.4	3.2
(year-on-year growth)	<b>2.8</b>	<b>3.1</b>	<b>1.9</b>	<b>2.4</b>		2.7	1.6	4.2	4.3	
Private consumption expenditure	<b>(0.6)</b>	<b>0.5</b>	<b>(0.3)</b>	<b>0.2</b>	<b>(0.6)</b>	0.9	3.3	(0.8)	(0.9)	6.8
Government consumption expenditure	<b>1.1</b>	<b>(0.5)</b>	<b>0.5</b>	<b>0.7</b>	<b>1.0</b>	(2.4)	(3.8)	0.9	0.5	(3.9)
Gross domestic fixed capital formation	–	–	–	–	<b>2.4</b>	–	–	–	–	11.4
Exports										
Exports of goods	<b>2.9</b>	<b>0.0</b>	<b>(2.0)</b>	<b>0.3</b>	<b>4.7</b>	0.4	(0.3)	0.9	3.1	(10.0)
Exports of services	<b>(0.1)</b>	<b>(1.4)</b>	<b>3.3</b>	<b>3.7</b>	<b>4.8</b>	10.6	6.3	1.6	1.4	19.5
Imports										
Imports of goods	<b>0.7</b>	<b>(0.4)</b>	<b>0.5</b>	<b>(0.4)</b>	<b>2.4</b>	2.0	(0.3)	0.9	2.0	(8.3)
Imports of services	<b>3.9</b>	<b>0.4</b>	<b>1.2</b>	<b>2.3</b>	<b>11.5</b>	11.7	6.1	3.2	3.5	25.6

Note: The seasonally adjusted quarter-on-quarter rates of change in the gross domestic fixed capital formation are not available.

Source: Census and Statistics Department

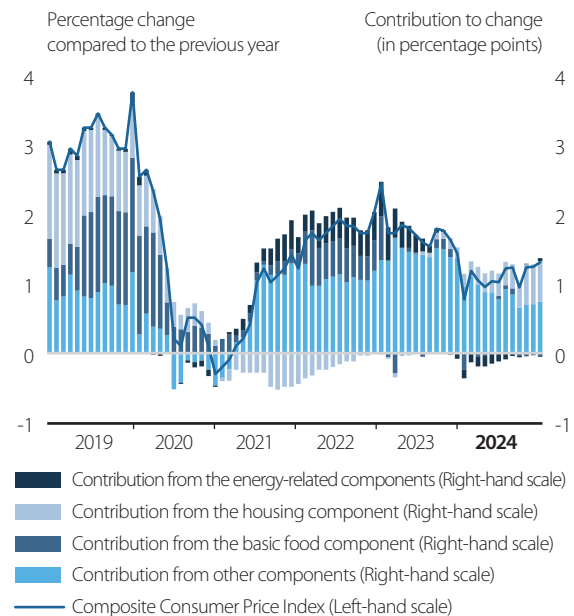
## Economic and Financial Environment

### Inflation and the labour market

Local inflation remained mild in 2024 as external price pressures eased further, while domestic cost pressures remained broadly in check despite the gradual feed-through of rising fresh-letting private residential rentals (Chart 2)<sup>1</sup>. For 2024 as a whole, the underlying and headline inflation rates were 1.1% and 1.7% respectively.

The labour market demonstrated resilience in 2024, with the unemployment rate staying within a low range of 2.9%–3.1% throughout the year<sup>2</sup> (Chart 3). Both labour demand and supply remained largely stable, as reflected respectively by the gradual increase in total employment (Chart 3) and the growth of the labour force since the first quarter. Meanwhile, nominal wages and labour earnings recorded solid increases alongside the ongoing economic growth<sup>3</sup>. In tandem, the Government announced further enhancements to Hong Kong's talent attraction schemes in the 2024 Policy Address<sup>4,5</sup>, aiming to alleviate the manpower shortage across different industries and rejuvenate the local population by attracting more young people.

**Chart 2 Underlying consumer price inflation**



**Chart 3 Labour market conditions**



<sup>1</sup> Housing rentals increased by 3.4% year on year in 2024. On the commercial front, rentals for office spaces, private retail premises and flatted factories decreased by 5.1%, 6.7% and 3.2% year on year in 2024, respectively.

<sup>2</sup> The three-month moving average underemployment rate edged up to 1.1% in December 2024 from 1.0% a year prior.

<sup>3</sup> The year-on-year growth rate of nominal wages remained robust at 3.7% in 2024.

<sup>4</sup> Following the announcement at the 2024 Policy Address, the Government enhanced the Top Talent Pass Scheme and the Quality Migrant Admission Scheme by expanding the list of eligible universities, extending the validity period of the visas and enhancing the assessment criteria. Furthermore, the Government has also temporarily exempted full-time non-local undergraduate students from the part-time work restriction.

<sup>5</sup> As at the end of 2024, the various talent attraction schemes had received over 430,000 applications, with over 270,000 approvals. Notably, over 180,000 of these talents had arrived in Hong Kong, already surpassing the Government's target of attracting a total of 105,000 talents over the three-year period from 2023 to 2025.

## Economic and Financial Environment

### Stock market

The local stock market staged a notable turnaround in 2024, fuelled by a strong rebound from mid-September onwards. Specifically, market sentiment improved significantly alongside the US Federal Reserve (Fed)'s interest rate cuts and Mainland's proactive economic stimulus measures, driving the Hang Seng Index to a year-high daily close of 23,100 on 7 October (Chart 4). Nevertheless, the market experienced a slight retreat following the US presidential election in early November, which triggered concerns over the global economic outlook and the pace of the US Fed's monetary easing. Despite the setback, the Hang Seng Index concluded the year on a positive note, closing at 20,060. This marked a substantial increase of 17.7% from the end of 2023, ending a four-year streak of annual decline.

### Property market

The residential property market was generally soft in the first three quarters of 2024 before showing signs of stabilisation in the final quarter. Supported by relevant policy relaxations in late February and mid-October<sup>6,7</sup>, as well as the initiation of the interest rate cut cycle in September<sup>8</sup>, housing transactions surged by 23.5% from a record-low of 43,002 units in 2023 to 53,099 units in 2024. Nevertheless, the still-high mortgage rates and the accumulated inventories in the primary market<sup>9</sup> continued to exert downward pressure on housing prices. As a result, housing prices fell by 7.1% year on year in 2024, leading to a slight improvement in housing affordability, although it remained stretched. The non-residential property markets remained subdued. Notably, the office segment continued to grapple with high vacancy rates<sup>10</sup> amid current ample supply, while the retail premises segment encountered challenges stemming from shifting consumption patterns among both visitors and local residents.

**Chart 4** Asset prices



Sources: Rating and Valuation Department and Hong Kong Exchanges and Clearing Limited

<sup>6</sup> The relevant Government policy included the cancellation of all the demand-side management measures for residential properties, and the inclusion of residential properties as a permissible investment under the Government's new Capital Investment Entrant Scheme. For details, see the Financial Secretary's 2024–25 Budget and the Chief Executive's 2024 Policy Address.

<sup>7</sup> The HKMA suitably adjusted the countercyclical macroprudential measures for property mortgage loans and other related supervisory requirements on property loans throughout the year, taking into consideration the latest market developments and the stability of the banking system. The maximum loan-to-value ratio and the debt-servicing ratio limit are now standardised at 70% and 50% respectively for all properties, with relaxations allowed for eligible stage payment homebuyers who bought uncompleted residential properties from 2021 to 2023. The HKMA will continue to monitor market developments closely and ensure the proper risk management of property mortgage loans. For details, see the HKMA's circulars – "Prudential Measures for Property Mortgage Loans and Other Related Supervisory Requirements" issued on 28 February; "Refinements to Property Mortgage Lending Requirements" issued on 14 June; and "Prudential Measures for Property Mortgage Loans" issued on 16 October and 4 December respectively.

<sup>8</sup> The effective mortgage interest rates decreased to a still-high level of 3.5% as of end-2024 from 4.125% a year prior.

<sup>9</sup> According to data from the Housing Bureau, there were around 27,000 unsold units in completed projects as of end-2024.

<sup>10</sup> The Rating and Valuation Department data indicate that the vacancy rate of private offices increased to 16.3% in 2024 from 14.9% a year prior.

## Economic and Financial Environment

### Outlook for the economy

#### Economic environment

The Hong Kong economy is expected to face a challenging external environment in 2025 due to escalating trade tensions that are likely to disrupt international trade and investment flows. Nevertheless, continued, multifaceted support by the authorities and the banking sector will strengthen the resilience of local enterprises. Mainland's proactive economic stimulus measures and significant breakthroughs in cutting-edge technologies should also provide support to business sentiment. Meanwhile, Hong Kong will further deepen its regional ties and increase its engagement with emerging markets. Inbound tourism is also anticipated to experience further growth on the back of the tourism-related policy support from Mainland authorities<sup>11</sup> as well as the Government's dedicated efforts to revitalise the tourism industry.

#### Inflation and the labour market

Local inflation is expected to stay mild in 2025.

Domestic costs may face subtle upward pressure, driven by the gradual pass-through of rising housing rentals to consumer prices, while external price pressures may remain soft although uncertainties surrounding the global economic outlook have increased. Meanwhile, the labour market may face challenges stemming from escalating trade tensions. Yet, the various talent attraction schemes should continue to foster the build-up of a high-quality talent pool, supporting longer-term economic development.

<sup>11</sup> On 1 December, the Central Government resumed the multiple-entry Individual Visit Scheme (IVS) for Shenzhen permanent residents and expanded the new arrangement to residence permit holders in Shenzhen. Earlier in 2024, the Central Government also increased the number of IVS applicable cities to 59 and raised the duty-free allowance for luggage articles brought into the Mainland from Hong Kong by Mainland visitors to RMB12,000 from RMB5,000.

## Economic and Financial Environment

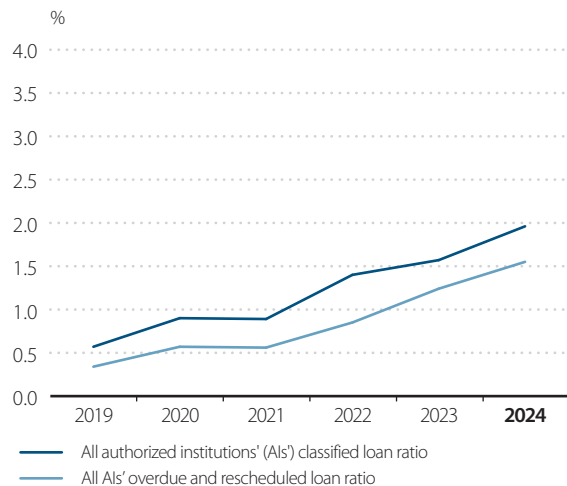
### Performance of the banking sector

The Hong Kong banking sector continued to be safe and sound in 2024, underpinned by strong capital and liquidity positions of banks. Against the backdrop of a challenging macroeconomic environment, the credit risk faced by the banking sector increased during the year, although the overall asset quality of banks remained manageable. The profitability of retail banks improved compared to 2023 on the back of higher income from investments held for trading as well as income from fees and commissions.

#### Asset quality

The classified loan ratio of the banking sector increased to 1.96% at the end of 2024 from 1.57% at the end of 2023, with the overdue and rescheduled loan ratio increasing to 1.55% from 1.24% during the same period (Chart 5). The increase in the classified loan ratio was mainly due to downgrades of exposures to some Mainland property developers and small and medium-sized local property developers and investors. Nevertheless, the classified loan ratio of Mainland-related lending decreased to 2.38% at the end of 2024 from 2.58% at the end of 2023. Provisions set aside by banks remained sufficient. The provision coverage ratio (i.e. total provisions to classified loans) stood at about 65% at the end of 2024. Taking into account the market value of collateral held against the classified loans, the adjusted provision coverage ratio was about 145%. Meanwhile, the delinquency ratios of residential mortgage lending and credit card lending remained low, at 0.11% and 0.35% respectively, at the end of 2024 (Chart 6).

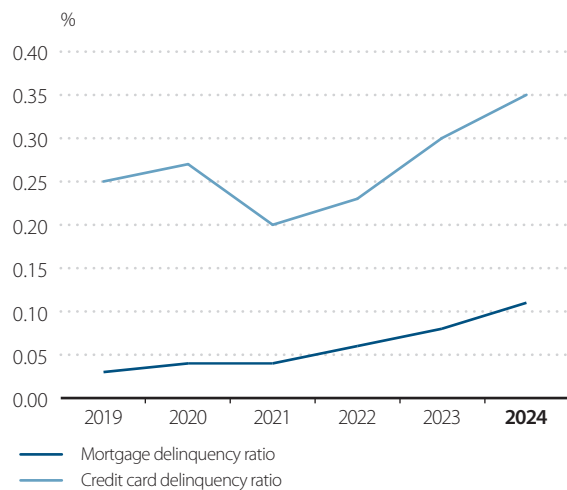
**Chart 5** Asset quality of the banking sector



Note: Figures cover Hong Kong offices, branches and major subsidiaries outside Hong Kong

Source: HKMA

**Chart 6** Delinquency ratios of residential mortgages and credit card lending



Source: HKMA

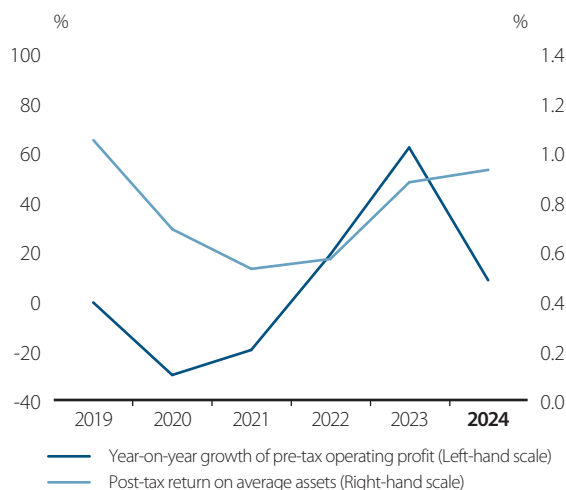


## Economic and Financial Environment

### Profitability trends

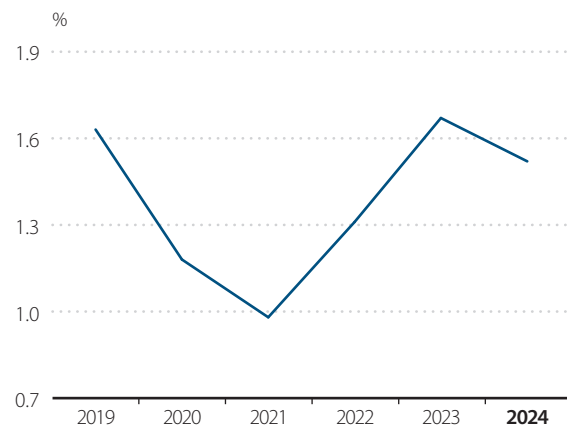
The aggregate pre-tax operating profit of retail banks increased by 8.4% in 2024, while the post-tax return on average assets rose to 0.93% from 0.88% during the same period (Chart 7). The profit growth was mainly driven by increases in income from investments held for trading (+97.0%) and income from fees and commissions (+15.4%), which were partly offset by a decrease in net interest income (-5.2%). The net interest margin of retail banks narrowed to 1.52% in 2024 from 1.67% a year ago (Chart 8). Meanwhile, retail banks' cost-to-income ratio edged up to 39.2% in 2024 from 38.9% in 2023 (Chart 9).

**Chart 7** Retail banks' performance



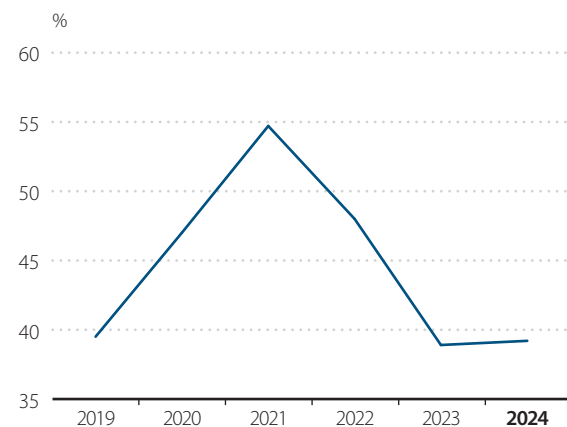
Source: HKMA

**Chart 8** Retail banks' net interest margin



Source: HKMA

**Chart 9** Retail banks' cost-to-income ratio



Source: HKMA

## Economic and Financial Environment

### Balance sheet trends

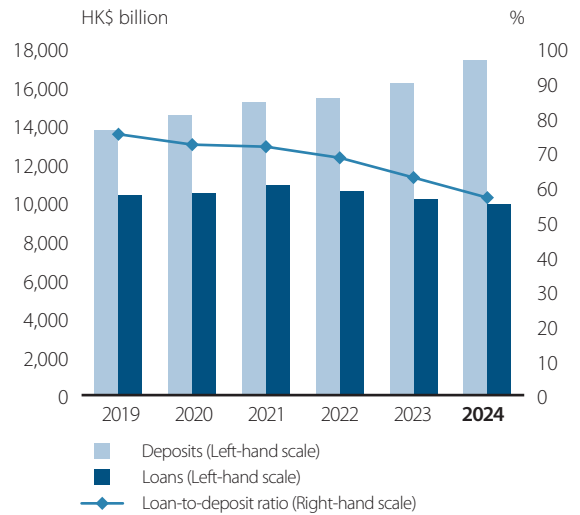
The banking sector's balance sheet grew by 4.3% in 2024, mainly due to an increase in negotiable debt instruments held (+13.4%). Given the subdued loan demand amid high borrowing costs, total loans decreased by 2.8% in 2024. Of the total loans, loans for use in Hong Kong and loans for use outside Hong Kong decreased by 2.1% and 5.7% respectively, while trade finance increased by 4.6%. Mainland-related lending decreased by 8.7% in 2024.

On the liability side, total deposits rose by 7.1% in 2024, compared with growth of 5.1% in 2023. As total loans declined while total deposits grew, the overall loan-to-deposit ratio decreased to 57.0% at the end of 2024 from 62.8% a year before (Chart 10).

### Capital adequacy

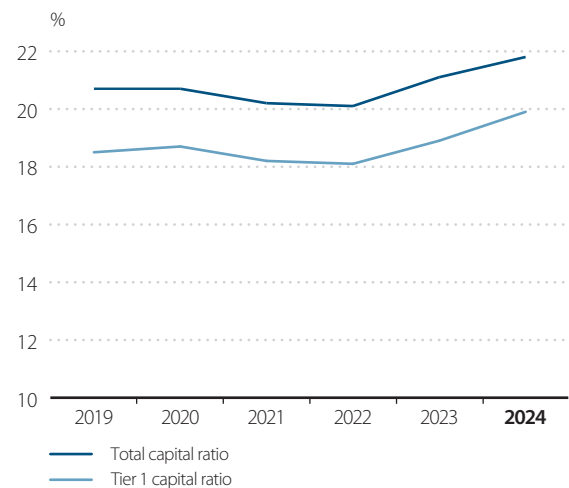
The banking sector remained well capitalised in 2024. The consolidated total capital ratio of locally incorporated authorized institutions (AIs) stood at 21.8% at the end of 2024, compared with 21.1% a year before. The Tier 1 capital ratio was 19.9% (Chart 11). Both ratios were well above their respective international minimum requirements. The Basel III leverage ratio was 8.0% at the end of 2024 (Chart 12).

**Chart 10** Loans and deposits of the banking sector



Source: HKMA

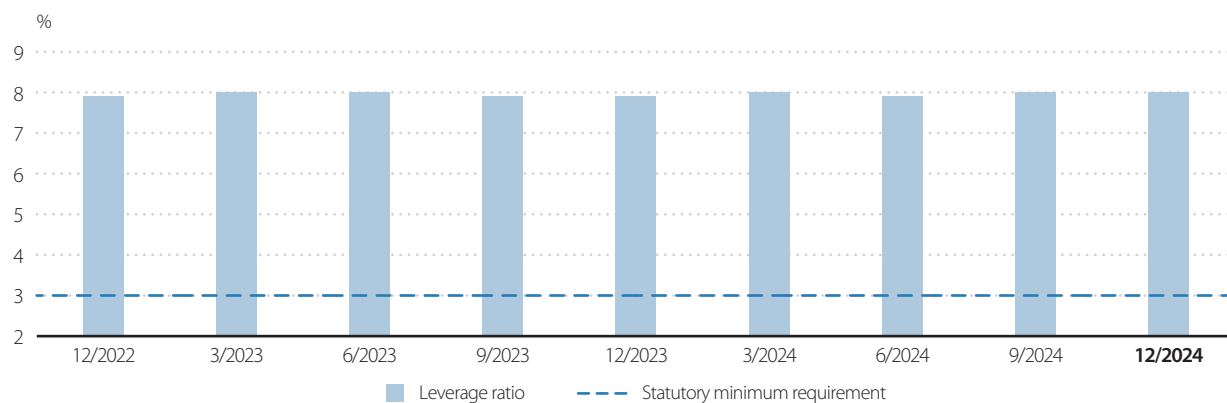
**Chart 11** Consolidated capital ratios of locally incorporated AIs



Source: HKMA

## Economic and Financial Environment

**Chart 12** Consolidated leverage ratio of locally incorporated AIs



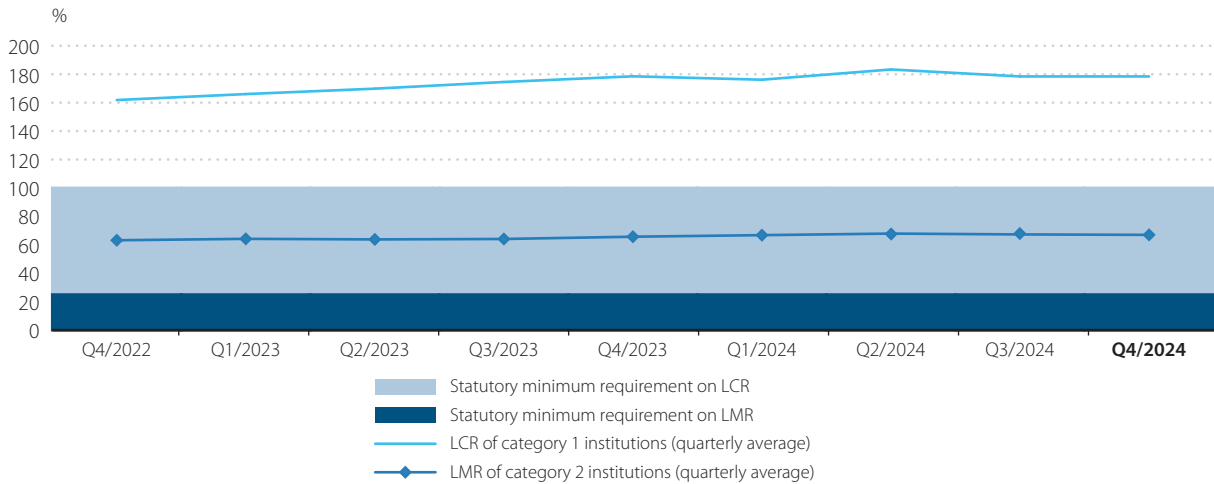
Source: HKMA

### Liquidity conditions

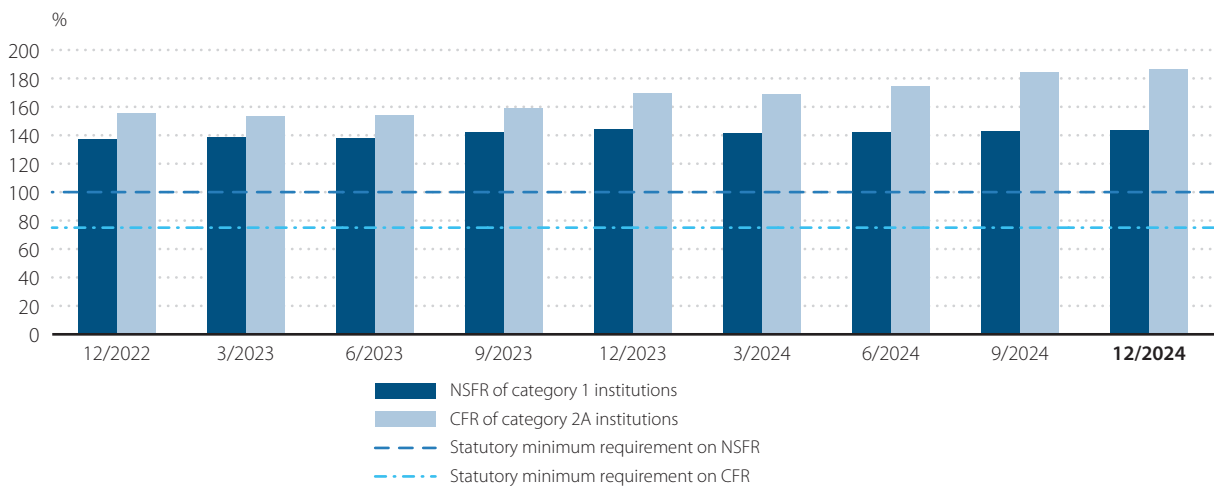
The banking sector maintained a strong liquidity position. The quarterly average Liquidity Coverage Ratio (LCR) of category 1 institutions was 178.4% in the fourth quarter of 2024, and the quarterly average Liquidity Maintenance Ratio (LMR) of category 2 institutions was 67.0% (Chart 13). Customer deposits remained the main source of funding for the banking sector. The Net Stable Funding Ratio (NSFR) of category 1 institutions and the Core Funding Ratio (CFR) of category 2A institutions were 143.4% and 186.7% at the end of 2024 respectively (Chart 14). All four ratios were well above the statutory minimum requirements.

## Economic and Financial Environment

**Chart 13** Liquidity ratios of designated AIs



**Chart 14** Funding ratios of designated AIs





## Monetary Stability

Notwithstanding the uncertainties surrounding the future path of US monetary policy, global growth prospects, and geopolitical tensions, the Hong Kong dollar foreign exchange and money markets continued to trade in a smooth and orderly manner. The Hong Kong dollar exchange rate softened in the first four months of 2024 and then strengthened for the rest of the year. Under the Linked Exchange Rate System, the Hong Kong dollar interbank rates generally track their US dollar counterparts, while also being affected by local supply and demand. As the cornerstone of Hong Kong's monetary and financial stability, the Linked Exchange Rate System has shown its strength and resilience to various external shocks time after time.

## Monetary Stability

### Objectives

The overriding objective of Hong Kong's monetary policy is currency stability. This is defined as a stable external exchange value of Hong Kong's currency, in terms of its exchange rate in the foreign exchange market against the US dollar, within a band of HK\$7.75–7.85 to US\$1. The structure of the monetary system is characterised by Currency Board arrangements, requiring the Monetary Base to be at least 100% backed by US dollar reserves held in the Exchange Fund, and changes in the Monetary Base to be 100% matched by corresponding changes in US dollar reserves.

The Monetary Base (Table 1) comprises:

- Certificates of Indebtedness, which provide full backing to the banknotes issued by the three note-issuing banks;
- Government-issued currency notes and coins in circulation;
- The Aggregate Balance, which is the sum of clearing account balances kept with the HKMA; and
- Exchange Fund Bills and Notes (EFBNs) issued by the HKMA on behalf of the Government.

**Table 1** Monetary Base

HK\$ million	31 December 2024	31 December 2023
Certificates of Indebtedness <sup>a</sup>	601,415	592,585
Government-issued currency notes and coins in circulation <sup>a</sup>	13,047	12,927
Balance of the banking system <sup>b</sup>	44,802	44,950
EFBNs issued <sup>c</sup>	1,383,858	1,245,451
<b>Total</b>	<b>2,043,122</b>	<b>1,895,913</b>

- a. The Certificates of Indebtedness and the Government-issued currency notes and coins in circulation shown here are stated at Hong Kong dollar face values. The corresponding items shown in the balance sheet of the Exchange Fund in this *Annual Report* are in Hong Kong dollars equivalent to the US dollar amounts required for their redemption at the prevailing exchange rates on the reporting date. This arrangement is in accordance with the accounting principles generally accepted in Hong Kong.
- b. Balance of the banking system shown here is the carrying value before the amount advanced to the banks under the Discount Window Operations. In accordance with the accounting principles generally accepted in Hong Kong, the corresponding item shown in the balance sheet of the Exchange Fund in this *Annual Report* includes the amount of these advances.
- c. The amount of EFBNs shown here refers to their fair value. In accordance with the accounting principles generally accepted in Hong Kong, the EFBNs held by the HKMA on behalf of the Exchange Fund in relation to its trading of the EFBNs in the secondary market are offset against the EFBNs issued, and the net amount is recorded in the balance sheet. The EFBNs allotted on tender dates but not yet settled are included in the balance sheet but excluded from the Monetary Base. Therefore, the amount of EFBNs shown here is different from that in the balance sheet of the Exchange Fund in this *Annual Report*.

The stability of the Hong Kong dollar exchange rate is maintained through an automatic interest rate adjustment mechanism and the firm commitment by the HKMA to honour the Convertibility Undertakings (CUs). With the HKMA standing ready to sell (or buy) Hong Kong dollars to (or from) banks in exchange for US dollars upon request at HK\$7.75 (or HK\$7.85) per US dollar when the strong-side (or weak-side) CU is triggered, the Aggregate Balance will expand (or contract) to push down (or up) Hong Kong dollar interest rates, helping move the Hong Kong dollar back to within the Convertibility Zone of 7.75 to 7.85.



## Monetary Stability

### Review of 2024

#### Exchange rate stability

The Hong Kong dollar moderated slightly in the first four months of 2024 amid softened liquidity. The Hong Kong dollar exchange rate strengthened between late April and mid-May, mainly supported by dividend-related funding demand and vibrant equity market activities. In early August, the Hong Kong dollar strengthened to the strong side of the Convertibility Zone amid short-lived concerns of a possible US recession and expectations of faster and deeper rate cuts by the US Federal Reserve that triggered an unwinding of carry trades and short Hong Kong dollar positions. Supported by a surge in local stock market activities following a series of economic stimulus measures announced in Mainland China, the Hong Kong dollar strengthened further in late September before moderating slightly in early November. The moderation was partly due to a pullback of the local stock market gains and partly due to the strong performance of the US economy at the time, which gave room for the Federal Open Market Committee to lower the federal funds rate carefully. Thereafter, the Hong Kong dollar rebounded amid seasonal year-end funding demand. Overall, the Hong Kong dollar exchange market continued to function normally throughout 2024 (Chart 1).

Chart 1

Market exchange rate in 2024



## Monetary Stability

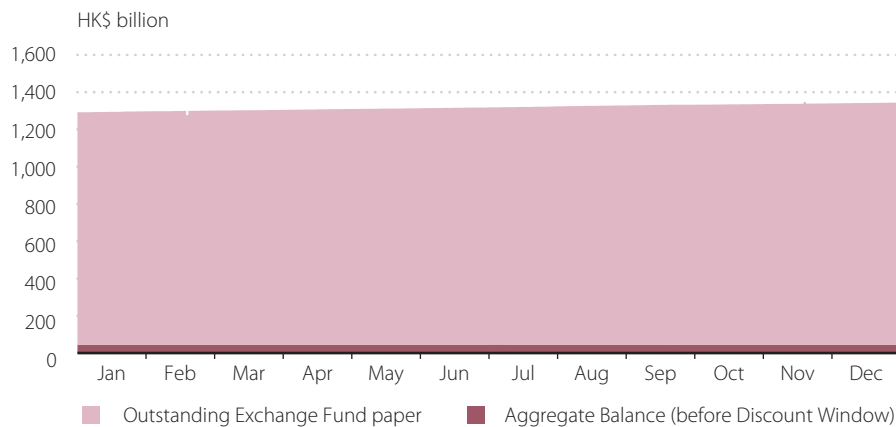
As the CUs were not triggered, the Aggregate Balance was little changed at around HK\$44.7 billion during the year. Meanwhile, the outstanding EFBNs increased slightly from HK\$1,245.5 billion to HK\$1,383.9 billion during the year. The total of the Aggregate Balance and outstanding EFBNs therefore increased from HK\$1,290.4 billion at the end of 2023 to HK\$1,428.7 billion at the end of 2024 (Chart 2). The Monetary Base as a whole remained fully backed by foreign exchange reserves.

**HK\$1,428.7 billion**

Total Aggregate Balance and outstanding EFBNs

Chart 2

### Aggregate Balance (before Discount Window) and outstanding Exchange Fund papers in 2024



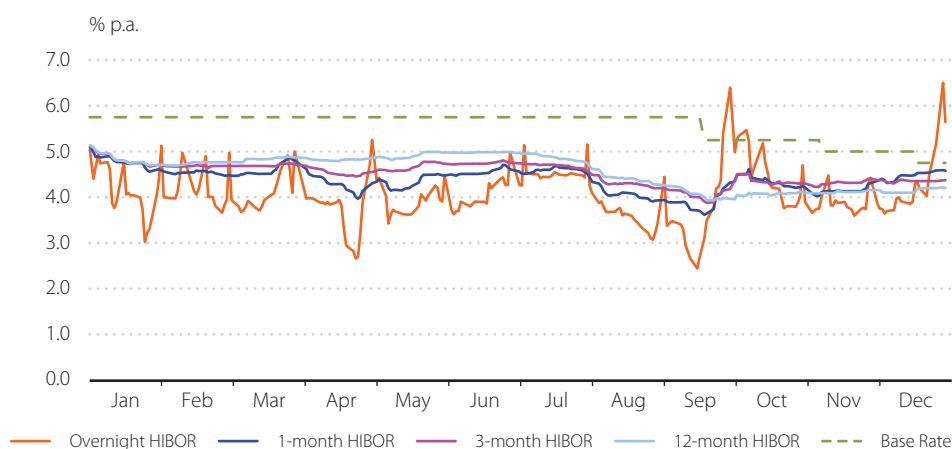
## Monetary Stability

### Money market

Under the Linked Exchange Rate System (LERS), the Hong Kong dollar interbank rates generally track their US dollar counterparts, with the short-dated rates also responding to local supply and demand. The Hong Kong Interbank Offered Rates (HIBORs) generally softened in the first eight months of the year as the expectation of a US policy rate cut increased gradually (Chart 3). Driven by seasonal quarter-end funding demand and a buoyant equity market, HIBORs tightened in late September, with the overnight HIBOR once rising above 6% at the quarter-end<sup>1</sup>. Thereafter, HIBORs remained largely stable before firming amid thinner liquidity ahead of the year end. For the year as a whole, the overnight, 1-month and 3-month HIBORs decreased by 45, 69 and 78 basis points respectively to 5.65%, 4.58% and 4.37% at year end.

Following the decreases in the target range for the US federal funds rate, the Base Rate was adjusted downwards three times by a total of one percentage point (i.e. 100 basis points) from 5.75% to 4.75% (Chart 3)<sup>2</sup>. On the retail front, following the US policy rate cuts, many banks lowered their best lending rates by 25 basis points in mid-September, another 25 basis points in early November and 12.5 basis points in late December. Accordingly, the average interest rate of new mortgage loans declined from 4.13% in 2023 to 3.59% in December 2024. Overall, Hong Kong's money markets continued to function normally. Discount Window borrowing increased to HK\$50.0 billion in 2024 from HK\$38.8 billion in 2023 and no abnormality was noted in the relevant usage.

**Chart 3 Hong Kong dollar interbank interest rates in 2024**



<sup>1</sup> In view of the pickup of payment flows as the capital market turned vibrant, the HKMA temporarily extended the operating hours of Real-Time Gross Settlement systems for several days as a precautionary measure, allowing more time for banks to process payments and manage funding for client flows in late hours.

<sup>2</sup> The adjustments of the Base Rate were in accordance with the established formula, which sets the Base Rate at either 50 basis points above the lower bound of the prevailing target range for the US federal funds rate or the average of the five-day moving averages of the overnight and one-month HIBORs, whichever is the higher.

## Monetary Stability

### The Linked Exchange Rate System

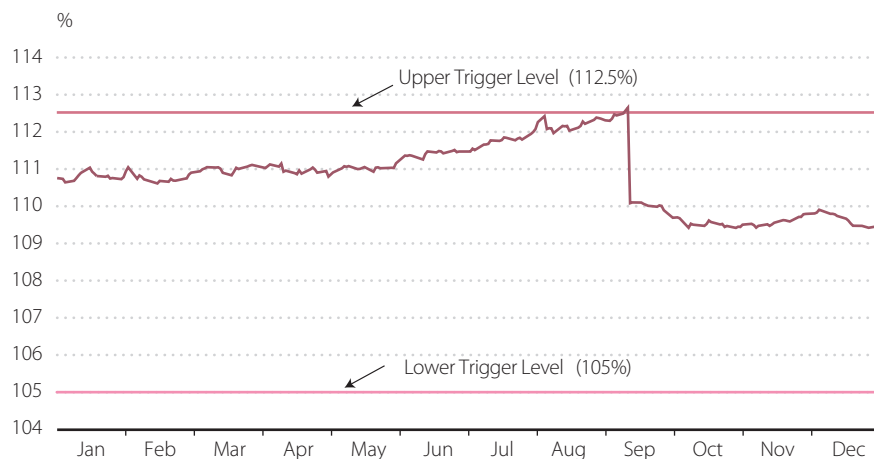
The LERS has served as a strong anchor of Hong Kong's financial system since 1983 and has shown its strength and resilience in the face of challenges. Despite uncertainties surrounding the future path of the US policy rate and geoeconomic fragmentation, the Hong Kong dollar exchange and money markets continued to function in an orderly manner, reflecting the robustness of the LERS.

The Government is firmly committed to the LERS. In its *2024 External Sector Report*, the International Monetary Fund (IMF) once again reiterated that the credibility of the LERS has been ensured by a transparent set of rules, large fiscal and foreign reserves, strong financial regulation and supervision, a flexible economy and a prudent fiscal framework.

A robust banking system is crucial to the normal functioning of the LERS. Hong Kong's banking sector continued to operate smoothly with liquidity positions and capitalisation faring very well by international standards. To ensure resilience of the banking sector, the HKMA has been closely monitoring banks' management of credit, liquidity and interest rate risks and stress-test results, and has maintained its supervisory efforts on bank lending.

To improve the transparency of the Currency Board Account, a specific portion of the Exchange Fund assets has been allocated to back the Monetary Base since October 1998. The Backing Ratio (defined as the Backing Assets divided by the Monetary Base) rose from 110.73% at the end of 2023 to a high of 112.65% on 10 September 2024, surpassing the Upper Trigger Level of 112.5% (Chart 4). The increase was mainly attributable to interest from investments and mark-to-market revaluation of investments. In accordance with the arrangement approved by the Exchange Fund Advisory Committee (EFAC), assets were transferred out of the Backing Portfolio to the Investment Portfolio to reduce the Backing Ratio to around 110.08% on 11 September. Thereafter, the Backing Ratio remained largely stable, ending the year at 109.56% on 31 December. Under the LERS, while specific Exchange Fund assets have been designated for the Backing Portfolio, all Exchange Fund assets are available to support the Hong Kong dollar exchange rate. The ample financial resources of the Exchange Fund, together with the sound banking system, provide a powerful backstop to Hong Kong's monetary and financial stability.

**Chart 4** Daily movement of the Backing Ratio in 2024



## Monetary Stability

### Currency Board Sub-Committee

The Currency Board Sub-Committee (CBC) of EFAC monitors and reviews issues relevant to monetary and financial stability in Hong Kong. In 2024, the CBC considered issues including the Hong Kong banking sector's exposures to non-bank financial institutions and the latest monetary policy implementation framework in major advanced economies. Records of the CBC's discussions on these issues and reports on Currency Board operations submitted to the CBC are published on the HKMA website.



### Notes and coins

The value of the notes and coins in circulation at the end of 2024 is summarised below:



**Total value of banknotes issued by note-issuing banks** (Charts 5, 6 and 7)

**HK\$601.4 billion**

up 1.5% year on year



**Total value of notes and coins issued by Government** (Charts 8 and 9)

**HK\$12.8 billion**

up 0.9% year on year

Of which:

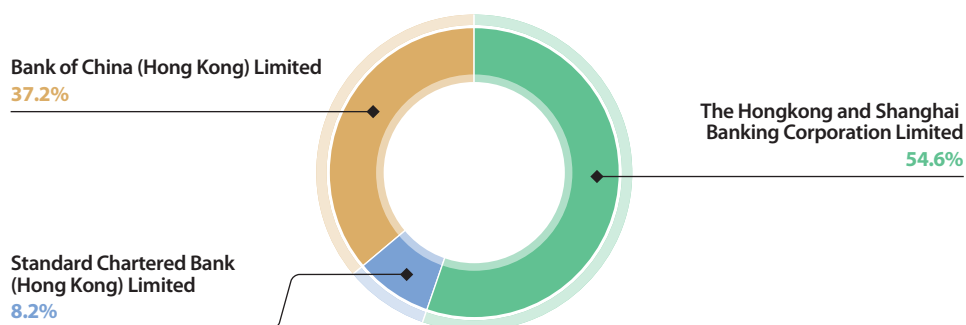
– Total value of HK\$10 notes

**HK\$4.6 billion**

83% were polymer notes

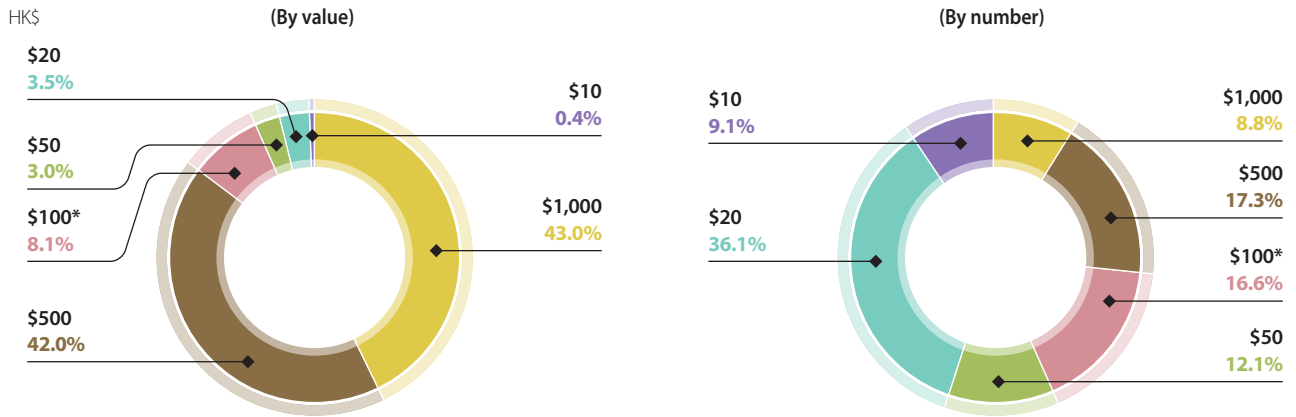
**Chart 5**

**Banknotes in circulation by note-issuing banks at the end of 2024**

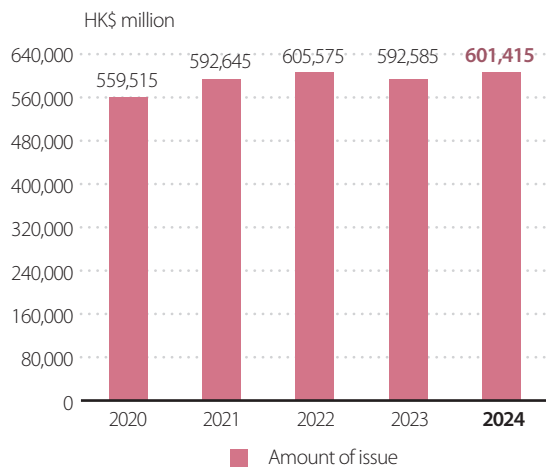


# Monetary Stability

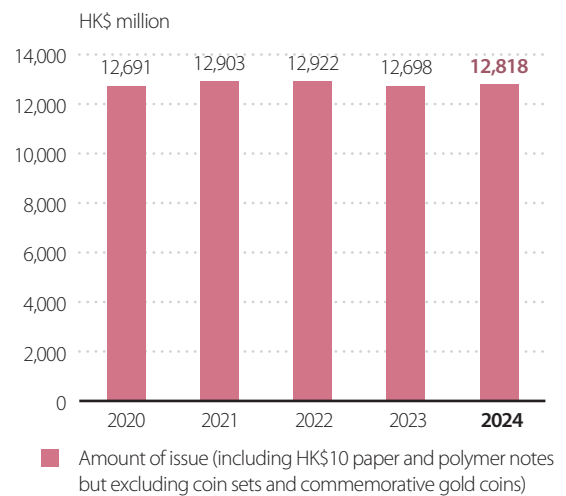
**Chart 6** Distribution of banknotes in circulation at the end of 2024



**Chart 7** Banknotes in circulation at the end of 2024



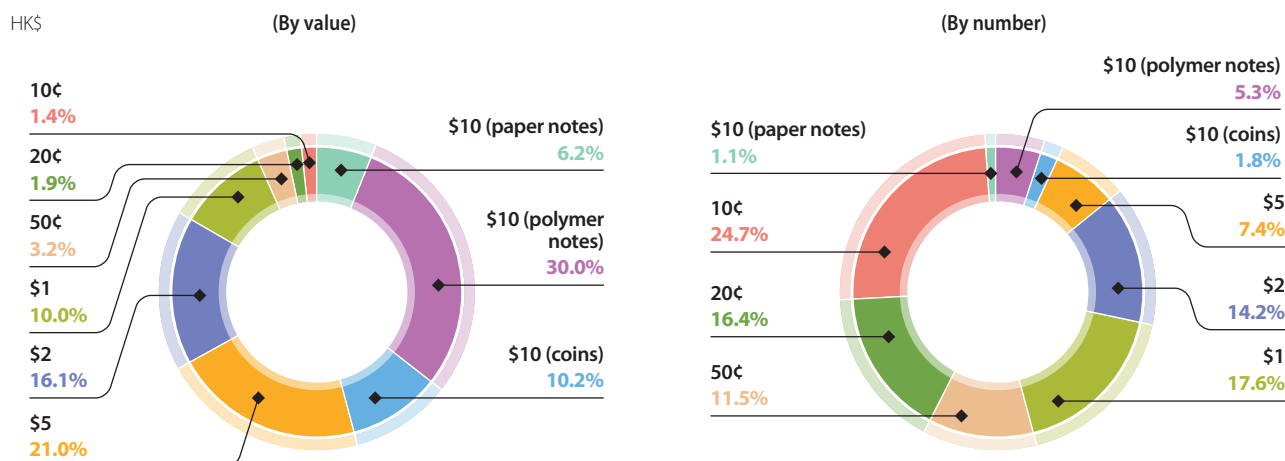
**Chart 8** Government-issued currency notes and coins in circulation at the end of 2024





## Monetary Stability

**Chart 9 Breakdown of Government-issued currency notes and coins in circulation at the end of 2024**



### Hong Kong banknotes

During the year, the HKMA organised 14 seminars on the design and security features of Hong Kong banknotes for more than 2,600 participants, including bank tellers, cashiers from retail establishments and students, to help enhance their knowledge and skills in authenticating banknotes.

### Coin Collection Programme

The Coin Collection Programme continued to be well received by the public. More information about the Programme can be found in the *Sustainable HKMA* chapter of our *Sustainability Report 2024*.

### US Dollar Liquidity Facility

The HKMA introduced refinements of the US Dollar Liquidity Facility, including shortening its settlement process from T+1 to T+0, with effect from 24 May. This standing facility provides licensed banks with backstop liquidity in case of need, particularly given the introduction of a shortened settlement cycle to T+1 in the US starting from 28 May.

### Exchange Fund Bills and Notes

The EFBN Programme continued to operate smoothly. At the end of 2024, the nominal amount of outstanding Exchange Fund papers stood at around HK\$1,306.8 billion (Table 2).

**Table 2 Outstanding issues of EFBNs**

HK\$ million	2024	2023
<b>Exchange Fund Bills (by original maturity)</b>		
28 days	800	2,800
91 days	819,650	775,680
182 days	414,600	405,800
364 days	56,100	52,700
<b>Subtotal</b>	<b>1,291,150</b>	<b>1,236,980</b>
<b>Exchange Fund Notes (by remaining tenor)</b>		
1 year or less	6,000	7,600
More than 1 year and up to 3 years	7,200	7,200
More than 3 years and up to 5 years	2,400	2,400
More than 5 years and up to 10 years	0	1,200
<b>Subtotal</b>	<b>15,600</b>	<b>18,400</b>
<b>Total</b>	<b>1,306,750</b>	<b>1,255,380</b>

## Monetary Stability

### Monetary research

In 2024, the Hong Kong Institute for Monetary and Financial Research (HKIMR), the research arm of the Hong Kong Academy of Finance (AoF)<sup>3</sup>, released 15 working papers on monetary and financial research topics that are strategically important to Hong Kong and the region. The research findings were disseminated to a global audience through five issues of an open-access electronic journal. Additionally, two issues of *Insights from Monetary Research* were released to provide the public with a high-level non-technical summary of the HKIMR's recent research outputs.

Apart from its research activities, the HKIMR organised a series of knowledge exchange events to foster engagement with various participants. Aimed at local audiences, 31 seminars/webinars on important monetary and financial research topics were held during the year. On the international front, four international conferences and five seminars/roundtables were organised by the AoF and the HKIMR in collaboration with academic institutions, central banks and international financial institutions to promote dialogue and exchange on broader economic and financial issues.

These international events included the following:

11  
Apr

#### International Conference on Central Bank Digital Currencies and Payment Systems

*co-organised with the HKMA and the Hong Kong University of Science and Technology (HKUST)*



6-7  
Jun

#### NBER East Asian Seminar on Economics 2024

*co-organised with the National Bureau of Economic Research, the Bank for International Settlements (BIS) and the Business School of the HKUST*

15-16  
Jul

#### Conference on Safeguarding Global Financial Stability in a New Era

*co-organised with the IMF, the BIS and the ASEAN+3 Macroeconomic Research Office*

14-15  
Oct

#### The 14th Annual International Conference on the Chinese Economy — *China and the Changing Global Trade Landscape: Challenges and Opportunities*



<sup>3</sup> The HKIMR is a subsidiary of the AoF.



## Banking Stability

The banking sector in Hong Kong remained resilient in 2024, despite macroeconomic challenges and geopolitical uncertainties. The HKMA took prompt measures to support local small and medium-sized enterprises and safeguarded banking stability through risk-based supervision and contingency planning. We enhanced the banking sector's operational and cyber resilience by providing supervisory guidance and supporting the industry in combating emerging risks. To encourage fintech adoption, we launched a series of cross-sectoral initiatives, including a Generative Artificial Intelligence Sandbox.

To strengthen bank consumer protection, the HKMA launched the Anti-Scam Consumer Protection Charter 2.0. We also introduced Money Safe to empower depositors to protect their funds, and cooling-off period for banks' unsecured consumer credit products to reduce the risk of impulsive and excessive borrowing. Additionally, we provided guidance to banks on the use of generative artificial intelligence in customer-facing applications, and worked closely with the industry on an alternative Payment Arrangements for Property Transactions in the secondary market. The HKMA also enhanced customer experience while ensuring investor protection by providing guidance on digital asset-related activities, implementing enhancements to the Cross-boundary Wealth Management Connect Pilot Scheme, and streamlining processes for the sale of investment and insurance products. Full migration of consumer credit reference services to Credit Data Smart was completed during the year.

The HKMA plays a pivotal role in Hong Kong's anti-money laundering and counter-terrorist-financing regime. By enhancing the speed and volume of intelligence exchanged through the Fraud and Money Laundering Intelligence Taskforce, intelligence-led suspicious transaction reporting increased by 303% compared with 2023, resulting in a 34% increase in criminal proceeds restrained or confiscated. Consultation on legislative changes to support bank-to-bank information sharing in order to aid in detecting and preventing financial crime received general support. In April, we provided guidance based on findings from a thematic review of transaction monitoring systems, and in September, we launched a programme to promote the use of artificial intelligence in suspicious activity monitoring. We also enhanced the pre-transaction alert mechanism and publicity efforts in collaboration with the banking industry and the Hong Kong Police Force, and issued guidance to banks on measures to prevent, detect and disrupt authorized payment scams.

Good progress was made on implementing international supervisory standards locally, including those on capital adequacy and disclosure. The Hong Kong Deposit Protection Board strengthened depositor protection by enhancing various aspects of the Deposit Protection Scheme.

To ensure a credible resolution regime, the HKMA implemented resolution standards requiring banks to update their financial contracts with counterparties to mitigate the risk of disorderly early termination in resolution. Notable progress was made in devising preferred resolution strategies for banks, addressing resolvability barriers to ensure sufficient financial resources and operational continuity in resolution, as well as enhancing resolution execution capabilities.



## Banking Stability

### Objectives

One of the HKMA's objectives is to promote the safety and stability of the banking system. Achieving this objective is contingent upon a highly resilient financial system, capable of providing the critical financial services that the Hong Kong economy needs.

Banks can affect the stability of the financial system through the way they carry out their businesses and, in extreme cases, if they fail in a disorderly manner. As a supervisory authority, the Monetary Authority plays a key role in safeguarding financial stability by ensuring that banks are resilient to shocks and crises, ultimately helping to prevent failures. The Monetary Authority is responsible for the prudential supervision of banks and is tasked with the authorization of licensed banks, restricted licence banks and deposit-taking companies in Hong Kong, which are collectively known as authorized institutions (AIs).

Hong Kong's prudential regulatory framework is not designed to ensure a zero-risk financial system. Instead, the Monetary Authority, as a resolution authority, seeks to ensure that in the event of an AI becoming non-viable, its failure can be managed in an orderly manner. To this end, a resolution regime for financial institutions in Hong Kong has been established under which the Monetary Authority serves as the resolution authority for AIs. To implement the resolution regime in Hong Kong, it is important to lay down resolution rules and policy standards, undertake resolution planning to remove impediments to AIs' resolvability, and develop the HKMA's operational capability to resolve a failing AI. In order to carry out these tasks effectively, we adopt an internationally harmonised and co-ordinated approach.

The Monetary Authority is also responsible for the designation and oversight of certain financial market infrastructures (FMIs). In overseeing FMIs, the HKMA aims to promote their general safety and efficiency, mitigate systemic risk and foster transparency. By enhancing the resilience of FMIs to financial crises, we can safeguard Hong Kong's monetary and financial systems against any destabilising effects arising from disruption to the FMIs.

### Review of 2024

#### Licensing

At the end of 2024, Hong Kong had:



During the year, the HKMA granted banking licences to one bank incorporated in Hong Kong and one incorporated outside Hong Kong. The HKMA also granted money broker approval to one inter-dealer broker outside Hong Kong. The authorizations of three licensed banks, one restricted licence bank and one deposit-taking company were revoked during the year.

More information about the AIs and local representative offices in Hong Kong can be found in the Annex and Tables D to F on pages 311 to 314 and 320 to 323 respectively.

#### Review of the three-tier banking system

During 2024, the HKMA completed a public consultation exercise on simplifying the three-tier banking system into two tiers. Feedback from the respondents showed that they were broadly supportive of the proposed simplification. Having considered the responses received, we introduced new parameters to the proposal with a view to streamlining the transition and minimising the impact on existing customers of the deposit-taking companies.

#### Renaming of "Virtual Bank"

The HKMA also carried out a public consultation on the renaming of "Virtual Bank" as "Digital Bank". With broad support received for the renaming proposal, it was put into effect in October by the issuance of a revised statutory Guideline on Authorization of Digital Banks.

## Banking Stability

### Review of digital banks

Another initiative completed in 2024 was a comprehensive review of digital banks (DBs), with a report published in August. It revealed that the development of DBs in Hong Kong had so far achieved the three key policy objectives of introducing digital banking, namely promoting fintech and innovation, offering new customer experience, and promoting financial inclusion. Given the diversity of DBs and incumbent banks, the HKMA considers that the current number of digital banking licences is optimal and does not see any strong justification for introducing more new players to the market at this juncture. The revised Guideline on Authorization of Digital Banks issued in October has relaxed several restrictions for the sector, including allowing DBs to engage in banking business beyond retail banking, and to establish physical branches where justified from customer experience and business strategy's perspectives, provided that they continue to offer banking services primarily via digital channels.

### Review of bank licence fees

The HKMA completed a review of licence fees during the year and introduced a fee level increase in June.

### Company re-domiciliation regime in Hong Kong

The HKMA provided support to the Government for introducing a company re-domiciliation regime in Hong Kong, including the legislative process to amend the Banking Ordinance (BO) and its subsidiary legislation, along with other legislation pertaining to the HKMA.

### Overview of supervisory activities

During the year, HKMA staff conducted 174 off-site reviews covering a broad range of issues, including the CAMEL rating assessment<sup>1</sup>, corporate governance and risk management. As part of the HKMA's continued efforts to promote stronger risk governance, 36 meetings were held with boards of directors, independent non-executive directors or board-level committees of Als. Another 38 tripartite meetings were held between the HKMA, Als and their external auditors. In addition, we conducted on-site examinations on a wide range of Als' activities including governance and practices in the areas of credit, market and liquidity risk management.

Operational and technology risk was another major supervisory focus given that the adoption of technology by Als gathered further momentum. The HKMA further strengthened the supervision of Als' climate risk management to enhance their resilience against climate change. In recognition of the HKMA's work, including the maintenance of financial stability amid global economic uncertainties and the promotion of robust economic growth, the HKMA was honoured with the Best Macroeconomic Regulator in Asia Pacific award by The Asian Banker.



*Ms Carmen Chu (centre), Executive Director (Banking Supervision), on behalf of the HKMA, receives the Best Macroeconomic Regulator in Asia Pacific award from The Asian Banker*

In the area of conduct supervision, the HKMA carried out on-site examinations on securities, investment products, trust, insurance and Mandatory Provident Fund (MPF)-related businesses, as well as consumer protection matters. These efforts were supplemented with our thematic reviews on new initiatives and areas assessed to be of higher risk.

<sup>1</sup> Comprising the Capital adequacy, Asset quality, Management, Earnings and Liquidity components.

## Banking Stability

Table 1 contains a summary of the HKMA's supervisory activities in 2024.

Table 1 Summary of supervisory activities		
	2024	2023
<b>1 Off-site reviews and prudential interviews</b>	<b>174</b>	177
<b>2 Meetings with boards of directors, independent non-executive directors or board-level committees of AIs</b>	<b>36</b>	38
<b>3 Tripartite meetings</b>	<b>38</b>	38
<b>4 Culture dialogues</b>	<b>7</b>	7
<b>5 On-site examinations</b>	<b>119</b>	125
Operational risk and technology risk management <sup>a</sup>	27	37
Anti-money laundering and counter-financing of terrorism (AML/CFT) controls	14	15
Liquidity risk management	4	9
Implementation of Basel capital adequacy framework	14	6
Capital planning	6	6
Market risk, counterparty credit risk and treasury activities	12	11
Securities, investment products, trust, insurance and MPF-related businesses	22	20
Consumer protection	2	3
Deposit Protection Scheme-related representation	12	12
Examinations outside Hong Kong	6	6
<b>6 Thematic reviews</b>	<b>654</b>	694
Credit risk management and controls <sup>b</sup>	37	43
Operational risk and technology risk management <sup>a</sup>	64	76
AML/CFT controls	71	64
Model risk management	7	0
Securities, investment products, trust, insurance and MPF-related businesses	118	168
Consumer protection	237	216
Sharing and use of credit data	63	63
Liquidity risk	16	20
Market risk	18	20
Green and sustainable banking <sup>c</sup>	23	24
<b>Total</b>	<b>1,028</b>	1,079

a. Additional supervisory activities focused on operational resilience included an HKMA survey and AIs' self-assessment exercises to take stock of implementation progress and identify enhancement areas, as well as extensive outreach at both the bilateral and industry levels on framework development and practices.

b. In addition, supervisory activities focused on evaluations of AIs' strategies and practices related to the granting of credit and the ongoing risk management of selected portfolios such as commercial real estate and small and medium-sized enterprise lending.

c. Including consultative sessions with AIs to review their implementation of the HKMA's Supervisory Policy Manual module GS-1 on "Climate Risk Management".



## Banking Stability

### Credit risk

#### Credit growth and asset quality

Total loans decreased by 2.8% in 2024, compared with a decline of 3.6% in 2023. Table 2 shows the breakdown of growth in loans and advances. Mainland-related lending decreased by 8.7% to HK\$3,859 billion in 2024 (Table 3).

The HKMA continued to closely monitor AIs' asset quality in 2024 and assess their credit risk management practices given the continued high interest rate environment, the ongoing debt problems of some Mainland property developers, and the subdued local commercial real estate market. The asset quality of the banking sector faced continued pressure during the year but the risk landscape remained manageable. The classified loan ratio of the banking sector increased from 1.57% at the end of 2023 to 1.96% at the end of 2024, while the classified loan ratio for Mainland-related lending decreased to 2.38% from 2.58% during the same period.

During the year, the HKMA conducted targeted and thematic examinations to evaluate the credit risk management of AIs, focusing on their exposures to vulnerable sectors, collateralised lending to private banking and wealth management customers, unsecured retail lending, oversight of credit risks at operations outside Hong Kong, and exposures to non-bank financial institutions.

**Table 2** Growth in loans and advances

% change	2024	2023
<b>Total loans and advances</b>	<b>-2.8</b>	-3.6
Of which:		
– for use in Hong Kong	<b>-2.1</b>	-0.4
– trade finance	<b>4.6</b>	-13.1
– for use outside Hong Kong	<b>-5.7</b>	-10.4

**Table 3** Growth in Mainland-related lending

% change	2024	2023
<b>Total Mainland-related lending</b>	<b>-8.7</b>	-6.6
Of which:		
– Mainland-related lending (excluding trade finance)	<b>-8.6</b>	-6.5
– trade finance	<b>-9.7</b>	-7.8

## Banking Stability

### Alleviating cash flow pressure faced by bank customers

#### Support for local small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) are the bedrock of the Hong Kong economy and the HKMA has been paying close attention to their access to bank financing. Since the establishment of the Banking Sector SME Lending Coordination Mechanism by the HKMA and the banking sector in 2019, several rounds of SME support measures have been rolled out, including the Pre-approved Principal Payment Holiday Scheme to tide SMEs over the difficult times during COVID-19.

In 2024, the HKMA and the banking sector introduced further measures and initiatives to support SMEs that are still facing challenges in their business operations as the economic transformation continues, as well as to assist SMEs in their continued development, upgrading and transformation.

#### New SME support measures

Through the Coordination Mechanism, the HKMA introduced nine measures in March to help SMEs obtain financing from banks and support their ongoing development.



#### Nine SME support measures announced in March

- 1 Never demand early repayments from mortgage customers who repay on schedule
- 2 Give customers a transition period of at least six months for credit limit adjustments
- 3 Expedite the handling of applications for the 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme
- 4 Apply the principles under the Pre-approved Principal Payment Holiday Scheme to support customers facing difficulties
- 5 Offer credit products that better serve SMEs' needs and other support services
- 6 Actively consider lowering interest charges and fees
- 7 Set up a one-stop platform for providing banking service information to SMEs
- 8 Provide convenience to customers who wish to switch lending banks
- 9 Hold regular business sector meetings to better understand the needs of SMEs

In the nine months following the announcement of these nine support measures, around 31,000 SMEs benefited from credit relief and newly approved loans, which involved an aggregate credit limit of over HK\$73 billion, as well as from fee waivers or other concessions offered by banks.

To further support SMEs in adapting to the changing market and business environment, and assist in their development, upgrading and transformation, the HKMA and the banking sector introduced five further measures in October.



#### Five SME support measures announced in October

- 1 Release bank capital to facilitate the financing needs of SMEs through a reduction in the countercyclical capital buffer ratio, and by allowing early adoption of preferential treatment for SME exposures under the Basel III capital framework
- 2 Set aside a total of over HK\$370 billion dedicated funds in their loan portfolios to support SMEs by the 16 banks that are active in SME lending
- 3 Launch more credit products and services to assist SMEs' transformation
- 4 Increase the partial principal repayment options
- 5 Devote sufficient manpower and resources to process applications for principal moratorium and other measures under the enhanced SME Financing Guarantee Scheme

## Banking Stability

### New Taskforce on SME Lending

The HKMA and The Hong Kong Association of Banks (HKAB) jointly established the Taskforce on SME Lending in August to further strengthen the work of supporting SMEs at both the individual and industry levels. The Taskforce reviews individual cases of SMEs encountering difficulties when obtaining or maintaining bank financing, and proposes appropriate solutions to common issues identified among the cases for adoption across banks. Another mandate of the Taskforce is to enhance communication between the HKMA, the banking industry and the commercial sectors, so as to understand the financing needs of SMEs in a more timely manner and to provide better support for them.

All participating banks in the Taskforce affirmed that there was no change in their risk appetite towards SME financing and related credit approval standards, and committed to informing residential mortgage applicants of the outcome within 14 days after receipt of all the necessary documents. They also established arrangements for SME customers to request for reviews of their credit approval decisions.

The HKMA has established a dedicated hotline (phone: 2878 1199 and email: [smelending@hkma.gov.hk](mailto:smelending@hkma.gov.hk)) to answer enquiries and provide assistance to individual SMEs. From the establishment of the Taskforce on 23 August until the end of 2024, the Taskforce received and handled around 420 cases. Positive feedback has been received from SMEs and the majority of the cases have been resolved upon the HKMA's facilitation.

### Enhanced communication with the commercial sector

The HKMA, together with HKAB and the Chinese Banking Association of Hong Kong (HKCBA) strengthened communication with the banking and commercial sectors through engagement sessions with representatives of business associations and SMEs from the wholesale and retail, construction, transport and other sectors, to better understand their sector-specific needs.



Senior representatives from the HKMA meet the Chief Executive Officers of three Chairman Banks of HKAB to discuss various issues relating to SME lending



The HKMA and HKAB co-chair the inaugural meeting of the Taskforce on SME Lending in September



The HKMA and the Development Bureau hold a meeting with over 20 representatives from various industry associations in the construction and banking sectors



The HKMA, together with HKAB and the HKCBA, holds an engagement session with around 40 representatives of the banking, wholesale and retail sectors

## Banking Stability

### Increasing awareness of the SME support measures

To promote awareness of the various measures for supporting SMEs, the HKMA held a series of outreach events. These included:

- Seminar on *Banking Sector's Support Measures for Small and Medium-sized Enterprises* co-organised with HKAB and the HKCBA in June, which attracted some 200 representatives from the banking sector, trade associations, and SMEs; and
- SME Digital Technology Solution Day* co-organised with Hong Kong Cyberport Management Company Limited (Cyberport), HKAB and the HKCBA in November to promote the banking sector's support for the digital transformation of SMEs through big data and technology.



Mr Arthur Yuen, Deputy Chief Executive (seventh from left, front row) and Ms Carmen Chu, Executive Director (Banking Supervision) (fifth from right, front row), together with other representatives at the seminar



The HKMA also launched a dedicated webpage, "*Supporting SMEs*", on its website to facilitate access to information on SME-related support measures. This includes SME lending products and services offered by major banks, banks' dedicated hotlines for SME lending and credit approval review arrangements, and measures of other organisations such as the Government and banking associations.



Dedicated webpage on SME-related support measures

## Banking Stability

### Property mortgage lending

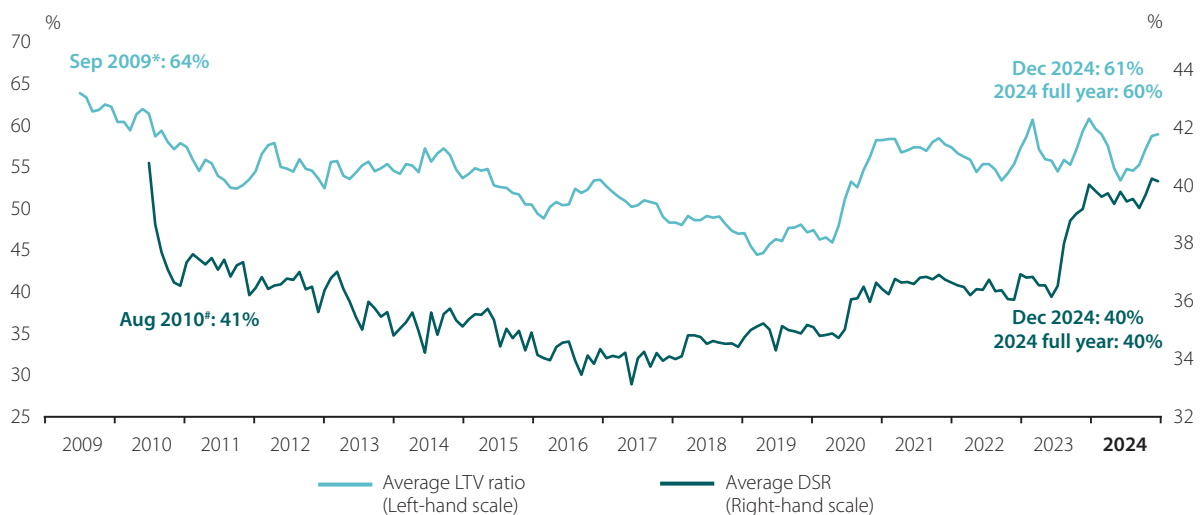
Successive rounds of countercyclical macroprudential measures introduced by the HKMA since 2009 have strengthened the risk management of banks' property mortgage lending business and the banking sector's capacity to cope with challenges arising from a sharp correction in property prices. The average loan-to-value (LTV) ratio of new residential mortgage loans approved in 2024 stood at 60%, compared with 64% in September 2009 before the countercyclical measures were introduced (Chart 1). The average debt servicing ratio (DSR) of new mortgages stayed low at 40% in 2024, compared with 41% in August 2010 when a cap on DSR was first applied.

Taking into account the market conditions, the HKMA implemented two rounds of countercyclical macroprudential measures for property mortgage loans, in February and October, to minimise as far as possible the impact on the public when buying and selling properties, while continuing to maintain banking stability and ensuring the proper risk management of property mortgage loans.

These adjustments reverted the maximum LTV ratio and DSR limit for residential properties to their respective pre-2009 levels of 70% and 50% before the countercyclical macroprudential measures were first introduced. Effective from February, the HKMA suspended the interest rate stress test requirement for property mortgage lending, which assumes a 200-basis-point rise in the mortgage rate. The HKMA also increased the financing caps for property development projects to their pre-2017 levels; and removed the requirement for banks to set aside additional capital for exposure to property developers who offer mortgage financing with high LTV ratios.

In December, the HKMA introduced a one-off special mortgage scheme to provide banks with more flexibility to assist homebuyers who bought uncompleted residential properties around the peak of the property market between 2021 and 2023, using stage payment plans to complete their property transactions. Under this special scheme, banks may provide mortgage loans with a maximum LTV ratio of 80% to eligible homebuyers, and the DSR limit is adjusted to 60%.

**Chart 1** Average LTV ratio and DSR of new residential mortgage loans approved



\* Before the first round of countercyclical measures was introduced by the HKMA

# When the tighter requirement on DSR was introduced by the HKMA



## Banking Stability

### Operational and technology risk

During the year, banks made good progress in implementing the operational resilience framework by May 2026, in accordance with the timeline stipulated in the HKMA's Supervisory Policy Manual (SPM) module on "Operational Resilience". Taking into account the HKMA's advice, major banks tightened their tolerance limits for withstanding severe disruptions. To further support the banks' implementation efforts, the HKMA and HKAB jointly organised an industry sharing session on *Journey to Operational Resilience: Mapping and Testing* in December with a focus on mapping interdependencies and scenario testing. This was attended by almost 300 participants from over 100 banks.



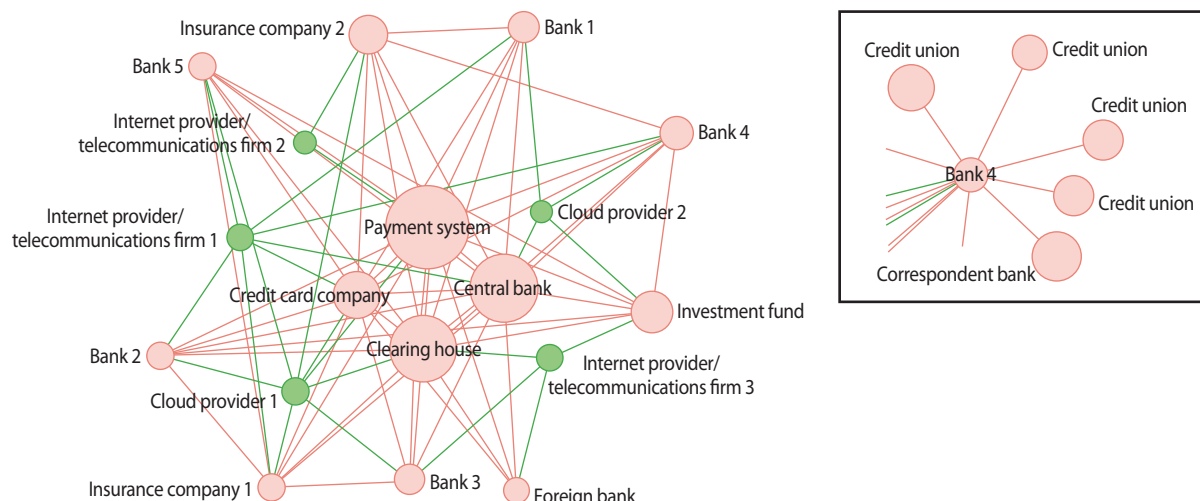
Almost 300 subject matter experts from banks join the industry sharing session on Operational Resilience

In light of the growing dependence on third-party service providers and the global CrowdStrike incident in July, the HKMA promptly shared information on good industry practices and provided guidance to help enhance banks' resilience against third-party information technology (IT) solution failures.

In response to escalating cyber threats, the HKMA intensified its efforts in strengthening the banking sector's cyber resilience. At the policy level, a new SPM module was issued in November to articulate holistically our supervisory approach and expectations for cyber risk management. At the institutional level, we supervised banks' assessments under the Cyber Resilience Assessment Framework 2.0 and conducted thematic reviews on third-party cyber risk management to strengthen banks' cyber defence maturity. We also enhanced banks' data resilience against the risk of destructive ransomware attacks by monitoring their secure tertiary data back-up implementation.

At the sectoral level, we undertook a Cyber Mapping exercise together with other domestic financial authorities and completed a pilot run in 2024. This exercise was recommended by the International Monetary Fund (IMF) as a means of better assessing systemic cyber risks arising from the interconnections between financial institutions, financial market infrastructure, and technology service providers (Figure 1).

**Figure 1** A conceptual illustration of a Cyber Map



Source: IMF Departmental Paper "Cybersecurity Risk Supervision" September 2019



## Banking Stability

To combat the rising threat of digital fraud, the HKMA continued to enhance the security of e-banking services and payment card transactions. In October, with the emergence of malware scams targeting payment card transactions, we provided guidance for banks to further strengthen the security of online payment card transactions as a pre-emptive measure. Bank customers were able to authenticate these transactions through mobile banking apps instead of SMS one-time passwords starting from the end of 2024. Additionally, we updated the SPM module TM-E-1 on “Risk Management of E-banking” in October with security measures targeting the latest digital fraud tactics.

In the fight against fraud, having a collaborative ecosystem involving different stakeholders is of utmost importance. In August, the HKMA collaborated with the Hong Kong Police Force (Police) and the banking industry to upgrade the Suspicious Account Alert<sup>2</sup> system, enabling it to cover internet banking and physical branch transactions. This alert mechanism, which was further expanded to include Automated Teller Machine (ATM) and cash machine transactions in December, covers the majority of the public’s day-to-day transfers. The HKMA also held an anti-digital fraud workshop in November, jointly with the Police, the Digital Policy Office (DPO) and HKAB, to raise industry awareness of the latest modus operandi of deepfake scammers and to share good practices for managing the associated risks. More than 140 participants from 70 banks joined the workshop.



Ms Carmen Chu (second from left), Executive Director (Banking Supervision), at the press conference announcing the expansion of Suspicious Account Alerts



The Anti-Digital Fraud Workshop jointly held by the HKMA, the Police, the DPO and HKAB in November

## Liquidity and market risks

The HKMA continued to enhance the supervision of Als’ liquidity and market risk management by implementing the follow-up actions identified in its internal review in response to the 2023 banking turmoil in the US and Europe. As the global financial markets and fund flows remained highly volatile, we closely monitored Als’ liquidity positions and assessed their resilience to severe deposit outflows through an enhanced stress testing framework. While the stress testing results indicated that the banking sector continues to maintain ample buffers to cope with extreme liquidity shocks, we conducted a range of reviews to scrutinise Als’ preparedness for dealing with scenarios of abrupt and sizeable fund outflows. On the market risk front, we stayed vigilant about market developments and assessed the potential implications on the banking sector as well as individual Als. Examinations were conducted to review Als’ systems and controls for managing market risk, focusing on those surrounding their debt securities investment and the use of behavioural models for measuring interest rate risk in the banking book.

<sup>2</sup>

Launched in November 2023, the Suspicious Account Alert system alerts a money sender when they transfer funds to a suspicious account recorded in a police database. The alert system initially only covered fund transfers made via Faster Payment System (FPS) proxy identifiers, including mobile phone number, email address, and FPS Identifier.

## Banking Stability

### Anti-money laundering and counter-financing of terrorism

Working with our partners in Hong Kong's anti-money laundering and counter financing of terrorism (AML/CFT) ecosystem, a number of measures have been taken to ensure that increasingly complex threats from fraud and financial crime are effectively mitigated, with a focus on upscaling the results achieved through public-private partnerships (PPPs) and the use of technology.

The Fraud and Money Laundering Intelligence Taskforce<sup>3</sup> was expanded to include all major retail banks and six stored value facility (SVF) licensees, leading to the restraint or confiscation of approximately HK\$534 million in criminal proceeds in 2024. The Anti-Deception Coordination Centre (ADCC) has facilitated closer collaboration between the Police and the 28 participating retail banks, resulting in the interception of HK\$1.48 billion in fraudulent payments through the stop payments mechanism in 2024. With the addition of 16 participating banks in 2024, the upstream scam intervention mechanism operated by the ADCC now includes a total of 28 banks in Hong Kong, resulting in the successful intervention of 2,397 ongoing deception cases in 2024. In the same period, the membership of FINEST<sup>4</sup> increased from five to 10 banks, with 432 intelligence reports submitted for further investigation by the Police. The Suspicious Account Alert system was also upgraded.

In December, we issued guidance on the measures banks should take to prevent, detect and disrupt authorized payment scams, including establishing appropriate policies and procedures, as well as alerting customers to higher risk transactions.

To provide up-to-date counter-fraud education, the HKMA collaborates closely with the Police and the banking industry. We have bolstered our outreach activities for different segments of the community to enhance public awareness and expedite the provision of alerts on the latest scam tactics through various channels.



Mr Raymond Chan (centre), Executive Director (Enforcement and AML), the Police and major retail banks share insights on measures to disrupt financial crime at the Financial Institutions AML Forum 2024



Mr Raymond Chan, Executive Director (Enforcement and AML), delivers opening remarks to launch a series of seminars to raise anti-fraud and financial literacy in the community



The HKMA maintains close collaboration with the banking industry and the Police to enhance anti-fraud awareness among university students

<sup>3</sup> FMLIT was established in 2017, led by the Police with participation from the HKMA, retail banks and SVF licensees. Similar to arrangements in other international financial centres, FMLIT targets current and emerging financial crime threats by adopting a public private partnership approach to information sharing, at both the strategic and tactical levels.

<sup>4</sup> FINEST, or the Financial Intelligence Evaluation Sharing Tool, is a bank-to-bank information sharing platform that helps increase banks' ability to share information for detecting and disrupting fraud and financial crime. It was launched by HKAB, with the support of the HKMA and the Police in June 2023.

## Banking Stability



Mr Arthur Yuen (left), Deputy Chief Executive; and Mr Raymond Chan (right), Executive Director (Enforcement and AML), deliver educational messages, including “Don’t lend or sell your account” and “Don’t click links indiscriminately” in the Anti-Scam Carnival



The HKMA disseminates a poster on social media platforms with the message “Don’t lend or sell your account. Don’t risk your future for quick money” to enhance public awareness of the dangers of selling or lending one’s accounts to others

The HKMA’s approach to regulation and guidance is to ensure that banks and SVF licensees dedicate adequate resources to managing money laundering and terrorist financing risks. In 2024, our regulatory efforts included sharing key observations and good practices identified in a thematic review of AIs’ transaction monitoring systems, and highlighting potential applications of artificial intelligence to optimise these systems. At the same time, to promote efforts to execute risk-based approaches effectively and apply proportionate controls, we shared key principles and feedback from supervision and complaint cases. To increase the resilience of banks to risks arising from dual use goods, we collaborated with the banking industry in delivering best practice guidance.

The HKMA continues to modernise its approach to AML/CFT work in line with international standards and practices. In 2024, we concluded consultations on proposals to facilitate the sharing of information among banks for the purposes of preventing and detecting crime. The proposed legislative amendments have been widely supported and will be taken forward as part of an overall review of the BO.



## Banking Stability

The HKMA's aim is also to make sure that new technologies and the wider availability of data can lead to better AML/CFT outcomes. In February, we updated the industry on progress made in the digitisation of AML/CFT supervision, including new capabilities developed, as well as areas for further work. From September onwards, we rolled out a number of initiatives to further support and accelerate the responsible use of artificial intelligence in suspicious activity monitoring, including co-hosting a forum with Cyberport in November for banks and technology firms to share their insights and experiences.



*Mr Raymond Chan, Executive Director (Enforcement and AML), speaks at an Experience Sharing Forum in November on the use of artificial intelligence for monitoring suspicious activities*



*Technology companies, including Cyberport start-ups, demonstrate artificial intelligence tools and solutions to participating banks at the Experience Sharing Forum in November*

To ensure that the AML/CFT systems implemented by Als follow our rules and guidance and are proportionate in their approach to targeting higher risks, the HKMA undertook 14 on-site examinations during the year. These examinations covered controls over fraud and high-end money laundering, screening systems for combating proliferation financing and terrorist financing, and IT system capability to implement regulatory requirements on wire transfers. In addition, 71 desk-based reviews and assessments were undertaken covering topics such as the effectiveness of Als' controls and incident-triggered reviews. We continued to place a focus on AML/CFT training and knowledge sharing, arranging 25 engagements with local and international partners. These included financial crime seminars in Hong Kong and Singapore, as well as experience-sharing and training for the next round of Financial Action Task Force (FATF) evaluations in the Mainland.

### Wealth management and MPF-related businesses

The HKMA co-operates closely with other financial regulators in Hong Kong to supervise Als' practices in the sale of securities, investment, insurance and MPF products. We maintain regular dialogue with fellow regulators through bilateral and multilateral meetings, as well as those under the auspices of the Council of Financial Regulators, to ensure co-ordinated and effective supervisory actions.

During 2024, the HKMA conducted 22 on-site examinations, 118 thematic reviews and 29 analyses of surveys and returns of Als, concerning the sale of securities and investment products, trust and insurance and MPF-related businesses, to ensure their compliance with regulatory requirements. These initiatives focused on the sale and distribution of complex and high risk investment products, the distribution of non-investment-linked long term insurance products, premium financing activities, the distribution of Digital Asset (DA)-related products, the distribution of investment products through online platforms including robo-advisory services, and the Cross-boundary Wealth Management Connect (Cross-boundary WMC) business.

## Banking Stability

The HKMA and the Securities and Futures Commission (SFC) completed a concurrent thematic review of intermediaries' distribution of non-exchange traded investment products and issued a joint circular to share key observations with the industry. The HKMA and the SFC also announced the findings of their fourth annual joint survey on the sale of non-exchange traded investment products, which provided useful information on the industry landscape and market trends. In addition, the HKMA and the Insurance Authority (IA) completed a joint inspection exercise on premium financing activities and issued a joint circular to share key observations, highlight good practices, and identify potential areas for enhancement.

In view of AIs' growing interest in DA custodial services and the sale and distribution of tokenised products, the HKMA issued new guidance in these areas in February, having considered local and international market and regulatory developments. As part of our anti-fraud efforts, we stepped up our surveillance work by issuing public warnings about suspected breaches of the BO by some firms claiming to be banks or offering banking products and services. We also strengthened public education on social media, including raising awareness about misrepresentation by such firms and explaining common tactics used by fraudsters in DA scams.



Mr Alan Au (left), Executive Director (Banking Conduct), shares views with the industry at a Hong Kong Securities and Investment Institute event

Following a joint announcement made by financial regulators in the Mainland, Hong Kong and Macao in September 2023, the HKMA issued updated guidance on the Cross-boundary WMC scheme in January, outlining enhancement measures in five major areas: product scope, individual investor quotas, investor eligibility, sale processes, and the participation of securities firms. During the year, we introduced further refinements to the Cross-boundary WMC scheme. These refinements included clarifying the scope of eligible wealth management products to include standardised currency-linked or interest-rate-linked structured deposits; enabling remote account opening arrangements for the Southbound Scheme; allowing non-locally incorporated AIs to provide Southbound Scheme services to non-private banking customers; and allowing banks to proactively introduce products to customers and provide research reports after obtaining their one-off written consent.

On top of these updates, the HKMA continued to supervise the Cross-boundary WMC businesses of participating banks, while handling applications from banks for new participation, additional partnerships, and the expansion of their service offerings. In view of growing cross-boundary business activities, we also established new arrangements to allow registered institutions (RIs) to engage itinerant professionals – individuals who repeatedly visit Hong Kong on business for short periods of time – to perform regulated activities.



Mr Alan Au, Executive Director (Banking Conduct), gives a keynote speech at the 2024 Cross-Strait and Hong Kong-Macao Banking Wealth Management Forum, co-organised by the China Banking Association, the Hong Kong Institute of Bankers and the Financial News

## Banking Stability

The HKMA continued to engage with the industry on the selling process of securities and investment products. While emphasising investor protection, we also attach great importance to enhancing customer experience. In February, we issued updated guidance with a set of Frequently Asked Questions (FAQs) on portfolio-based approach to suitability assessment, in order to help banks make their selling processes more efficient. In August, the HKMA co-ordinated among regulators and the industry on the issuance of a set of industry-led FAQs concerning the streamlined approach to suitability assessment and product disclosure for sophisticated professional investors, to facilitate the industry's adoption and to strengthen Hong Kong's position as a premier private wealth management centre.

To enhance customer experience in the face of technological advancements while ensuring customer protection, the HKMA issued a circular to AIs in December. The circular outlines streamlined requirements for audio-recording of investment transactions conducted through video-conferencing, while also providing guidance to AIs on the deployment of alternative protection measures for the sale of investment and insurance products.

In July, the HKMA completed a review on the industry's self-assessment of compliance with the SPM module TB-1 on *"Regulation and Supervision of Trust Business"*, as part of its ongoing supervision of the trust business of AIs. Following the implementation of the regulatory regime for depositary services for SFC-authorised collective investment schemes in October, we commenced supervision of RIs' depositary services.

To improve banks' access to the HKMA's regulatory requirements concerning RIs' securities business, we enhanced the SPM module SB-1 on *"Supervision of Regulated Activities of SFC – Registered Authorized Institutions"*. This enhancement allows the SPM module to function as a single document that offers a comprehensive overview of the regulatory framework, supervisory approach and key requirements related to RIs' securities business. We also consolidated pieces of existing guidance on the banking return of securities-related activities to facilitate the industry's compliance. We also started consolidating some existing guidance through consultation with the industry, including a set of guidance that concerns the sale of accumulators and decumulators.

During the year, the HKMA processed two applications to register as an RI, three applications to license as a licensed insurance intermediary under the Insurance Ordinance, and four applications to add regulated activities under the Securities and Futures Ordinance (SFO). We also granted consent to 167 executive officers responsible for supervising the securities activities of RIs, and conducted background checks on 6,543 individuals whose information was submitted by RIs for inclusion in the Register of Securities Staff of AIs maintained by the HKMA.



Mr Alan Au (second from right), Executive Director (Banking Conduct), shares views with the industry at an Alternative Investment Management Association event



## Banking Stability

### Other supervisory activities

The Banking Supervision Review Committee considered six submissions in 2024. Four of them concerned the authorization of AIs and the approval of a money broker and local representative offices. The remaining two were related to the review of the three-tier banking system and the guidelines for DBs (see Table 4).

During the year, the HKMA commissioned four reports under section 59(2) of the BO, requiring AIs to appoint external professional firms to report on the effectiveness of their controls in specified areas of operation. These reports covered various aspects of risk management including AML/CFT controls.

In 2024, AIs did not report any incident involving a breach of the capital adequacy or liquidity ratio requirements set out in the BO. As for breaches of other provisions in the Ordinance, there were 46 instances that were primarily related to AIs' reporting obligations under the law. These breaches did not affect the interests of depositors and were promptly rectified by the relevant AIs.

The CAMEL Approval Committee<sup>5</sup> completed a review of the CAMEL ratings of all the 174 AIs. No AIs appealed against the Committee's decisions.

**Table 4** Summary of other supervisory activities

	2024	2023
1 Submissions considered by the Banking Supervision Review Committee	6	7
2 Reports commissioned under section 59(2) of the BO	4	5
3 Approval of applications to become controllers, directors, chief executives or alternate chief executives of AIs	188	192

### Promoting fintech adoption

As part of its "All banks go Fintech" initiative under the "Fintech 2025" strategy, the HKMA launched a new FiNETech series of events to foster collaboration and innovation within the fintech ecosystem. Four editions of the FiNETech series, four training sessions and two seminars were organised in 2024, bringing together over 2,300 professionals from the banking, securities, insurance and technology sectors to explore next-level collaboration in identified areas of Wealthtech, Insurtech, Greentech, artificial intelligence and distributed ledger technology (DLT). In addition, we launched Fintech Connect, a cross-border and cross-sectoral matching platform that enables more precise connections between financial institutions and fintech solution providers. Together with other financial regulators in Hong Kong, we also introduced a range of fintech-related initiatives, including holding seminars and training sessions, publishing research papers and use case videos, as well as transforming the Regtech Knowledge Hub into a new Fintech Knowledge Hub. All these efforts were aimed at further driving advancements of fintech solutions among banks.



Representatives from financial regulators, banks and other financial institutions, industry associations and fintech solutions providers at the inaugural FiNETech in April

<sup>5</sup> The CAMEL Approval Committee was established to review the CAMEL assessments conducted on individual AIs. The Committee is chaired by an Executive Director, and includes at least two senior staff members within the banking departments of the HKMA who have not been involved in conducting the CAMEL assessments in question.

## Banking Stability

Specifically, to expedite the responsible adoption of generative artificial intelligence (GenAI) and DLT by banks in Hong Kong, we have rolled out a series of supportive initiatives, for example, a GenAI Sandbox in collaboration with Cyberport to provide banks with a risk-controlled environment for piloting and refining their novel GenAI use cases (Figure 2).

Figure 2

### Overview of selected use cases and participants from the first cohort of the GenAI Sandbox



Ms Carmen Chu (centre), Executive Director (Banking Supervision), with Professor Kar-Yan Tam (right), Vice-President for Administration & Business of HKUST; and Dr Samuel Kwan (left), Director for Information Technology Services Center of HKUST, at the GenAI and InvestLM Seminar



Ms Carmen Chu (first right of middle aisle, first row), Executive Director (Banking Supervision); Mr Simon Chan (first left of middle aisle, first row), Chairman of Cyberport; and Dr Rocky Cheng (second left of middle aisle, first row), Chief Executive Officer of Cyberport, join participants in FINeTech2 in August. During the event, the HKMA announces the launch of the new GenAI Sandbox

The HKMA published two research papers on GenAI and DLT in the financial sector, providing practical insights and guidance for AIs to advance their fintech adoption in the respective areas.

### Research Paper on GenAI



### Research Paper on DLT



## Banking Stability

Regarding DLT, the HKMA established a Supervisory Incubator programme to help banks put DLT-based banking products and services into production in a safe and prudent manner, particularly focusing on tokenised deposits at the outset. The aim of the Incubator is to enhance risk management capabilities at both the individual bank and industry levels through a one-stop supervisory platform and targeted sector-wide initiatives.



Representatives from the HKMA, the SFC, the Mandatory Provident Fund Schemes Authority and the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen are among participants in FINETech4 on DLT in January 2025, where the new Supervisory Incubator for DLT is announced

By adopting an interactive and iterative approach to promoting artificial intelligence and DLT adoption by banks, the HKMA is able to assess the potential challenges while driving innovation. These initiatives demonstrate our commitment to promoting fintech adoption and responsible innovation in the Hong Kong banking sector.

### Adoption of supervisory technology

During the year, the HKMA adopted a more digitalised supervisory approach by implementing a smart knowledge management system and an end-to-end digital supervisory platform. These efforts have provided all HKMA's supervisors with more timely access to critical supervisory information and digitalised the management of hundreds of supervisory activities year-round. Operational efficiency has been further enhanced through the automation and streamlining of multiple manual supervisory operations, freeing up resources for supervisors to focus on high-priority tasks (Figure 3).

The streamlining of the supervisory process has been further enhanced by the launch of a new online survey tool that allows for the self-creation and management of surveys, as well as the seamless collection and analysis of data. This is supported by a suite of robotic process automation tools and a speech-to-text engine. In addition to implementing various advanced analytics solutions to improve forward-looking supervisory capabilities, the HKMA has successfully piloted the use of GenAI to automate the extraction of supervisory insights, such as instant analysis of survey results and automated risk prioritisation based on unstructured data.

A digitalisation project along with process re-engineering was initiated during 2024 to streamline the workflow for receiving and processing applications by bank directors and senior management.

**Figure 3** Latest overview of key metrics on supervisory technology adoption in the HKMA





## Banking Stability

### International co-operation

#### Co-operation with non-Hong Kong authorities

During the year, the HKMA hosted and participated in 33 college-of-supervisors meetings involving 29 banking groups with significant operations in Hong Kong. A broad range of issues was discussed, covering areas such as financial soundness, risk management controls and operational resilience.



*The HKMA hosts a college-of-supervisors meeting for a domestic systemically important bank (D-SIB)<sup>6</sup> in Hong Kong*

The HKMA also participated in cross-border resolution planning meetings of 14 global systemically important banks (G-SIBs) through Crisis Management Groups (CMGs) and Crisis Management Colleges (CMCs), in order to enhance the resolvability of these banks and the crisis preparedness of the relevant home and host authorities. In addition, we led regional resolution planning efforts, hosting the Asia CMG meeting for a G-SIB's Asia resolution group in May with participation from 16 supervisory and resolution authorities as well as deposit insurers.

During the year, the HKMA also held bilateral meetings with non-Hong Kong banking supervisors and resolution authorities. We also had regular exchanges with non-Hong Kong authorities on institution-specific issues and developments in financial markets.

### Participation in international and regional forums

The HKMA participates as a member in a range of international forums for banking supervisors:

- The Group of Central Bank Governors and Heads of Supervision;
- The Basel Committee on Banking Supervision (Basel Committee);
- The Basel Committee's Risks and Vulnerabilities Assessment Group;
- The Basel Committee's Supervisory Cooperation Group; and
- The Basel Committee's Policy and Standards Group.

Under the structure of the Basel Committee, the HKMA serves as a co-chair of the Policy and Standards Group. It also has representatives in the Task Force on Climate-related Financial Risks, the Basel Core Principles Task Force and the following Expert Groups:

- Accounting and Audit;
- Anti-money Laundering and Counter-financing of Terrorism;
- Capital and Leverage Ratio;
- Credit Risk and Large Exposures;
- Disclosure;
- Financial Technology;
- Liquidity;
- Margin Requirements;
- Market Risk;
- Operational Resilience;
- Pillar 2<sup>7</sup>; and
- Stress Testing.

<sup>6</sup> A D-SIB is an AI considered by the HKMA to be of systemic importance in Hong Kong's banking and financial system, and is subject to a higher loss absorbency requirement. The HKMA reviews the list of D-SIBs annually. The list for 2025 includes the following five banks: The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, and Industrial and Commercial Bank of China (Asia) Limited.

<sup>7</sup> As an integral part of the Basel capital framework, Pillar 2 is a supervisory review process to ensure that AIs not only have adequate capital to support all the risks in their business (including those covered under the minimum capital requirement (i.e. Pillar 1 of the framework)), but also develop and use better risk management techniques for monitoring and managing these risks.

## Banking Stability

The HKMA is a member of the Central Banks and Supervisors Network for Greening the Financial System (NGFS) and was appointed a member of its Steering Committee in December. As part of its work in the NGFS, the HKMA serves as a co-chair of the Workstream on Supervision. This workstream aims to foster progress among NGFS members in incorporating climate-related and environmental risks into their supervisory frameworks and practices. Additionally, the HKMA and the SFC jointly represent Hong Kong in the International Platform on Sustainable Finance<sup>8</sup>.

At the regional level, the HKMA is a member of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)<sup>9</sup>; the South East Asia, New Zealand and Australia Forum of Banking Supervisors; and the South East Asian Central Banks Research and Training Centre.

As part of its work in the EMEAP Working Group on Banking Supervision, the HKMA is the champion of the Interest Group on Liquidity. The HKMA is also the champion of the Interest Group on Sustainable Finance, which promotes information sharing on the management of climate-related risks faced by banks in the region.

The HKMA participates actively in the work of the G20/OECD<sup>10</sup> Task Force on Financial Consumer Protection, which supports ongoing implementation of the *G20/OECD High-level Principles on Financial Consumer Protection* (last updated in 2022), taking into account the importance of advancements such as financial innovation and operations in an increasingly digital environment. The HKMA also participates in the Expert Working Groups under this Task Force, focusing on work streams related to the transparency of cross-border payments and addressing financial scams and frauds.

During the year, the HKMA also participated actively in the International Financial Consumer Protection Organisation (FinCoNet) as a member institution. FinCoNet promotes sound market conduct and strong consumer protection through efficient and effective financial market conduct supervision, focusing on consumer issues of banking and credit. In November, the HKMA became a member of the

FinCoNet Governing Council, which shapes the organisation's strategies and programme of work. The HKMA is also a member of the Supervisors Roundtable on Governance Effectiveness, which aims to advance innovation to influence culture reform in the financial sector.



*Ms Juliana Mozachi Sandri (right), Chair of FinCoNet, welcomes Mr Alan Au (left), Executive Director (Banking Conduct), to the FinCoNet Governing Council at the Annual General Meeting 2024 in Lima, Peru*



*Mr Alan Au (second from left), Executive Director (Banking Conduct), participates in a panel discussion at the FinCoNet International Seminar on Quality Financial Products in Lima, Peru*

As part of the Asia Pacific Regional Consultative Group (RCG) of the International Committee on Credit Reporting (ICCR), the HKMA attended the third meeting of the Asia Pacific RCG to share experiences and exchange views on credit referencing with other stakeholders.

<sup>8</sup> The International Platform on Sustainable Finance was launched in 2019 as a forum for dialogue between policymakers from different jurisdictions, with the aim of increasing the amount of private capital being channelled towards environmentally sustainable investments.

<sup>9</sup> The EMEAP is a co-operative organisation of central banks and monetary authorities in the East Asia and Pacific region.

<sup>10</sup> OECD refers to the Organisation for Economic Co-operation and Development.

## Banking Stability



The HKMA attends the third meeting of the ICCR's Asia Pacific RCG in Bangkok, Thailand

The HKMA works closely with regulatory partners in other jurisdictions and international standard-setters. A number of bilateral or multilateral meetings were held in 2024 to facilitate discussions on topical AML/CFT issues, including a tripartite meeting with the Mainland and Macao authorities in Chengdu in November. The HKMA continues to play a proactive role in the work of the FATF, and co-chairs the Evaluations and Compliance Working Group, which will oversee the first FATF fifth-round mutual evaluations in 2025. It also continues to participate in a working group on Cross-border Payments Data and Identifiers established under the Financial Stability Board (FSB).



A tripartite meeting with the Mainland and Macao AML/CFT authorities in Chengdu in November

In the area of resolution reforms, the HKMA is a member of the FSB Resolution Steering Group (ReSG), the forum that develops global standards and guidance for resolution regimes and monitors their implementation, as well as resolution planning and execution for systemically important financial institutions. Under the structure of the ReSG, the HKMA is represented in the Expanded Group on alternative financial resources for the resolution of central counterparties (CCP Expanded Group) and the Cross-Border CMG for banks (bankCBCM), along with its various workstreams. At the regional level, the HKMA chairs the EMEAP's Study Group on Resolution (SGR), which supports co-operation and knowledge-sharing among authorities on resolution-related matters. See *International and cross-border co-operation* on page 118 for more details.

## Implementation of Basel Standards in Hong Kong

### Capital standards

The Banking (Capital) (Amendment) Rules 2023 (BCAR) for implementing the new capital standards set out in the Basel III Final Reform Package came into effect on 1 January 2025. All locally incorporated AIs are now required to calculate and report their capital requirements in accordance with the BCAR.

In preparation for the implementation of the Final Reform Package in Hong Kong, the HKMA worked closely with the industry to issue a suite of supervisory guidance and tools to complement the implementation of the BCAR during 2024/in early 2025. These include:

1. a revised SPM module CA-G-1 on "Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions";
2. two new SPM modules, MR-1 on "Market Risk Capital Charge" and MR-2 on "CVA Risk Capital Charge";
3. a revised set of banking returns and completion instructions on capital adequacy ratio and leverage ratio;
4. a new banking return to facilitate monthly reporting of the new capital requirements associated with market and credit valuation adjustment (CVA) risks;



## Banking Stability

5. a new Banking (Capital) (Operational Risk) Code;
6. two sets of supplementary supervisory guidance on the Revised Credit Risk Framework; and
7. a revised SPM module CA-G-5 on “*Supervisory Review Process*”.

In addition, the BCAR incorporates updates related to countercyclical capital buffers. To support the implementation of the Final Reform Package, the HKMA published the revised SPM module CA-B-1 on “*Countercyclical Capital Buffer – Approach to its Implementation*” in March. Following an industry consultation, the revised SPM module CA-B-3 on “*Countercyclical Capital Buffer – Geographic Allocation of Private Sector Credit Exposures*” was finalised and published in December.

In February, the HKMA consulted the industry on proposed approaches to implementing the new cryptoasset standard, as set out in the “Prudential treatment of cryptoasset exposures” issued by the Basel Committee.

Other related supervisory guidance under consultation with the industry includes a revised SPM module CA-G-4 on “*Validating Risk Rating Systems under the IRB Approach*” issued in November.

In line with the Basel Committee’s framework for dealing with domestic systemically important banks (D-SIBs), the HKMA announced in December an updated list of D-SIBs for 2025 and their corresponding higher loss-absorbency capital requirements.

### Exposure limits

Amendments to the Banking (Exposure Limits) Rules (BELR) consequential to the implementation of the Final Reform Package in Hong Kong also came into effect on 1 January 2025. The related updates to the Banking (Exposure Limits) Code and SPM modules (namely CR-G-8 on “*Large Exposures and Risk Concentrations*”; CR-G-9 on “*Exposures to Connected Parties*”; CR-L-1 on “*Consolidated Supervision of Concentration Risks: BELR Rule 6*”; and CR-L-4 on “*Underwriting of Securities: BELR*”) were also finalised and came into effect on 1 January 2025, along with updated prudential reporting requirements of Als on risk concentrations and exposure limits.

### Disclosure standards

Implementation of the Final Reform Package also requires corresponding updates to the disclosure framework. To this end, the HKMA issued the Banking (Disclosure) (Amendment) Rules 2023 to implement the disclosure requirements associated with the Final Reform Package, which came into effect on 1 January 2025 concurrently with the BCAR. To facilitate Als’ compliance with the latest disclosure requirements, the HKMA revised the standard disclosure templates and tables under the Banking (Disclosure) Rules and separately revised SPM module CA-D-1 on “*Guideline on the Application of the Banking (Disclosure) Rules*”, both of which took effect on 1 January 2025.

### Liquidity standards

To reflect the consequential changes arising from certain provisions of the BCAR, which took effect on 1 January 2025, the updates to the Banking (Liquidity) Rules, as well as the related “Banking (Liquidity Coverage Ratio – Calculation of Total Net Cash Outflows) Code” and the SPM module LM-1 on “*Regulatory Framework for Supervision of Liquidity Risk*” were gazetted during the year.

## Banking Stability

### Supervisory regime for approved money brokers

In November, the HKMA issued a new SPM module MB-1 on *"Risk-based Supervision of Approved Money Brokers"*. The new SPM module codifies existing requirements and expected standards of approved money brokers (AMBs), and sets out the HKMA's risk-based approach to their supervision.

### Regulatory regime for over-the-counter derivatives market

The HKMA oversees the compliance of AIs and AMBs with the mandatory reporting, clearing and related record-keeping requirements for over-the-counter (OTC) derivatives transactions under the SFO. We maintain close dialogue with AIs, AMBs and other industry participants to address various reporting issues that arise from OTC derivatives market developments and evolving international standards, ensuring that AIs and AMBs adhere to the relevant requirements.

Following the completion of the final implementation phase of the initial margin requirements for non-centrally cleared OTC derivatives transactions, the HKMA continued to engage with the industry during 2024 to assess the implications of market developments for the exchange of margin and participated in the review of margining practices conducted by international standard-setting bodies.

### Other supervisory policies and risk management guidelines

The HKMA also made progress with its work on various policies and guidelines. We issued a revised SPM module CA-S-10 on *"Fair Value Practices"* in December 2024 and a revised SPM module CR-G-7 on *"Collateral and Guarantees"* in April 2025.

### Review of the Banking Ordinance

The HKMA completed a review of the BO with the aim of reflecting global and domestic developments in banking industry practices as well as regulatory and supervisory approaches. The review was also aimed at addressing specific issues identified from Hong Kong's supervisory experience and facilitating the continued alignment of our regulatory system with that of other major financial centres. The review focused on six priority areas where amendments and enhancements to the BO were considered timely and necessary.

The HKMA concluded public consultations on two enhancement proposals in 2024. The proposals related to the simplification of the three-tier banking system into a two-tier system, and information sharing among AIs on customers, accounts and transactions for preventing and detecting financial crime. During the year, we also began consultations on establishing a statutory regime for regulating and supervising designated locally incorporated holding companies of locally incorporated AIs, providing the Monetary Authority with the flexibility to engage skilled persons for assisting him in the performance of his functions under the BO, and introducing a number of technical amendments. In addition, we started consultations on extending the Monetary Authority's investigation and enforcement powers. See *Proposed extension of investigation and enforcement powers under the Banking Ordinance* on page 133 for more details.

### Balanced and responsive supervision

In 2024, the HKMA held a number of round-table meetings with different groups of banks and had fruitful exchanges on a range of topics, including new anti-fraud initiatives, use of advanced artificial intelligence and machine learning tools, climate risk management and transition planning, and AML/CFT controls for virtual asset service providers. These discussions enabled the banks to better understand our supervisory expectations and provided an additional platform for us to fully tap the industry's views when formulating, refining or implementing the relevant requirements.

### Accounting standards

Regular discussions took place between the HKMA and the Banking Regulatory Advisory Panel of the Hong Kong Institute of Certified Public Accountants, focusing on areas of mutual concern. Key topics included updates on banking regulations and the latest developments in accounting, auditing, and financial reporting standards, as well as their potential impact on the banking sector. We also collaborated with other regulatory bodies on issues related to proposed changes to international accounting and auditing standards.

## Banking Stability

### Green and sustainable banking

The HKMA continued to strengthen the banking sector's resilience to climate risks and enhance the green finance ecosystem. For example, we issued the Hong Kong Taxonomy for Sustainable Finance and subsequently conducted a series of market outreach activities to build capacity and gather feedback from the market. We have now embarked on the next phase of development to continue enhancing the taxonomy. In addition, we supported the development of the Roadmap on Sustainability Disclosure in Hong Kong. Furthermore, to assist the banking sector in managing climate risks, we issued supervisory requirements on transition planning for consultation and launched the Physical Risk Assessment Platform.

By mid-2024, the HKMA had completed its two-year plan for integrating climate risk into the banking supervisory processes. We issued a circular to share with the industry good practices on climate-related risk governance, with a view to enhancing banks' climate risk management capabilities (Figure 4). A new round of thematic examinations was launched to review and assess the robustness and adequacy of AI's climate risk management frameworks and practices. A second series of consultative sessions was also conducted during the year to assess banks' progress implementing the HKMA's supervisory expectations on climate risk management.

The HKMA is cognisant of the significance of data and technology in enhancing climate-related risk governance. To promote further adoption of Greentech, we have collaborated with various stakeholders and facilitated the exploration of innovative solutions for addressing climate risk.

More details of the HKMA's policy and supervisory work on green and sustainable banking are contained in the *Building a Climate-resilient Financial System* chapter of our *Sustainability Report 2024*.



Representatives from the HKMA, Cyberport and the FinTech Association of Hong Kong, as well as subject matter experts in banks and Greentech solution providers, meet at FiNETech3 in November

**Figure 4** Key principles for effective climate-related risk governance



## Banking Stability

### Resolution

During 2024, the HKMA advanced its work to ensure that the Hong Kong resolution regime stays credible and operational, effectively translating the lessons learnt from the 2023 overseas banking turmoil into concrete actions. Progress was made in updating the legislative framework and resolution standards, undertaking resolution planning and developing resolution execution capability. In addition, we actively participated in cross-border co-operation on resolution through institution-specific engagements such as the CMGs for G-SIBs, as well as international and regional forums, including the FSB ReSG and the EMEAP SGR.

### Legislative framework and resolution standards

To enhance the flexibility of resolution authorities in handling various crisis scenarios and to align Hong Kong's resolution regime with international best practices, the HKMA launched a public consultation<sup>11</sup> on a proposal to amend the conditions for initiating resolution under the Financial Institutions (Resolution) Ordinance (FIRO). The proposed amendments include an express reference to "public interest" in the conditions for initiating resolution. Separately, further to the publication of the *Report on Loss-Absorbing Capacity Requirements Implementation in Hong Kong*<sup>12</sup>, the Code of Practice chapter on *Resolution Planning – LAC Requirements* was updated, reflecting the review outcome of the indicative threshold for implementing loss-absorbing capacity (LAC) requirements.

### Resolution planning

To maintain financial stability, it is essential to ensure that banks that could be critical or systemic upon failure are prepared for resolution. To this end, the HKMA continued to advance resolution planning for D-SIBs and other locally incorporated Als with total consolidated assets above HK\$300 billion. This included devising preferred resolution strategies for additional Als to enhance their resolvability, such as building their financial resources and developing new systems and capabilities.

At the end of 2024, the LAC resources of all D-SIBs stood at 26.9% of risk-weighted amounts. LAC resources, which include both capital and non-capital LAC debt instruments, are designed to absorb losses and recapitalise a failing AI in a resolution scenario. The HKMA reviewed the self-assessments of LAC debt instruments by Als on an ongoing basis to ensure the usability of these resources, and evaluated Als' LAC issuance plans as part of our efforts to implement LAC requirements beyond D-SIBs. In addition, we engaged with relevant Als regarding how to manage and deploy unallocated LAC resources at the group level to ensure that these resources would be sufficient and readily available to support the Als if needed.

A significant milestone was also reached in mitigating the risk of disorderly early termination of financial contracts in resolution, as relevant Als updated their agreements with counterparties. The deadline for meeting requirements set out under the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights – Banking Sector) Rules ("Stay Rules") lapsed in 2024. The HKMA worked closely with the relevant Als to ensure robust compliance and proper mitigation of early termination risk (see *Resolution stay implementation summary* on page 116 for details).

<sup>11</sup> This consultation was part of the consultation paper for proposed enhancements to the BO (<https://brdr.hkma.gov.hk/eng/doc-ldg/docId/getPdf/20250116-1-EN/20250116-1-EN.pdf>).

<sup>12</sup> The Report is available on the HKMA website ([https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/resolution/Report\\_on\\_Loss\\_Absorbing\\_Capacity\\_Requirements\\_Implementation\\_in\\_Hong\\_Kong.pdf](https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/resolution/Report_on_Loss_Absorbing_Capacity_Requirements_Implementation_in_Hong_Kong.pdf)).

## Banking Stability

### Resolution stay implementation summary

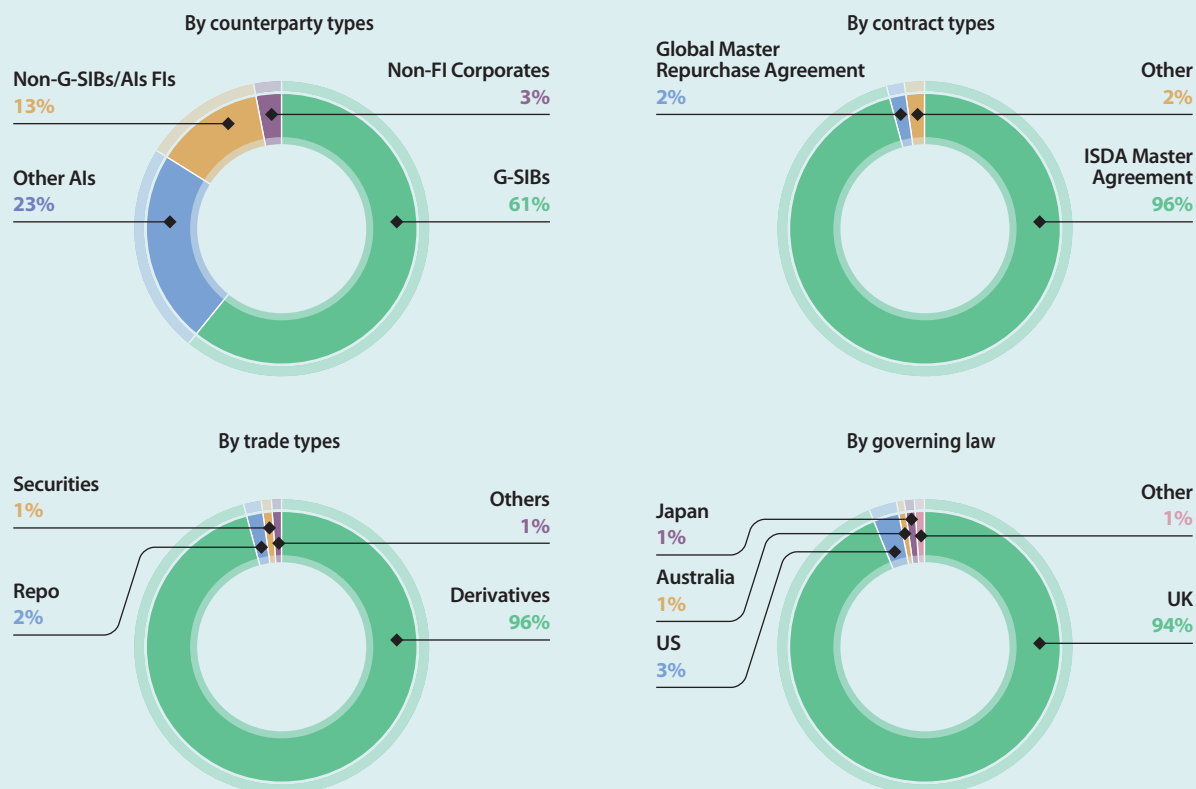
The Stay Rules are designed to mitigate the risk of disorderly early termination of financial contracts by the counterparties of a failing AI in resolution. Under these rules, relevant AIs are required to comply with the contractual recognition requirements for in-scope covered contracts, such that their counterparties agree to be bound by a temporary stay power that may be imposed by a resolution authority under the FRO.

The HKMA has been engaging closely with the relevant AIs on their approaches to comply with the Stay Rules through bilateral resolution planning programmes, from cross-border client outreach to development of systems of control, as well as updates to the relevant securities,

commodities and derivatives contracts. This extensive effort encompassed over HK\$60 trillion in notional value of financial contracts involving more than 5,700 counterparties (Chart A).

Some AIs have proactively adopted good implementation practices, such as establishing robust record-keeping capabilities and systems of control to ensure ongoing compliance, as well as conducting internal assessments of residual early termination risks in resolution, and putting in place internal specific manuals/playbooks for resolution execution. These practices can serve as useful references for other AIs when considering further enhancements.

**Chart A** Breakdown of covered contracts by notional value



Note: These pie charts comprise data of covered contracts as at the end of December 2024 under the Stay Rules that have been entered into by the relevant AIs with which active bilateral resolution planning programmes have been conducted.

## Banking Stability

During 2024, the HKMA advanced the implementation of policy standards with the aim of facilitating business continuity in resolution. As part of our work on operational continuity in resolution (OCIR), we reviewed the Als' progress in developing arrangements and capabilities for securing the continuity of services considered essential to the performance of critical financial functions and the effective execution of preferred resolution strategy (see *Examples of OCIR arrangements and capabilities* below for details). The HKMA also commenced implementation of a policy standard that facilitates continuity of access to FMI services in resolution, working closely with the relevant Als to complete their first self-assessments.

Global policy-makers have learnt important lessons from the 2023 banking turmoil, including in the area of liquidity and funding in resolution (LFIR). The HKMA has continued to advance the implementation of related policy standards in order to strengthen Als' capabilities to project liquidity needs and positions, as well as to identify and mobilise collateral for meeting liquidity needs in resolution. A specific testing exercise was rolled out to assess the status of relevant Als' existing LFIR capabilities, and to guide any future enhancements needed.

### Examples of OCIR arrangements and capabilities



#### Service Delivery Models

Set up dedicated "bankruptcy remote" service company owned by clean holding company for hosting intra-group shared services



#### Financial Resilience Assessment

Assessed the financial resources needed for essential services in resolution and set aside liquidity buffer



#### Service Mapping and Service Catalogue

Captured dependencies on essential services and developed centralised catalogue of information on relevant people, assets and contracts



#### Operational Resilience in Resolution

Formulated retention strategies for critical staff; developed OCIR playbooks



#### Contracts Remediation

Incorporated effective and enforceable "resolution-proof" terms that facilitate continuity in resolution into contracts and service level agreements



#### Governance and Management Oversight

Appointed accountable senior executives for oversight, supported by established governance frameworks



## Banking Stability

On cross-border co-ordination, the HKMA led the regional resolution planning for the Asia resolution group of a G-SIB and hosted the Asia CMG meeting in Hong Kong in May, which was attended by representatives from 16 supervisory and resolution authorities as well as deposit insurers. During this meeting, progress on enhancing resolvability was reviewed and forward priorities were set. In addition, banks continued to build and test their resolution capabilities as part of their group-wide programmes. This involved a wide spectrum of actions such as enhancing processes for valuations in resolution, demonstrating LFIR and restructuring planning capabilities, and conducting walkthrough and simulation exercises with board and senior management. The HKMA also held discussions with authorities on enhancing home-host co-ordination arrangements, including the development of authorities' playbooks for resolution execution.



*The HKMA hosts the Asia CMG meeting for a G-SIB's Asia resolution group with 16 supervisory/resolution authorities and deposit insurers participating*

### Resolution execution capability

Resolution transfer strategy can provide valuable options to stabilise a failing AI and safeguard financial stability. During 2024, the HKMA strengthened its preparedness to transfer a failing AI to a bridge institution in a resolution transaction. As part of these initiatives, the HKMA consulted an external legal advisor under the HKMA Resolution Advisory Framework concerning practical issues and considerations related to the establishment, operation, and winding up of bridge institutions.

Efficient and effective cross-functional and cross-sectoral co-ordination are essential for managing a crisis and ensuring an orderly resolution. During the year, the HKMA reviewed and updated its crisis management frameworks to align with evolving international practices and recent developments. In light of the update of FSB's G-SIB list, the HKMA was designated as the lead resolution authority for a newly designated G-SIB's cross-sectoral group in Hong Kong. To facilitate a swift response to a group-wide resolution involving a cross-sectoral G-SIB, a resolution playbook setting out the co-ordination mechanism with the SFC was developed. In addition, cross-sectoral simulation exercises were conducted to enhance overall crisis preparedness.

### International and cross-border co-operation

The HKMA continued to contribute actively to various international resolution initiatives through its membership in the FSB ReSG, the primary global resolution forum, as well as the CCP Expanded Group, bankCBCM, and its workstreams on bail-in execution, public sector backstop funding mechanisms, digital innovation and resolution, and resolution transfer tools. See *International resolution initiatives* on page 119 for details.

At the regional level, the HKMA chaired and served as the secretariat for the EMEAP SGR, facilitating discussions and studies on resolution among central banks, supervisory and resolution authorities as well as deposit insurers in the region. Under the SGR, meetings were held in Singapore and Bali, and a workshop on cross-border resolution was jointly organised with the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) in Hong Kong, covering topics such as reflection from the 2023 banking turmoil, co-ordination arrangements and crisis communication, resolution transfer tools, liquidity in resolution, and overall resolution readiness.

## Banking Stability



The HKMA, as Chair of the EMEAP SGR, co-organises a workshop on cross-border resolution with the BIS FSI in Hong Kong in October

Cross-border co-operation is an important component of resolution planning and execution for G-SIBs given the international nature of their operations. During the year, the HKMA continued to participate in the cross-border resolution planning of 14 G-SIBs through CMGs and CMCs. As part of this work, the HKMA reviewed the efforts of relevant banks in enhancing resolvability and worked with relevant authorities to strengthen cross-border crisis co-ordination.

In addition, the HKMA continued to engage with relevant stakeholders and speak at resolution related events, including those organised by the BIS FSI, the FSB, the IMF and the International Association of Deposit Insurers.

### International resolution initiatives

Effective resolution requires internationally harmonised policy-setting and implementation, given the cross-border nature of many large financial institutions. This is pertinent to Hong Kong as a host of the operations of G-SIBs<sup>13</sup> as well as a regional home for the resolution entities of some of these internationally active banking groups. The HKMA actively participates in the FSB's efforts to formulate and support the effective implementation of international resolution standards, as well as to enhance the execution capabilities of resolution authorities. We contributed as a member of the following initiatives<sup>14</sup> in particular in 2024:



**Bail-in Execution**, which is aimed at ensuring effective execution of the bail-in tool across borders. This initiative has strengthened mutual understanding among authorities of the means to recognise resolution measures, as well as compliance with jurisdictions' securities laws and their interplay with different bail-in mechanisms.



**Public Sector Backstop Funding Mechanisms**, which examined the key features of existing public sector backstop funding mechanisms across jurisdictions and facilitated knowledge sharing on operational preparedness and processes, so as to ensure these mechanisms prove effective in the context of orderly resolution.



**Digital Innovation and Resolution**, which investigated the role of technology and social media on depositor behaviour in times of stress, and analysed its impact on resolution planning and execution. This initiative also studied how the increasing reliance of financial institutions on third-party service providers for IT infrastructures may pose risks to OCIR.



**Resolution Transfer Tools**, which are aimed at identifying good practices for implementing transfer tools, thereby supporting orderly resolution and providing increased optionality for resolution authorities. This initiative looked into the experiences and challenges of planning and executing transfer tools.

<sup>13</sup> See 2024 List of G-SIBs, FSB (2024) (<https://www.fsb.org/uploads/P261124.pdf>).

<sup>14</sup> For more details of the FSB's latest progress on these workstreams, see Sections 3.1, 3.2, 3.3 and 3.5 of the 2024 Resolution Report: "From Lessons to Action: Enhancing Resolution Preparedness", FSB (2024) (<https://www.fsb.org/uploads/P051224.pdf>).

## Banking Stability

### Bank consumer protection

#### Code of Banking Practice

The industry's overall compliance with the Code of Banking Practice remains satisfactory. According to the self-assessment results, almost all AIs and their subsidiaries and affiliated companies reported full or nearly full compliance during the assessment period in 2023<sup>15</sup>, while a few had taken prompt remedial actions to rectify areas of non-compliance.

### Money Safe

To further empower bank customers to protect themselves from frauds and scams, the HKMA issued guidance to banks in December on introducing Money Safe (MS), which provides an extra layer of security to customers' bank deposits, following consultation with the industry. MS enables customers to segregate a portion of their deposits maintained at banks and protect them from fund outflows through online and other channels. Customers may release the funds under MS protection after banks have undertaken a verification process with the customers. Banks are required to implement MS for retail banking individual customers by the end of 2025.

### Extra protection for customer funds against frauds and scams

#### Protection and Use by Customers

- Customers decide on the use of MS and the amount to be protected through convenient channels (e.g. branches, internet banking and mobile banking)
- No MS protected funds can flow out of the customers' accounts
- MS protected funds continue to enjoy the same interest and other benefits



#### Release of Protection

Banks to undertake stringent anti-fraud and anti-scam verification processes with their customers before releasing or reducing the level of MS protected funds. In most cases, this would require physical presence of the customers at bank branches



#### Customer Awareness

To raise customers' awareness and understanding of MS protection and to promote its usage, including through banks' proactive measures and industry's collaborative promotion programme



#### Coverage

- Retail banking individual customers
- Deposits, including at a minimum current, savings and time deposits in Hong Kong dollar and major non-local currencies



#### Customer Communication

- Banks to fully and clearly explain:
  - the features of MS and the need to maintain sufficient funds for daily and ad hoc needs when customers use MS
  - the implications when customers request release of MS
- Banks to handle customer instructions (use, release and changes of MS) within three working days
- Banks to provide notifications for customers to have adequate knowledge of the status of MS protection



<sup>15</sup> With five or fewer instances of non-compliance.

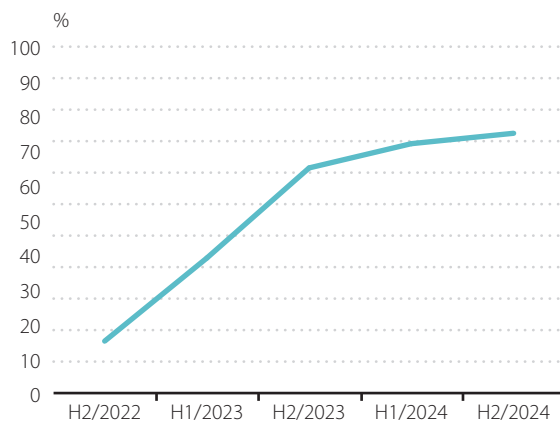
## Banking Stability

### Payment Arrangements for Property Transactions

The additional Payment Arrangements for Property Transactions (PAPT) for mortgage refinancing transactions was introduced in November 2022. Since then, the banking industry has been actively promoting the use of this payment means to its customers, resulting in the majority of refinancing transactions now adopting PAPT (Chart 2).

Chart 2

#### Average adoption rate for PAPT in mortgage refinancing transactions



Meanwhile, supported by the HKMA, the banking industry has been consulting key stakeholders extensively to advocate expanding PAPT to cover sale and purchase transactions in the secondary market, given the observable benefits of enhancing payment efficiency and minimising the risks associated with fund transfers for both banks and their customers.

### Cooling-off period for unsecured consumer credit products

With a view to promoting responsible borrowing and reducing the impact of impulsive and excessive borrowing, the HKMA introduced requirements for retail banks (including DBs) to put in place arrangements for the provision of a cooling-off period to individual customers of unsecured consumer credit products, so as to allow them a reasonable time period to carefully reconsider their financial obligations and assess their repayment capacity after entering into a credit agreement. We also took the opportunity to strongly encourage banks to arrange for their subsidiaries in Hong Kong that conduct retail banking business and offer unsecured consumer credit products to follow the requirements.

### Key features of cooling-off period retail banks should provide to individual customers of unsecured consumer credit products



#### Duration

A cooling-off period should be no shorter than seven calendar days immediately following the day of drawdown of loans



#### Fees and Charges

Customers should not be charged any handling fee, prepayment or early settlement fee, or other fees of similar nature resulting from loan repayment/redemption during the cooling-off period



#### Channels

Customers should be provided with channel(s) that are accessible, timely and efficient to facilitate loan repayment/redemption during the cooling-off period



#### Disclosure and Transparency

The provision of a cooling-off period and its key features should be clearly communicated to customers at the time of loan application and notification of loan approval

## Banking Stability

### Anti-Scam Consumer Protection Charter 2.0

Following the launch of the Anti-Scam Consumer Protection Charter in 2023 by the HKMA and HKAB to enhance public awareness of safeguarding payment card information and taking precautions against payment card frauds, an updated version Charter 2.0 was launched in April 2024 to expand its coverage. Under Charter 2.0, participating institutions have committed not to send customers instant electronic messages (e.g. SMS, WhatsApp, WeChat) that use embedded hyperlinks for acquiring bank, credit card, investment, insurance and MPF account or other key personal information online. Participating institutions also undertook to provide appropriate channels for customers to verify the authenticity of messages, and enhance staff training to fulfil the commitment of Charter 2.0 and handle customer enquiries effectively.

Charter 2.0 has received full support from the Airport Authority Hong Kong, the Consumer Council, the Police, the SFC, the IA, the Mandatory Provident Fund Schemes Authority (MPFA) and the Travel Industry Authority, and has successfully drawn the attention of the media and the public. Over 230 financial institutions and merchant institutions are participating in Charter 2.0, covering different aspects of daily lives including banking, insurance, MPF, the securities and futures industries, and the food, beverage, logistics, transport, travel and retail sectors.



Representatives from various sectors in Hong Kong at the launch of Anti-Scam Consumer Protection Charter 2.0



Mr Eddie Yue, Chief Executive, opens the Anti-Scam Consumer Protection Charter 2.0 launch event



A publicity campaign for the Anti-Scam Consumer Protection Charter 2.0 is designed to raise public awareness of safeguarding payment cards and other key personal information



## Banking Stability

### Enhanced consumer protection against fraud

Further measures were introduced in 2024 to protect bank customers from fraudulent lending intermediaries. In particular, the HKMA reminded the public to stay alert to bogus phone calls. Retail banks' hotlines have been widely and effectively used by the public to verify callers' identities, with a total of over 24,000 enquiries received during 2024.

To strengthen efforts to combat bogus telephone calls, which have continued to cause financial losses and harm to consumers, the HKMA issued guidance in June requiring banks to further step up their measures to help customers verify the authenticity of calls purported to be from banks, as well as to streamline the reporting process of bogus calls to the Police.



Educational message on social media – beware of bogus telephone calls

To minimise the inconvenience that may be caused to the public by marketing calls, the banking industry has endorsed and implemented the Industry Regulatory Scheme for Marketing Calls launched by the Commerce and Economic Development Bureau and the Office of the Communications Authority, and revised the industry code to limit the number of cold calls made to the same telephone number to three per week.



Mr Alan Au (second from right), Executive Director (Banking Conduct), joins a commendation ceremony welcoming the industry's efforts in better managing marketing calls

In November, the HKMA also issued a circular to encourage the further use of mobile Point-of-Sale (POS) terminals, which allow customers to complete payment card transactions more securely and conveniently. The circular shared relevant sound practices gathered from banks for the industry's reference, and encouraged banks to be proactive in understanding and addressing merchants' concerns regarding the deployment of mobile POS terminals. Banks were also urged to continue exploring new solutions that provide merchants with a wider range of payment options.



Educational message on social media encouraging consumers to use mobile POS terminals and safeguard their payment cards



## Banking Stability

From time to time, scam cases occur when customers are manipulated or deceived into setting up internet and mobile banking services, which are subsequently misused by fraudsters, leading to customer losses. In view of this, the HKMA has required banks to offer customers the option to disable the setup of internet banking and mobile services.



Educational message on social media - option of disabling the setting up of internet banking platforms

### Consumer protection in the digital age

Keeping pace with the fast-moving digital age, the HKMA continually reviews and strengthens consumer protection policies for digital financial services. Notably, given recent developments in GenAI, the HKMA issued a circular in August on consumer protection related to the use of GenAI in customer-facing applications. This circular sets out guiding principles in four major areas, namely governance and accountability; fairness; transparency and disclosure; and data privacy and protection. We have also been encouraging banks to explore the use of artificial intelligence to enhance consumer protection, such as identifying customers who are most likely to be vulnerable, and providing more targeted alerts to help prevent frauds.

### HKMA circular on consumer protection in respect of the use of GenAI

#### Governance and accountability



- Assess the impact of GenAI applications through an appropriate committee
- Clearly define the scope of GenAI applications
- Develop clear policies and procedures on responsible use of GenAI
- During the early stage of GenAI deployment, adopt a "human-in-the-loop" approach, i.e. have a human retain control in the decision-making process

#### Fairness



- Ensure model-generated outputs will not lead to unfair bias against any customers or groups of customers
- During the early stage of GenAI deployment, provide customers with the option to opt out and request human intervention on GenAI-generated decisions at their discretion

#### Transparency and disclosure



- Communicate with customers on the use and purpose of adopting GenAI as well as the limitations of such models

#### Data privacy and protection



- Comply with relevant recommendations and good practices issued by the Office of the Privacy Commissioner for Personal Data

## Banking Stability

### Handling of customers' loss in relation to scams

To better support customers and AIs in resolving claims against losses suffered by customers as a result of scams, the HKMA has commenced discussions with AIs to explore a more aligned and consistent approach for handling such claims.

### Cross-boundary credit referencing

The HKMA and the People's Bank of China signed a Memorandum of Understanding (MoU) in 2024 to set out co-operative arrangements for facilitating and conducting pilots to take forward the development of cross-boundary credit referencing. These co-operative arrangements cover pilot operations of two-way transfers of credit information through data connections between credit reference agencies (CRAs) in Hong Kong and the Mainland. A number of pilots were successfully conducted under the MoU to help industry participants explore use cases for cross-boundary credit referencing and to test the technical and operational co-operation between CRAs in a controlled environment.

To promote the participation of AIs in these pilots, and safeguard the data involved during the cross-boundary flow of credit and personal information within the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), the HKMA issued two circulars in June to set out the relevant regulatory requirements.

### Culture dialogues

The HKMA has been holding discussions with senior AI management since 2019 to discuss the effectiveness of their enhancement efforts on culture-related matters and provide supervisory feedback. During 2024, the HKMA conducted seven such culture dialogue meetings with AIs.

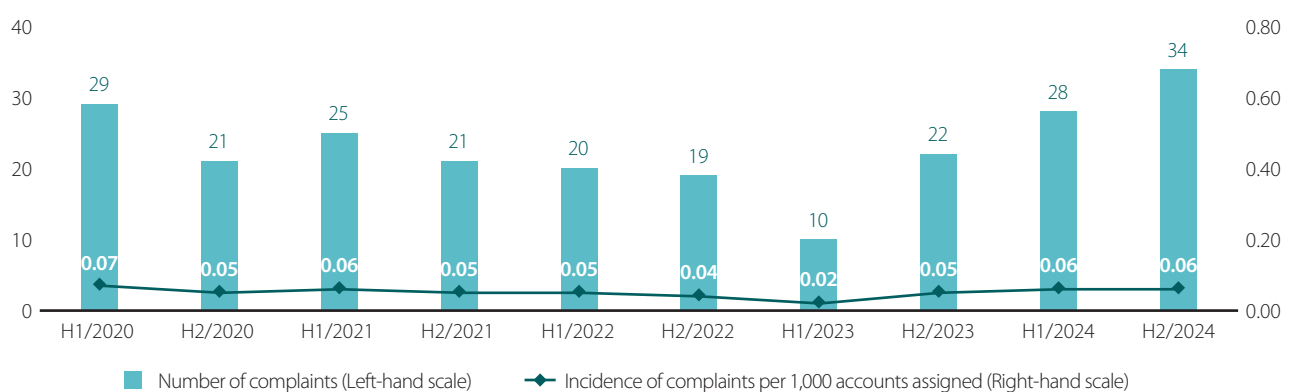
### Addressing the risks of hiring individuals with misconduct

The Mandatory Reference Checking (MRC) Scheme, an industry-led initiative endorsed by the HKMA and an important component for enhancing bank culture in Hong Kong, is aimed at tackling the "rolling bad apples"<sup>16</sup> phenomenon in the local banking sector. Following its successful launch in 2023, the HKMA has been monitoring AIs' implementation of this scheme. During 2024, we commenced a consultation to gather industry feedback and experience gained in the MRC Scheme's implementation, with a view to facilitating a review of the Scheme to be led by the industry associations.

### Customer complaints relating to debt collection agents employed by AIs

The number of complaints received by AIs about their debt collection agents (DCAs) increased to 62 from 32 in 2023, along with an increase in the number of accounts assigned to DCAs (Chart 3). The HKMA will continue to monitor AIs' involvement with DCAs.

**Chart 3** Complaints received by AIs about their debt collection agents



<sup>16</sup> "Rolling bad apples" refers to the situation where individuals who have engaged in misconduct behaviour in one institution can obtain employment elsewhere without disclosing their earlier misconduct to the new employer.

## Banking Stability

### Credit Data Smart

The HKMA has continued to work closely with HKAB, the Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies, and the Hong Kong S.A.R. Licensed Money Lenders Association Limited, to introduce more than one consumer CRA in Hong Kong through the Credit Data Smart project, with a view to enhancing the service quality of consumer CRAs and reducing the operational risk of having only one commercially-run service provider in the market, particularly the risk of single point of failure.

A Credit Data Smart pilot programme was successfully completed in April, under which individual participants obtained their consumer credit reports from the selected CRAs to review the data accuracy and assess their overall service performance. Following its completion, the Credit Data Smart service was made available to the public in April. After a few more months of preparation, the migration of consumer credit reference services to Credit Data Smart was completed in November. This marked an important milestone in the reform of the consumer credit reference services market in Hong Kong.



香港金融管理局 Hong Kong Monetary Authority

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## Banking Stability

### Financial inclusion

#### Supporting vulnerable customers

As part of its efforts to foster financial inclusion, the HKMA has undertaken a consumer education initiative in collaboration with the Consumer Council, aimed at educating vulnerable customers about the proper use of banking services and strengthening their ability to guard against scams. Under this initiative, we have been developing virtual reality (VR) games with a view to enhancing the financial awareness of consumers in an interactive and simulated environment. One of these games was launched in December to educate the public on how to use credit cards responsibly.

Additionally, in support of the HKMA's call to promote financial inclusion, a retail bank sent staff to visit nine transitional housing sites during the year to provide banking services to residents and organise activities aimed at enhancing their financial literacy and understanding of anti-fraud measures.

#### One-stop datasets of physical banking facilities

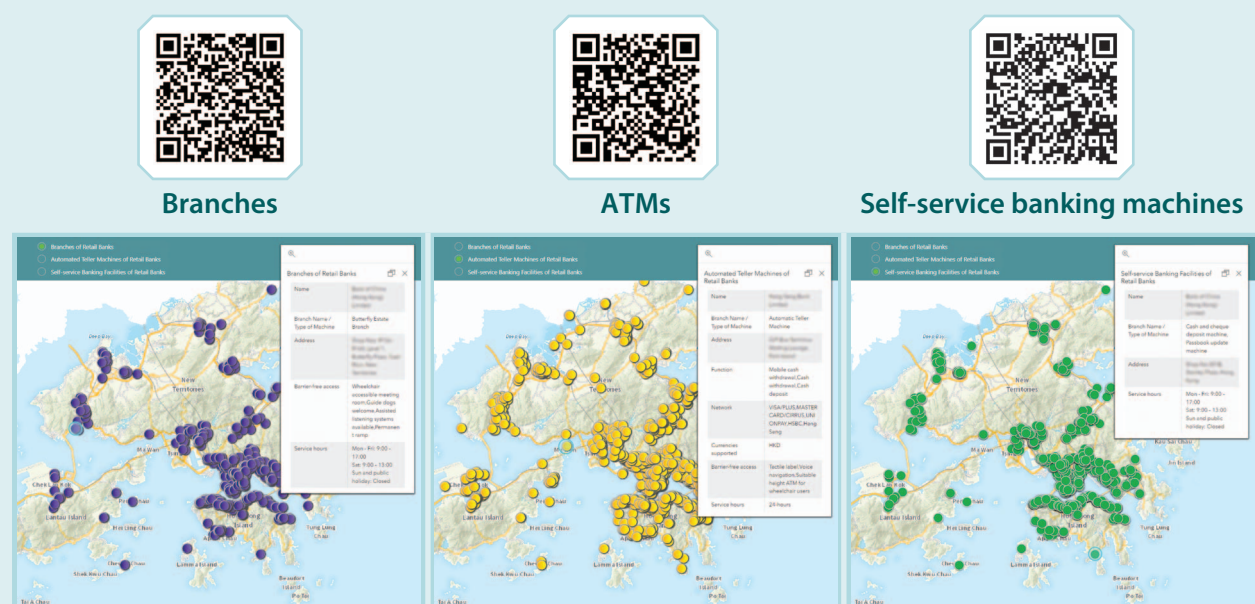
In December, the HKMA launched an additional spatial dataset for public use, providing information on five types of self-service banking machines provided by 20 retail banks in

Hong Kong. The new dataset encompasses information on cash deposit machines, cheque deposit machines, integrated cash and cheque deposit machines, passbook update machines, and video teller machines. Together with two earlier datasets on physical branches and ATMs launched in 2023, the HKMA's website now provides three one-stop datasets of physical banking facilities via Open Application Programming Interface (Open API) to enable app developers, technology service providers and the public at large to make use of the open information for any potential applications development.

In addition, the two earlier datasets have been enriched with more information to make the database more comprehensive. Enhancements include the addition of information on barrier-free measures at branches and ATMs, ATM functions, ATM networks, and currencies available for deposit and withdrawal through ATMs. To complement the adoption of these three datasets, the HKMA has continued to work with the DPO to display relevant information about physical branches, ATMs and the five types of self-service machines on a digital map on DPO's Open Data Portal.

More details of the HKMA's financial inclusion initiatives can be found in the *Sustainable HKMA* chapter of our *Sustainability Report 2024*.

The HKMA's Open API portal:



Information on physical branches, ATMs and self-service machines is showcased on a digital map on the DPO's Open Data Portal

## Banking Stability

### Opening and maintaining bank accounts

The HKMA continues to demonstrate its commitment to promoting access to banking services and improving customer experience by working closely with the business community on matters related to bank account opening and maintenance. The HKMA's dedicated Account Opening and Maintenance Team handles and follows up enquiries received from both the public and the business community through a dedicated email account and hotline. Feedback collected is communicated to the banking industry to strengthen their understanding of issues of common interest. To ensure that public enquiries are handled efficiently, a new performance pledge was introduced in 2024, setting out the aim of answering an enquiry or issuing an interim reply within seven working days after its day of receipt. During 2024, the team successfully met this performance pledge, achieving a 100% rate of meeting the target timeframe.

In collaboration with the SFC in May, we organised a briefing session for banks to promote interactive exchanges and enhance their understanding of the relevant requirements under the new licensing regime for Virtual Asset Trading Platforms (VATPs), including bank account services. About 50 representatives from banks attended this session.



*Briefing session for banks on new licensing regime for VATPs*

The average unsuccessful rate for account opening applications is currently about 4%, representing a significant improvement from around 10% in early 2016. In 2024, about 10,000 Simple Bank Accounts were opened by banks to meet the needs of SMEs and start-ups that require only basic banking services, with the cumulative total number of such accounts increasing to over 32,000 since the service was introduced.



## Banking Stability

### Deposit protection

Following the release of the consultation conclusions on enhancements to the Deposit Protection Scheme (DPS) in February, the Deposit Protection Scheme (Amendment) Bill 2024 was passed by the Legislative Council and subsequently gazetted in July. The enhancement measures have since been implemented in two phases. The first phase, covering the enhanced deposit protection limit of HK\$800,000, the refined levy system and the streamlined negative disclosure requirement on non-protected deposit transactions for private banking customers, took effect on 1 October 2024. The second phase, including enhanced coverage to affected depositors in the event of a bank merger or acquisition and the requirement for scheme members to display the DPS Membership Sign on their electronic banking platforms, came into effect on 1 January 2025.

The Hong Kong Deposit Protection Board (HKDPB) aims to provide depositors with swift payout in the unlikely event that a payout is triggered. During the year, a drill was conducted in collaboration with participant banks of the Faster Payment System (FPS), the payout agent bank, and Hong Kong Interbank Clearing Limited to test the electronic channel for processing compensation payments. The drill was successfully completed without any major issues identified. The HKDPB is now continuing its programme to monitor and ensure scheme members' readiness in submitting information in compliance with the Information System Guideline.

Promoting public awareness and understanding of the DPS is key to maintaining its effectiveness. With this in mind, the HKDPB has intensified its efforts to reinforce the image of the DPS as the "Guardian of Deposits" with a new TV commercial themed "Superhero Ah Po's DPS Accessories" and a publicity campaign using "The DPS Promotional Wagon". The HKDPB has also expanded the impact of these multi-media advertising and publicity campaigns by launching a DPS WeChat Page to reach users across various social media platforms. In addition, the HKDPB has launched a "Save Smart with the DPS" social media campaign, collaborating with four key opinion leaders to share their personal savings stories with DPS messages incorporated. During 2024, the HKDPB also conducted its seventh "Hongkongers' Sense of Security on Savings" survey to monitor the public's saving behaviour.



Mr Donald Chen (right), Executive Director (Banking Policy), and Ms Connie Lau (left), Chairman of HKDPB, at a press conference to announce its consultation conclusions on enhancements to the DPS



HKDPB information leaflet and poster to raise public awareness of the DPS enhancement measures



TV commercial and the DPS Promotional Wagon to promote the DPS enhancement measures



## Banking Stability

### Banking complaints

During 2024, 3,464 customer complaints about banking services were received by the HKMA, an increase of 12% over 2023. The handling of 3,405 cases was completed during the year, all within the response timelines stated in the HKMA's performance pledges (Tables 5 and 6).

Table 5

#### Banking complaints received by the HKMA

	2024			2023
	Conduct-related issues	General banking services	Total	Total
Received during the year	253	3,211	3,464	3,102
Handling completed during the year	295	3,110	3,405	3,287

Table 6

#### Response time in handling banking complaints

Items	Performance Pledges	Achievement Rate in 2024
Preliminary responses to complaints	10 working days	100%
Replies to complaint-related enquiries	15 working days	100%

In total, 30% of the complaints received during the year were related to the operation of banking accounts. These mainly concerned banks' requests for additional information for enhanced due diligence purposes, or restrictions placed on accounts triggered by enhanced monitoring in response to the increasingly serious fraud landscape. The HKMA has followed up with the banks and requested them to improve customer communication, so as to promote understanding of the importance of these actions in combating fraud.

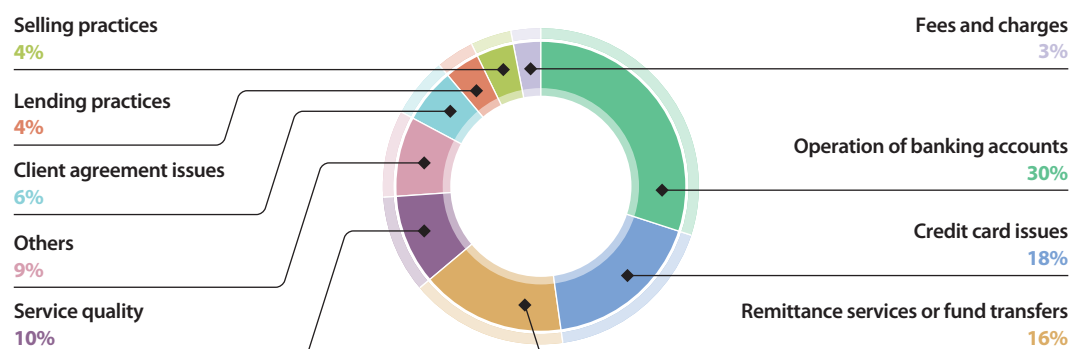
Credit card issues constituted the second major category of complaints. These primarily involved disputes related to credit card transactions, unauthorised transactions, and the operation of credit card reward schemes.

The third most common type of complaint involved remittance services or fund transfer disputes. A typical issue was complainants' dissatisfaction with the banks' failure to return the funds transferred by the complainants to suspicious or fraudulent accounts (Chart 4).

It is worth noting that the number of fraud-and scam-related banking complaints dropped by 31% to 828 cases in 2024, following the HKMA's roll-out of various measures in 2023 to strengthen the security of credit card and electronic banking services. That said, the number of such complaints remains high and the momentum on anti-fraud and anti-scam efforts will be maintained.

Chart 4

#### Analysis of banking complaints received in 2024



## Banking Stability

### Sharing insights and good practices with the banking industry

To share useful insights with the industry on the latest complaint trends, the HKMA issued two Complaints Watch newsletters in 2024, covering topical issues such as e-communication with customers; reporting of conduct incidents; the handling of enquiries about deceased persons' accounts; and providing mortgage related information in property transactions. These newsletters also shared good practices that Als could adopt to improve their services.

### Ombudsman's Awards for Officers of Public Organisations

Two HKMA staff members, Ms Katherine Choi, Manager of the Complaint Processing Centre, and Ms Jackie Lam, Senior Officer of the Corporate Services Department, received Ombudsman's Awards for Officers of Public Organisations 2024 in recognition of their efforts in promoting a culture of service excellence and upholding the highest standards of professionalism in the handling of complaints and public enquiries.



*Ms Katherine Choi (third from left), Manager (Complaint Processing Centre); and Ms Jackie Lam (second from left), Senior Officer (Corporate Services Department), at the awards ceremony with Mr Jack Chan (third from right), The Ombudsman*

## Banking Stability

### Enforcement

The HKMA is responsible for investigating potential breaches of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance and the Payment Systems and Stored Value Facilities Ordinance (PSSVFO). As the frontline supervisor of AIs, the HKMA also conducts investigations into potential breaches concerning AIs' securities, insurance and MPF intermediary activities, and provides the findings to the SFC, the IA and the MPFA, respectively, to support their consideration of enforcement decisions. Insofar as the front-line staff of AIs engaged in the securities business are concerned, the HKMA has the power under the BO to restrict, or temporarily restrict, them from undertaking such activities.

In 2024, we completed 295 investigations and assessments. Disciplinary actions were taken against four AIs and one SVF licensee for deficiencies in their AML/CFT controls. A common issue found was deficiency in the transaction monitoring system. More details of these cases are set out in Table 7.

Separately, the HKMA suspended the registration of a staff member of one AI for nine months because of his fabrication of a client's signature on a time deposit application form.

**Table 7** Disciplinary action taken with respect to deficiencies in AML controls

- One AI failed to resolve the system setting issues of its transaction monitoring system for a number of years. As a result, the AI accumulated a significant backlog of transaction alerts that required review, resulting in delays in filing suspicious transactions reports.
- Owing to a lack of adequate guidance for staff in examining transaction alerts and documenting relevant findings, one AI failed to identify some suspicious transactions or set out the findings in writing when reviewing the transaction alerts.
- One AI did not have effective procedures for managing system changes and performing user acceptance tests. Deficiencies were found in its controls for the transmission of transaction data from the core banking system to the transaction monitoring system.
- Owing to inadequate input control and user acceptance tests, one AI failed to implement certain rules in its transaction monitoring system in accordance with the defined parameters, thresholds and scoring logics. This resulted in fewer alerts being generated for review.
- Owing to a policy deficiency, an SVF licensee did not conduct due diligence on some customers involved in information requests from law enforcement agencies concerning potential scams. Ineffective controls for high-risk situations also caused delays in filing suspicious transactions.

## Banking Stability

Apart from the above cases in which the HKMA exercised its own disciplinary powers, we undertook investigations and shared our findings with respect to 51 conduct-related cases to the SFC, the IA and the MPFA for consideration of enforcement actions. Wrongdoers were disciplined as a consequence of the HKMA's collaboration with the fellow financial regulators. For example, the MPFA reprimanded and fined an AI HK\$24 million for breaches of the prohibition of offering incentives and allowing unregistered persons to perform regulated activities. The former executive of the AI accountable for the breaches was reprimanded and disqualified by the MPFA from being approved as a responsible officer of an MPF principal intermediary for 18 months. In another case, subsequent to the HKMA's investigation and referral, the IA suspended the licence of a technical representative of an AI for two months in light of his misappropriation of gift vouchers.

The HKMA also issued 46 compliance advice letters to AIs and their staff to address areas of regulatory concerns and promote regulatory compliance.

### Proposed extension of investigation and enforcement powers under the Banking Ordinance

During the year, the HKMA reviewed the adequacy of its investigation and enforcement powers under the BO to ensure that the Monetary Authority retains the necessary powers to effectively perform its functions under the Ordinance, despite the rapid developments in the financial markets. The review identified room for enhancing the Monetary Authority's regulatory toolkit to proportionately address and deter misconduct or improper business practices by the institutions under its supervision. Based on the review findings and with reference to similar powers available to the SFC, the IA and the MPFA, the HKMA formulated a set of proposals to strengthen its investigation and enforcement powers over AIs and AMBs.

With support from these other financial regulators, the HKMA consulted the industry and the Consumer Council in 2024 regarding its proposals. To facilitate understanding of the proposals and their rationale, we conducted two briefing sessions, attended by 380 participants from 94 banks.

### Banking Industry Integrity Charter

In October, the HKMA and HKAB co-hosted a launch ceremony for the Banking Industry Integrity Charter introduced by the Independent Commission Against Corruption (ICAC). The Integrity Charter is part of the ICAC's efforts to empower banks to combat and prevent corruption through PPPs and promote a high-integrity culture within the private sector. The ceremony was attended by senior management representatives from 30 banks, as well as from the HKCBA and the Private Wealth Management Association (PWMA). Over 40 banks have so far adopted the Integrity Charter.



Mr Eddie Yue (fifth from right, first row), Chief Executive; and Mr Danny Woo (fifth from left, first row), Commissioner of the ICAC, join the launching ceremony of the Banking Industry Integrity Charter with senior executives of banks

### Capacity building in the banking sector

In collaboration with the Government, the Hong Kong Institute of Bankers (HKIB) and other industry stakeholders, the HKMA embarked upon a series of initiatives to build the banking sector's capacity.

Under the talent development strategy of "Connecting Talent to the Future", the HKMA's efforts have focused on two fronts:

1. Connecting the younger generation to the banking industry – attracting talented young people to the banking industry and nurturing them to build a sustainable pipeline of future talent, and
2. Connecting the banking workforce to the future of banking – upskilling and reskilling existing practitioners to ensure they can meet the future needs of the industry.

## Banking Stability

### Attracting and nurturing future talent

#### Future Banking Bridging Programme

With this initiative having attracted an overwhelming response from university students, the HKMA conducted the fourth round of the programme in November. More than 300 students aspiring to pursue a career in banking took part, receiving professional training from industry experts, working with their peers from other universities on group projects, and enjoying job shadowing opportunities. A highlight of the programme is a one-to-one dialogue with around 60 bankers, who share first-hand advice on developing a banking career. Over 1,000 university students have now undertaken the programme since its inception in 2021.



University students join the Future Banking Bridging Programme

#### Apprenticeship Programme for Private Wealth Management

Building on the success of previous years, the HKMA and PWMA co-organised a new round of the programme to equip university students with practical skills and work experience for a career in the private wealth management industry. A Recruitment Day for a new batch of apprentices in 2025 was conducted in November and attracted around 600 students. In addition to visiting recruitment booths of individual firms, the students received tailored advice and assistance on job searching, resumé writing and job interviews from the Career Clinic initiative during the event. Since its inception in 2017, this programme has offered university students more than 440 apprenticeship opportunities.



University students attend a Recruitment Day for the Apprenticeship Programme for Private Wealth Management



## Banking Stability

### Banking Career Talk Series

Together with the banking industry and the HKIB, the HKMA organises a Banking Career Talk Series at Hong Kong universities, providing students with insights into the latest developments and trending job roles in the banking industry. During 2024, these talks attracted more than 750 students from different universities and disciplines. Bankers were invited to share their valuable knowledge and experience to help students better prepare themselves for jobs in the banking industry.

### Career guidance for secondary school students

To foster the next generation's interest in the banking industry at an early stage, the HKMA organises a range of activities with secondary school students and teachers. During the summer of 2024, another round of the "Future Banker – Planning for Future Career Programme" was held in collaboration with the Education Bureau for more than 80 senior secondary students. The programme included an experimental workshop and competition on digital banking knowledge, utilising GenAI. In addition, a talk on pursuing careers in banking was organised in December for more than 800 secondary school students and teachers.

The HKMA also partnered with the Education Bureau and the HKCBA to organise a Young Bankers' Summer Programme for about 25 students and teachers, with the HKMA providing an introduction to the evolution of Hong Kong's banking and financial system and its work on banking supervision.



Senior secondary students attend the "Future Banker – Planning for Future Career Programme"



Students gain knowledge of digital banking through GenAI



Students and their teachers attend the Young Bankers' Summer Programme



## Banking Stability

### Upskilling and reskilling the banking workforce

#### Skills Transformation and Empowerment Programme

With the aim of enhancing banks' manpower planning and increasing the momentum of upskilling and reskilling in the banking sector, the HKMA updated the SPM module on "Competence and Ethical Behaviour" in 2024, providing banks with additional guidance on talent management. A new Survey on Talent Development was also conducted to help the banks better keep track of their talent development efforts.

#### Enhanced Competency Framework

The Enhanced Competency Framework (ECF) for Banking Practitioners was developed in collaboration with the banking industry and relevant professional bodies, with the aim of facilitating talent development and enhancing the level of professional competence of banking practitioners. In November 2024, a Professional Level programme of the ECF module on Green and Sustainable Finance was launched for middle-level and senior-level banking practitioners, following the launch of the Core Level in July 2023. By the end of 2024, more than 21,000 banking practitioners had obtained certifications in various professional areas under the ECF.

#### Regulator's Dialogue

The Regulator's Dialogue series revamped in 2024. Since its launch in 2011, this initiative has been well recognised by the banking sector as an effective platform for exchanging views among bankers and the HKMA. It was originally organised for banking practitioners to keep them updated on topical banking issues and the latest regulatory developments. Given the important role of board members and the objective of promoting interactive dialogue among bankers at all levels, we expanded the Regulator's Dialogue to cover bank directors starting from 2024.

During 2024, two dialogue sessions were conducted, with the March session covering the HKMA's approach to conduct and culture supervision and the May session focusing on latest developments in the HKMA's supervisory role of AML/CFT efforts. About 1,000 bank directors, senior bankers and other banking practitioners attended the two sessions.



Banking industry representatives attend the Regulator's Dialogue on "HKMA's Approach to Conduct and Culture Supervision" in March

## Banking Stability



Banking industry representatives attend the Regulator's Dialogue on "Recent developments in the Supervision of Anti-Money Laundering and Counter-Financing of Terrorism" in May

### Cross-boundary flows of banking talent

In view of the importance of the GBA to further development of Hong Kong's banking business, the HKMA and the HKIB co-organised a cross-boundary study tour to Nansha, Guangzhou in August. This enabled 35 senior bankers to deepen their understanding of technological innovations and the latest developments in macro-economic and financial markets in the Mainland.



Senior executives of the banking industry take part in the cross-boundary study tour to Nansha, Guangzhou

### Talent engagement

In March, the HKMA supported HKAB in hosting a panel discussion on diversity and inclusion for the purposes of talent engagement. The discussion demonstrated to about 200 young bankers and university students that the banking industry welcomes individuals with diverse knowledge and skills from various backgrounds, and fosters an inclusive environment where talented people are empowered to contribute their best to the industry's development.



Mr Eddie Yue (third from left, first row), Chief Executive; Ms Bonnie Chan (third from right, first row), Chief Executive Officer of Hong Kong Exchanges and Clearing Limited; Ms Julia Leung (second from left, first row), Chief Executive Officer of the SFC; Ms Luanne Lim (centre, first row), the then Chairperson of HKAB; and Mrs Betty Yuen (second from right, first row), the then Chairman of The Hong Kong General Chamber of Commerce, share their insights on diversity and inclusion in the workplace with young bankers and university students

## Banking Stability

### Financial market infrastructures oversight

The PSSVFO empowers the Monetary Authority to designate and oversee clearing and settlement systems (CSSs) that are material to the monetary and financial stability of Hong Kong, and to the functioning of Hong Kong as an international financial centre.

The purposes of the PSSVFO include promoting the general safety and efficiency of the designated CSSs:

- the Central Moneymarkets Unit;
- the Hong Kong dollar Clearing House Automated Transfer System (CHATS), including the Hong Kong dollar FPS;
- the US dollar CHATS;
- the euro CHATS;
- the renminbi CHATS, including the renminbi FPS; and
- the Continuous Linked Settlement (CLS) System.

The PSSVFO also provides statutory backing to the finality of settlement for transactions made through the designated CSSs by protecting the settlement finality from insolvency laws and any other laws.

The HKMA also oversees the Hong Kong Trade Repository (HKTR), the OTC derivatives trade repository in Hong Kong. While the HKTR is not a CSS and is thus not designated as such under the PSSVFO, the Monetary Authority will ensure that the HKTR is operated in a safe and efficient manner. This is in line with one of the functions of the Monetary Authority to maintain the stability and integrity of Hong Kong's monetary and financial systems.

### Monitoring and assessment

The HKMA oversees local FMIs under its purview through off-site reviews, continuous monitoring, on-site examinations, and meetings with FMI management. In doing so, the HKMA adopts international standards in its oversight framework. In particular, the requirements under the Principles for Financial Market Infrastructures (PFMI)<sup>17</sup> are incorporated into the HKMA's guidelines for designated CSSs and the HKTR.

The HKMA has completed PFMI assessments on all FMIs under its oversight, each of which has published a Disclosure Framework, a key requirement under the PFMI to improve transparency. The PFMI assessment results and Disclosure Frameworks are available on the HKMA website.

The HKMA has been closely monitoring the operations of the FMIs and the sufficiency and appropriateness of their contingency arrangements. As a result of the HKMA's guidance, FMIs have taken steps to enhance their end-point security and cyber resilience. In addition, the HKMA has been closely monitoring adoption of the ISO 20022 standard<sup>18</sup> for CHATS in Hong Kong to ensure a seamless transition with no adverse impact on the safety and efficiency of the system.

### Technological innovation

The HKMA continues to monitor implementation of the growing innovation efforts by FMIs, such as tokenisation and Central Bank Digital Currencies, with a view to assessing the implications of these initiatives from oversight perspectives under the law.

<sup>17</sup> In April 2012, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions published the PFMI, which constitute the international standards for the oversight of FMIs, including systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories.

<sup>18</sup> ISO 20022 is a global standard for financial messages developed by the International Organization for Standardization (ISO) which provides consistent, rich and structured data to support domestic and cross-border payments. The adoption of ISO 20022 standard for CHATS in Hong Kong in April facilitates Hong Kong's integration with the regional and global banking communities.

## Banking Stability

### International participation and co-operative oversight

The HKMA actively participates in international forums to promote effective oversight of FMIs. As a member of the BIS Committee on Payments and Market Infrastructures (CPMI), the HKMA engages in meetings, working groups and forums to discuss FMI oversight matters. We also attend CPMI meetings, which cover topics such as digital innovations in payments, cross-border payments and FMI risk management. In addition, we contribute to the work of newly-formed working groups and taskforces under the CPMI and the FSB, focusing on enhancing cross-border payments from an oversight perspective; and participate in the CPMI-IOSCO<sup>19</sup> Implementation Monitoring Standing Group, which is responsible for monitoring and assessing the implementation of the PFMI across different jurisdictions.

As a member of the Oversight Forum of Swift<sup>20</sup>, the HKMA discusses oversight matters with other central banks, focusing on Swift's customer security controls framework and cybersecurity issues.

To facilitate efficient communications and consultations, the HKMA has established co-operative oversight arrangements with other relevant authorities. We participate in the international co-operative oversight of the CLS System<sup>21</sup> through the CLS Oversight Committee. During the year, the HKMA attended various meetings of the CLS Oversight Committee to discuss, among others, oversight matters of CLS.

### Independent tribunal and committee

An independent Process Review Committee, whose members are appointed by the Chief Executive of the Hong Kong Special Administrative Region, reviews processes and procedures adopted by the HKMA in applying standards under the PSSVFO to systems in which the HKMA has a legal or beneficial interest. The Committee assesses whether the HKMA has applied consistent procedures to all designated CSSs.

In 2024, the Committee held two meetings and reviewed four regular reports, as well as 36 accompanying oversight activities management reports. The Committee concluded that the HKMA had duly followed internal operational procedures and had been procedurally fair in carrying out its oversight activities. The Committee's annual report submitted to the Financial Secretary is available on the HKMA website.

An independent Payment Systems and Stored Value Facilities Appeals Tribunal hears appeals against decisions of the Monetary Authority on licensing and designation matters under the PSSVFO. There have been no appeals since the establishment of the Tribunal.

<sup>19</sup> CPMI-IOSCO refers to Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions.

<sup>20</sup> Swift is a global messaging network which assists financial institutions to transmit information and instructions in a standardised manner.

<sup>21</sup> The CLS System is a global CSS operated by the CLS Bank to handle cross-border foreign exchange transactions. It enables foreign exchange transactions involving CLS-eligible currencies, including the Hong Kong dollar, to be settled on a payment-versus-payment basis.





## International Financial Centre

In 2024, the HKMA made notable progress in strengthening Hong Kong's position as a globally competitive international financial centre.

Together with its Mainland and Hong Kong counterparts, the HKMA launched a range of initiatives to deepen and widen mutual access between the financial markets of Hong Kong and the Mainland. These included enhancements to the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area; expansion of the scope of eligible collateral for the HKMA's RMB Liquidity Facility and Northbound Swap Connect; refinements to the Northbound Trading of Swap Connect; and enhancements to the Primary Liquidity Providers scheme. These initiatives underpinned Hong Kong's gateway position and reinforced the city's status as a global hub for offshore renminbi business.

The HKMA also made headway in reinforcing the competitiveness of Hong Kong's financial platform in such areas as 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, keeping them well informed about the opportunities in Hong Kong's financial market and its resilience. The success of the third Global Financial Leaders' Investment Summit and various other events helped burnish Hong Kong's image as a leading international financial centre and created positive ripple effects. 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.

Significant progress was made on all fronts of the HKMA's "Fintech 2025" strategy, notably in areas such as Central Bank Digital Currency and data infrastructure.

The number of registrations and turnover for the Faster Payment System continued to grow steadily, with 15.8 million registrations reached by the end of 2024 and the average daily number of Hong Kong dollar real-time transactions for the year rising to 1.65 million. The HKMA is working closely with the People's Bank of China to push forward a linkage between Hong Kong's Faster Payment System and Mainland's Internet Banking Payment System to support cross-boundary payments.



## International Financial Centre

### Overview

Throughout 2024, the HKMA maintained its efforts to strengthen Hong Kong's competitiveness as an international financial centre.

Various expansions and enhancements to the Mainland-Hong Kong Connect schemes were introduced, reinforcing the city's role as a bridge between the Mainland and international financial markets. During the year, 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). In February, the HKMA expanded the list of eligible collateral for the RMB Liquidity Facility to include onshore bonds issued by the Ministry of Finance of the People's Republic of China (CMOF) and policy banks on the Mainland. Relevant authorities in Hong Kong and the Mainland announced further support for offshore investors to use onshore bonds held under Bond Connect as margin collateral for Northbound Swap Connect transactions in July and implemented the measure in January 2025. Furthermore, Northbound Trading of Swap Connect was enhanced in the year, providing investors with more flexibility and efficiency in their hedging strategies and portfolio management.

Hong Kong's offshore renminbi businesses saw robust growth during 2024. The HKMA made enhancements to the Primary Liquidity Providers (PLP) scheme by increasing the number of PLPs and the size of the scheme. Towards the end of the year, the night-time cross-boundary service capability of Hong Kong's renminbi Real Time Gross Settlement System (RTGS) was enhanced to better support cross-border renminbi payment needs around the world.

Facilitative measures to aid businesses and Hong Kong residents under GBA financial co-operation were implemented, including the pilot cases for cross-boundary credit referencing initiative for corporates' cross-boundary financing activities and remittance arrangements for Hong Kong residents' property purchases in the GBA.

The HKMA continued its efforts to enhance the competitiveness of Hong Kong's broader financial platform. Specifically, to raise Hong Kong's appeal as a preferred fund management centre and family office hub, we worked closely with the Government and the financial industry to provide a more facilitative tax and regulatory environment. In addition, we continued to promote innovation in Hong Kong's bond market through a second tokenised bond issuance under Project Evergreen, the introduction of EvergreenHub, a one-stop digital bond knowledge repository, and a grant scheme for digital bond issuances. In October, we launched the Sustainable Finance Action Agenda, which set out concrete goals to further consolidate Hong Kong's position as a regional hub for green and sustainable finance.

Meanwhile, we continued our market outreach activities to promote Hong Kong's financial services to overseas and Mainland stakeholders. In November, we organised the Global Financial Leaders' Investment Summit for the third year. This three-day event brought together prominent financial leaders from around the world to share their unique perspectives under the theme of "Sailing through Changes". The Summit commenced with a keynote address by Mr He Lifeng, Vice Premier of the State Council, followed by a session with the three Mainland financial regulators and panel discussions featuring leaders in global finance. With over 350 participants from more than 120 international financial institutions, the Summit demonstrated the global financial sector's commitment to and confidence in Hong Kong.

## International Financial Centre

The HKMA also hosted a number of other conferences and meetings during the year, including:

- the HKMA-Dubai Financial Services Authority (DFSA) Joint Climate Finance Conference in September;
- the 15th Global Risk Forum co-hosted by the HKMA and the Global Association of Risk Professionals in October;
- the HKMA-Bank for International Settlements (BIS) International Financial Conference, also in October; and
- the Financial Stability Board (FSB) Plenary Meeting in December, which was the first such gathering held in Asia since 2016, bringing together over 50 leaders and senior officials from national financial authorities and 12 international standards-setting bodies.

During the year, the HKMA also proactively strengthened bilateral connections with other jurisdictions. In December, we held bilateral meetings with the Central Bank of the United Arab Emirates (CBUAE) and the Saudi Central Bank (SAMA) in Hong Kong to promote investment and financial market connectivity between the Middle East and Asia. A Memorandum of Understanding (MoU) was signed with the CBUAE to develop connectivity between our bond market infrastructures and facilitate cross-border debt securities issuance and investment activities in the two markets. Earlier, the HKMA visited Doha, Qatar, in October to enhance collaboration between the financial services sectors of the two jurisdictions.

Additionally, the HKMA hosted the seventh Hong Kong-Switzerland Financial Dialogue in December. The discussion covered topics on regional and domestic outlook and policy challenges, as well as latest developments and potential collaboration in the areas of sustainable finance, financial technology (fintech) and market connectivity.

In addition, the HKMA visited Thailand in January and Malaysia in May to meet with central banks, financial institutions and corporates to promote Hong Kong's position as an international financial centre and further strengthen bilateral financial linkages and collaboration. One focus area was the broader use of renminbi and local currencies for cross-border investment and trade settlements along with Hong Kong's value propositions.

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, it co-chairs the Policy and Standards Group of the Basel Committee on Banking Supervision (Basel Committee), as well as the FSB Regional Consultative Group for Asia, and it co-chaired the Financial Innovation Network of the FSB (until July 2024). The HKMA also chairs the BIS Meeting of Governors from Major Emerging Market Economies (EMEs) and the FSB Crypto Framework peer review team. Between 2018 and 2024, 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)<sup>1</sup>.

<sup>1</sup> The EMEAP is a co-operative organisation of central banks and monetary authorities in the East Asia and Pacific region.

## International Financial Centre

Both the Fintech Facilitation Office (FFO) and the banking departments of the HKMA continued to implement the “Fintech 2025” strategy<sup>2</sup> to promote wide adoption of fintech and strengthen Hong Kong’s position as a fintech hub in Asia. Key initiatives implemented during the year included:

- promoting further fintech adoption by banks in five focus areas, including Wealthtech, Insurtech, Greentech, artificial intelligence and distributed ledger technology (DLT);
- advancing work on Central Bank Digital Currencies (CBDCs) to understand their benefits and potential applications, including:
  - advancing the Multiple CBDC Bridge (mBridge) to improve cross-border payments;
  - furthering Hong Kong’s study of the prospects of issuing an e-HKD<sup>3</sup>, and
  - commencing the exploration of CBDC to support tokenisation market development in Hong Kong;
- facilitating lending to small and medium-sized enterprises (SMEs) through Commercial Data Interchange (CDI);
- strengthening cross-border collaboration in fintech; and
- expanding adoption of the Faster Payment System (FPS).

Adoption of the FPS continued to expand in 2024, with its number of registrations and turnover having grown steadily over the past six years. By the end of 2024, the number of registrations had reached 15.8 million, while the average daily number of transactions in 2024 rose 33% from the previous year. Key drivers for the continued rise in transaction volume included increased use of the FPS for settling Government bills, making merchant payments and topping up Stored Value Facility (SVF) e-wallets or bank accounts, in addition to 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 15 licensed SVFs<sup>4</sup> (four of which are SVFs issued by licensed banks) under the Payment Systems and Stored Value Facilities Ordinance (PSSVFO). During the year, we continued to work closely with the industry to step up controls and customer protection against rising fraud risks.

Following a two-month public consultation ending in February on legislative proposals to implement a regulatory regime for stablecoin issuers in Hong Kong, the Financial Services and the Treasury Bureau and the HKMA jointly published the conclusions in July. The Stablecoins Bill was subsequently introduced into the Legislative Council in December. To better understand the business models of stablecoin issuers and formulate a fit-for-purpose regulatory regime, we also launched a Stablecoin Issuer Sandbox and admitted three participants in July. At the same time, we continued our active participation in the work of international bodies on digital asset-related topics including stablecoins and tokenisation, with a view to ensuring alignment of the relevant regulatory frameworks with global standards and best practices.

<sup>2</sup> Unveiled in June 2021, the “Fintech 2025” strategy is aimed at encouraging the financial sector to adopt technology comprehensively by 2025, as well as promoting 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.

<sup>3</sup> e-HKD refers to a CBDC for use by individuals and corporates in Hong Kong.

<sup>4</sup> As at the end of 2024, there were 16 SVF licensees issuing SVFs. For details, please refer to *Register of SVF Licensees* on page 170.

## International Financial Centre

### At a glance: The HKMA's initiatives in 2024 to strengthen Hong Kong's competitiveness as an international financial centre

#### Deepening connectivity between the financial markets of Hong Kong and the Mainland, enhancing Hong Kong's role as an offshore renminbi business hub, and strengthening connections within GBA

- Enhanced Cross-boundary WMC and Northbound Swap Connect
- Expanded the scope of eligible collateral for the HKMA's RMB Liquidity Facility and Northbound Swap Connect to include renminbi bonds issued onshore by the CMOF and the policy banks on the Mainland
- Enhanced the PLP scheme
- Expanded the night-time cross-boundary service capability of Hong Kong's renminbi RTGS to better support cross-border renminbi payment needs around the world
- Supported dim sum bond issuances by the Shenzhen, Guangdong and Hainan governments in Hong Kong
- Collaborated on cross-boundary credit referencing to facilitate corporates' cross-boundary financing activities
- Implemented facilitative measures on the remittances for property purchases in the GBA
- Deepened exchanges between Mainland agencies and financial industry in Hong Kong to identify business opportunities

#### Enhancing financial platform competitiveness

- Promoted bond market innovation through Project Evergreen by assisting the Government to issue the world's first multi-currency digital bond, launching EvergreenHub, a one-stop digital bond knowledge repository, and introducing a Digital Bond Grant Scheme
- Co-hosted seminar on Supporting Mainland Enterprises' Cross-border Financing in Hong Kong with the Department of Foreign Capital and Overseas Investment of the National Development and Reform Commission (NDRC)
- Consolidated Hong Kong's position as a regional green and sustainable finance hub with the launch of the HKMA's Sustainable Finance Action Agenda
- Worked on enhancements of tax concession regimes for family offices and the asset and wealth management industries
- Supported introduction of the new Capital Investment Entrant Scheme
- Continued raising Hong Kong's value proposition as a Corporate Treasury Centre (CTC) hub and financing hub for infrastructure investments
- Launched a study on changes in supply chains and explored ways to strengthen Hong Kong's competitiveness as an international financial centre
- Continued the development of Hong Kong's treasury and over-the-counter (OTC) derivatives markets

#### Strengthening connections with the world

- Hosted a series of international events: Global Financial Leaders' Investment Summit, FSB Plenary Meeting, and HKMA-BIS Joint Conference
- Stepped up market outreach to overseas and Mainland stakeholders to promote Hong Kong's financial services, and laid solid foundation for collaboration with the Middle East and Association of Southeast Asian Nations (ASEAN)
- Actively participated in international central banking and regulatory forums

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### Reinforcing Hong Kong's position as a fintech hub in Asia

- Continued implementation of the HKMA's "Fintech 2025" strategy:
  - Launched a series of cross-sectoral initiatives, including the FiNETech series of events, the Fintech Connect matching platform and the Fintech Knowledge Hub
  - Established the Generative Artificial Intelligence (GenAI) Sandbox with Hong Kong Cyberport Management Company Limited (Cyberport)
  - Launched the Supervisory Incubator for DLT
  - Advanced Project mBridge to reach the Minimum Viable Product (MVP) stage
  - Commenced Phase 2 of the e-HKD Pilot Programme across three main themes and established an industry forum
  - Commenced Project Ensemble to support tokenisation market development in Hong Kong, established the Architecture Community, and launched the Ensemble Sandbox with six tokenisation use cases completed in the initial phase
  - Continued to expand the scope of the cross-boundary digital renminbi (e-CNY) pilot in Hong Kong, so as to facilitate the setting-up and use of e-CNY wallets by Hong Kong residents, as well as the topping-up of e-CNY wallets through the FPS
  - Announced the full operation of the connection arrangement between CDI and the Government's Consented Data Exchange Gateway (CDEG)
- Worked closely with the People's Bank of China (PBoC) to push forward a cross-boundary linkage between Hong Kong's FPS and Mainland's Internet Banking Payment System

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

- Continued to ensure the safe and efficient operation of the RTGS systems, Central Moneymarkets Unit (CMU) and Hong Kong Trade Repository (HKTR)
- Set up CMU OmniClear Limited (CMU Omniclear) to take over the operations and business development of the CMU

### Ensuring the safety and soundness of the local retail payment industry

- Continued to promote the safety and efficiency of local retail payment players including the licensed SVFs and the designated RPSs
- Published the consultation conclusions on regulation for stablecoin issuers and introduced the Stablecoins Bill into the Legislative Council
- Launched the Stablecoin Issuer Sandbox

### Nurturing future finance leaders and strengthening applied research capabilities

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



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### Review of 2024

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

Hong Kong continued to strengthen its position as the leading offshore renminbi business hub, underpinned by strong and continuously improving liquidity, product diversity and infrastructure offerings. Building on its growth momentum in the previous year, offshore renminbi businesses saw a broad-based expansion in 2024, particularly in offshore bank lending.

- **RMB1,075.3 billion**

RMB deposits, including outstanding certificates of deposit, **+3%**

- **RMB15.2 trillion**

RMB trade settlements handled by banks in Hong Kong, **+30%**

- **RMB724.0 billion**

RMB loans, **+64%**

- **RMB1,071.6 billion**

offshore RMB bond issuance<sup>5</sup>, **+37%**

- **Over 70%**

of world's offshore 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 RMB 41.7 billion in 2024 (a 4% increase from 2023) and accounted for around 55% of overall trading turnover by foreign investors in the China Interbank Bond Market.

Meanwhile, the offshore renminbi bond market saw solid growth in 2024. Amongst the issuers, CMOF expanded its issuance in Hong Kong to RMB55 billion during the year. The Shenzhen Municipal People's Government and the People's Government of Hainan Province issued offshore renminbi local government bonds in Hong Kong for the fourth and third consecutive years respectively. In September, the People's Government of Guangdong Province issued its first offshore renminbi bond in Hong Kong, a welcome addition to the list of local government issuers. Together with CMOF bonds, these government issuances help provide the benchmark yield curves that can be referenced by the market.

To deepen financial co-operation between Hong Kong and the Mainland, the HKMA expanded the list of eligible collateral for the HKMA's RMB Liquidity Facility in February to include onshore bonds issued by the CMOF and policy banks on the Mainland, and held under Northbound Bond Connect. Relevant authorities in Hong Kong and the Mainland also announced further support for offshore investors to use onshore bonds held under Bond Connect as margin collateral for Northbound Swap Connect transactions in July and implemented the measure in January 2025. These measures can help vitalise offshore investors' onshore bond holdings and further enhance the attractiveness of onshore bonds.

<sup>5</sup> The methodologies of the HKMA to compile renminbi bond data have been adjusted to cover a wider scope of renminbi bonds issued in Hong Kong.

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In October, the HKMA increased the number of PLPs from nine to 11 and increased the total renminbi repo facility dedicated to all PLPs from RMB18 billion to RMB20 billion. The expansion of the PLP Scheme enhanced offshore renminbi liquidity and was conducive to the continuing development of Hong Kong as the leading offshore renminbi business hub.

In the area of risk management, Northbound Trading of Swap Connect was enhanced in May, providing investors with more flexibility and efficiency in their hedging strategies and portfolio management, and facilitating greater alignment with international practices.

The Cross-boundary WMC has been operating smoothly since its launch in 2021. Up to the end of 2024, 25 eligible Hong Kong banks and 14 eligible Hong Kong licensed corporations had launched Cross-boundary WMC services with their Mainland partner financial institutions. Around 136,400 individual investors had participated in the scheme (including Guangdong, Hong Kong and Macao). In February, Cross-boundary WMC 2.0 was launched. The enhancement measures included refining the eligibility criteria of investors; expanding the scope of participating institutions to include securities firms; expanding the scope of eligible products; increasing the individual investor quota; and further enhancing the promotion and sales arrangements.

The HKMA continued to work on initiatives to support corporates' business operations and the livelihoods of residents in the GBA. To facilitate Hong Kong residents' purchase of properties in Mainland cities within the GBA, measures were announced in January to provide a secure and convenient channel to remit funds through the banking system to the Mainland. Following this, the HKMA continued to work with the banking industry and Mainland authorities to explore further facilitative measures under different scenarios in everyday life.

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

The HKMA organised a variety of industry seminars and round-table discussions involving Mainland regulatory bodies and industry associations during 2024, designed to promote financial co-operation with the Mainland and deepen exchanges between the financial industry and Mainland policymakers and industry players. In December, 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. We also arranged a 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.

### Enhancing financial platform competitiveness

#### Hong Kong's bond market development

##### Hong Kong as the leading international bond issuance hub

According to the International Capital Market Association, Hong Kong was, for the ninth time over the last decade, the largest arranging hub for international bond issuances in Asia in 2024. The volume of Asian international bond issuances arranged in Hong Kong amounted to US\$131.6 billion in 2024, representing around 30% of the market total. In addition, for the seventh consecutive year since 2018, Hong Kong continued to be the largest arranging hub for international green and sustainable issuances from the region, with total volume amassing US\$43.1 billion and capturing 45% of the market in 2024.

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### Seminar on Supporting Mainland Enterprises' Cross-border Financing in Hong Kong

Over the years, Hong Kong has firmly established its role as the premier offshore financing platform for Mainland issuers thanks to its unique connectivity with the international and Mainland capital markets. In 2024, around three quarters of offshore bond issuances by Mainland entities were arranged in Hong Kong. To further leverage Hong Kong's capabilities and strengths as an international financial centre, the NDRC and the HKMA signed an MoU in 2023 with the aim of further supporting Mainland enterprises' cross-border financing in Hong Kong, and promoting the diversified development of the offshore bond market.

In September, as the first joint promotional event under the NDRC-HKMA MoU, the NDRC's Department of Foreign Capital and Overseas Investment and the HKMA co-organised a seminar in Hong Kong on *Supporting Mainland Enterprises' Cross-border Financing in Hong Kong*, with a view to enhancing understanding of the policies and requirements regarding offshore debt among market participants, and encouraging them to leverage Hong Kong's platform for cross-border financing. The seminar was well received by the industry, attracting some 200 participants from Mainland enterprises, industry associations, financial institutions and law firms.

The NDRC delegation, headed by Mr Zheng Chiping, Director-General of the NDRC's Department of Foreign Capital and Overseas Investment, gave a policy briefing on Mainland firms' borrowing of medium to long-term foreign debt, and also participated in the subsequent closed-door round-table discussion session in which the delegation had an in-depth exchange with industry representatives on Mainland's latest developments and policies in connection with the offshore debt market.



Mr Zheng Chiping (right), Director-General of the NDRC's Department of Foreign Capital and Overseas Investment, with Mr Eddie Yue (left), Chief Executive, at the policy briefing session



Mr Zheng Chiping (centre), Director-General of the NDRC's Department of Foreign Capital and Overseas Investment; Mr Zhu Wei (left), Director of the Foreign Debt Division of the NDRC's Department of Foreign Capital and Overseas Investment; and Mr Kenneth Hui (right), Executive Director (External), at the round-table discussion

#### Project Evergreen: promoting innovation in Hong Kong's bond market

The HKMA commenced Project Evergreen in 2021 to explore, demonstrate and advance the application of tokenisation technology in capital markets. We focused initially on the bond market, and assisted the Government in issuing two batches of tokenised green bonds in 2023 and 2024. These have set examples for private sector adoption, with various corporates having since issued digital bonds in Hong Kong, modelling the Government's two issuances. In October, to further scale up the digital securities market and accelerate adoption, we launched EvergreenHub, a one-stop digital bond knowledge repository. This was followed a month later by the launch of the Digital Bond Grant Scheme, offering subsidies to incentivise digital bond issuance in Hong Kong and cultivate the local digital asset ecosystem.

# International Financial Centre

## Project Evergreen: From concept to application

2021  
Nov

### Project Genesis Proof-of-concept of tokenised bonds

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

2023  
Feb

### First tokenised issuance World's first tokenised government green bond

- Proved the compatibility of Hong Kong's legal and regulatory framework in supporting innovative forms of bond issuance
- Completed the full set of bond lifecycle events using DLT, from primary issuance to secondary trading settlement, coupon payment and maturity redemption
- Shortened the settlement cycle for primary issuance from the typical T+5 to T+1

2023  
Aug

### Report on Bond Tokenisation in Hong Kong Blueprint for issuing tokenised bonds in Hong Kong



- Detailed HKMA's experience in issuing the inaugural tokenised government green bond, and laid out the options and considerations of a tokenised issuance from technology, deal structuring and legal and regulatory perspectives
- Provided reference to the market as a blueprint for similar issuances

2024  
Feb

### Second tokenised issuance World's first multi-currency digital bond

- Matched the benchmark sizes of many conventional issuances with an aggregate issuance equivalent to around HK\$6 billion in four major currencies (Hong Kong dollar, renminbi, US dollar, and euro)
- Attracted subscription from a wide spectrum of global investors, ranging from asset managers, banks, insurance companies and private banks to non-financial institutions
- Streamlined the issuance process, adopted machine-readable language and integrated green bond disclosures with digital assets platform

2024  
Oct

### EvergreenHub One-stop digital bond knowledge repository



- Provides issuers, investors and other relevant market participants with a one-stop knowledge repository to reference the HKMA's experience in issuing tokenised bonds, as well as related materials on the technological, legal and operational aspects of digital bond transactions

2024  
Nov

### Digital Bond Grant Scheme Incentive for digital bond issuance in Hong Kong



- Offers a maximum grant of HK\$2.5 million for each eligible digital bond issuance, aimed at incentivising digital bond issuance in Hong Kong and cultivating the local digital asset ecosystem

## WHY

Potentials of tokenisation in transforming the bond market

## EvergreenHub

One-stop digital bond knowledge repository

Understanding the **WHY** and **HOW** of bond tokenisation

## HOW

Key considerations and options in structuring digital bonds, and reference materials for digital bond issuers

## International Financial Centre

### Issuance of Government Bonds

The HKMA, as a representative of the Government, arranges the issuance of bonds under the Government Bond Programme, the Government Sustainable Bond Programme (previously known as the Government Green Bond Programme (GGBP)) and the Infrastructure Bond Programme (IBP).

#### Government Bond Programme

The primary objective of the Government Bond Programme is to promote further sustainable development of the local bond market.

During the year, the HKMA arranged five tenders of institutional government bonds with a total nominal value of HK\$6.5 billion. As at the end of 2024, the total nominal amount of outstanding institutional bonds was HK\$81.5 billion. On the retail front, the total nominal amount of retail bonds outstanding was HK\$96.7 billion.

#### Government Sustainable Bond Programme

Previously known as the GGBP, this is an initiative of the Government to promote the development of green and sustainable finance in Hong Kong, especially the green and sustainable bond market. Since the GGBP's launch in 2018, green bonds worth around HK\$220 billion have been issued, comprising both institutional and retail bonds. During the year, the HKMA assisted the Government in issuing institutional green bonds equivalent in value to nearly HK\$25 billion. More details can be found in the *Enhancing the Green and Sustainable Finance Ecosystem* chapter of our *Sustainability Report 2024*. To cater for the GGBP's expansion to cover sustainable projects, it was renamed the Government Sustainable Bond Programme in 2024.

#### Infrastructure Bond Programme

The Government established the IBP in 2024 to enable better management of the cashflow needs of major infrastructure projects and facilitate their early completion for the good of the economy and people's livelihoods. During the year, the HKMA assisted the Government in issuing close

to HK\$90 billion worth of bonds under the IBP, including HK\$55 billion worth of Silver Bond, HK\$17.7 billion worth of retail infrastructure bond, and around HK\$17 billion worth of institutional infrastructure bonds denominated in Hong Kong dollar and renminbi.

### Asset and wealth management

Hong Kong is Asia's largest private equity hub outside the Mainland, with around US\$229 billion in capital under management and around 650 private equity firms as at the end of 2024. The HKMA has continued to work with stakeholders to enhance Hong Kong's private equity platform. By the end of December, 1,057 Limited Partnership Funds<sup>6</sup> had been established. We are currently working with other Government agencies to review the existing tax concession measures applicable to single family offices, funds and carried interest, and supporting the work of the Task Force on Promoting the Development of Asset and Wealth Management, which was established by the Government in 2024.

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. In particular, the new Capital Investment Entrant Scheme was launched in March and has received positive responses.

### 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 working with the industry to raise awareness of Hong Kong's value proposition as a CTC hub, attracting multinational and Mainland corporates to set up CTCs in Hong Kong.

<sup>6</sup> 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 financing hub for infrastructure investments

The HKMA Infrastructure Financing Facilitation Office (IFFO)<sup>7</sup> continues to facilitate infrastructure investments by providing a knowledge-sharing platform for industry stakeholders such as multilateral financial agencies and development banks, project developers and operators, public sector entities and professional service firms. In June, IFFO co-hosted with Capacity-building Alliance of Sustainable Investment<sup>8</sup> a training workshop in Hong Kong, featuring discussions on global sustainable finance markets, policy frameworks and innovative instruments. In September, during the ninth Belt and Road Summit in Hong Kong, IFFO also co-hosted a thematic breakout session on developing sustainable infrastructure projects.

### Supply chain changes

In 2024, the HKMA established a working group comprising banks and corporates to conduct an in-depth study into changes in supply chains and propose policy recommendations, with a view to strengthening Hong Kong's competitiveness as an international financial centre and trading hub. Some areas being studied by the working group include emerging global trends such as digitalisation and greening of supply chains, as well as potential opportunities for Hong Kong's financial sector amidst supply chain changes.

### Hong Kong's treasury markets

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

During 2024, the HKMA participated in the Global Foreign Exchange Committee and collaborated with the TMA to contribute to the Three-Year Review of the FX Global

Code and promote industry adherence to the Code.

The HKMA adopted some of the recommendations proposed by the TMA CNH Yield Curve Working Group in planning and implementing the various Government bond issuance programmes. The HKMA also worked with the TMA in engaging local market participants to support development of the Hong Kong Dollar Overnight Index Average (HONIA)-linked market, including the continued issuance of HONIA-indexed floating rate notes under the Government's bond issuance programmes.

### Over-the-counter derivatives market

The HKMA has worked closely with the Securities and Futures Commission (SFC) to develop detailed rules for implementing the OTC derivatives regulatory regime, and to monitor systemic risk and enhance transparency in the market. Various aspects of the regulatory regime have been introduced in phases. Following public consultations in 2024 on further enhancements to the regime, an updated list of financial service providers under the mandatory clearing regime was scheduled for implementation in January 2025, to be followed in September 2025 by updated international standards on OTC derivatives reporting under the mandatory reporting regime.

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

### Hong Kong's credit ratings

The HKMA has been maintaining close dialogue with international credit rating agencies to facilitate a balanced and objective assessment of Hong Kong's credit strength and discuss concerns about the rating outlook with these agencies. During the year, S&P Global Ratings and Fitch Ratings maintained Hong Kong's rating at AA+ and AA- respectively. Moody's rating on Hong Kong stands at Aa3.

<sup>7</sup> 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/iff-partners/>).

<sup>8</sup> Capacity-building Alliance of Sustainable Investment is an international co-operation platform initiated by the Beijing Green Finance Association aiming to promote sustainable finance capacity building in Emerging Markets and Developing Economies.

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### Strengthening connections with the world

Throughout the year, the HKMA worked proactively 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.

During 2024, the HKMA conducted more than 380 seminars and speaking engagements, and individual engagements reaching out to local and international audiences, including over 24,000 senior executives and professionals from central banks, institutional investors, pension funds, insurance companies, corporates and family offices.

#### Market outreach analysis

**Engagements conducted**  
**over 380**



Including:

- Summit and dialogues
- Conferences and forums
- Round-tables and meetings
- Webinars

**Audience reached**  
**over 24,000**



Channelled through:

- Financial institutions
- Industry associations
- Chambers of commerce
- International organisations

**Sectors covered**  
**16**



Including:

- Banks
- Hedge funds and private equity funds
- Asset managers and asset owners
- Professional service providers and corporates

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### Global Financial Leaders' Investment Summit

In November, the HKMA organised the Global Financial Leaders' Investment Summit for the third year. Over 350 participants were welcomed, including more than 100 group chairmen or CEOs from the world's top financial institutions.

The Summit commenced with a keynote speech by Mr He Lifeng, Vice Premier of the State Council, who shared his insights into latest developments in the Mainland economy and emphasised the Central Government's strong support for Hong Kong as an international financial centre. Later on, three Mainland financial regulators elaborated on the latest economic and financial policies and outlined measures to support Hong Kong in enhancing its position as an international financial hub. Under the theme "Sailing through Changes", panel discussions centred on how the global financial community could embrace and capture the opportunities arising from developments in the macroeconomic environment, geopolitics, technological innovation and climate change, while managing the attendant risks.

The HKMA plans to organise the Summit annually as a high-level flagship financial event in Asia, providing a platform for constructive dialogue on important issues for the global economy and financial markets, and showcasing Hong Kong's unique appeal as Asia's world city.



*Mr He Lifeng, Vice Premier of the State Council of the People's Republic of China, delivers opening keynote speech at the Global Financial Leaders' Investment Summit*



*Mr Paul Chan, Financial Secretary of the Government of HKSAR, delivers keynote speech at the Global Financial Leaders' Investment Summit*

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### HKMA-BIS Joint Conference

In October, the HKMA and the BIS co-organised a conference for the financial regulatory community. Preceded by the 15th Global Risk Forum co-hosted by the HKMA and the Global Association of Risk Professionals in Hong Kong, the conference brought together over 100 representatives from international bodies, central banks, regulatory authorities, financial institutions, technology firms, consultancy firms and academia around the world to share their insights around the theme of “Opportunities and Challenges of Emerging Technologies in the Financial Ecosystem”.



Mr Eddie Yue, Chief Executive, welcomes delegates to the HKMA-BIS Joint Conference

### FSB Plenary Meeting

The FSB Plenary Meeting took place in Hong Kong at the beginning of December, marking the first time such a meeting has been held in Asia since 2016. The Plenary meeting is one of FSB’s most important events, bringing together over 50 leaders and senior officials from national financial authorities and 12 international standard-setting bodies.

At the meeting, FSB members discussed the global financial stability outlook and issues relevant to emerging markets and developing economies. Other topics covered included climate-related financial risks, crypto-assets and global stablecoins, cross-border payments, and non-bank financial intermediation.

The event provided a crucial platform for international collaboration on financial sector policies, highlighting Hong Kong’s status as an international financial centre and an active member of the global regulatory community.



Mr Yeow Seng Tan (left), Chair of the Operational Resilience Group, Basel Committee on Banking Supervision and Executive Director and Chief Cyber Security Officer, Technology and Cyber Risk Supervision Department of the Monetary Authority of Singapore, moderates a panel discussion titled “How the rise of technology will make or break the future of the financial industry”. With him (from second left) are co-panellists Mr Balbir Bakhshi, Chief Risk Officer of London Stock Exchange Group; Mr James Elwes, Chief Information Officer, Asia Pacific of HSBC; and Mr Til Schuermann, Global Head of Finance and Risk Practice of Oliver Wyman

## International Financial Centre

### Hong Kong as a Fintech Hub in Asia

#### Fintech Adoption in the Banking Sector

As part of the “All banks go Fintech” initiative under its “Fintech 2025” strategy, the HKMA has launched a series of cross-sectoral initiatives, including the FiNETech series of events, the Fintech Connect matching platform and the Fintech Knowledge Hub. Seminars, training sessions, research papers and use case videos were also organised to promote further adoption of Wealthtech, Insurtech, Greentech, artificial intelligence and DLT. The HKMA has also established the GenAI Sandbox in collaboration with Cyberport, as well as the Supervisory Incubator for DLT, to support banks’ responsible adoption of GenAI and DLT respectively. Both initiatives are aimed at providing a secure environment for banks to augment their risk management capabilities and develop related use cases.

See pages 106 to 108 of the *Banking Stability* chapter for more details.

### Central Bank Digital Currency

#### Project mBridge

In collaboration with the Bank of Thailand, the Digital Currency Institute of the PBoC and the CBUAE, mBridge became the most advanced multi-CBDC platform to reach the MVP stage in June, supported by a comprehensive legal framework and a fit-for-purpose governance framework. The SAMA has confirmed to join as a full participant of the mBridge MVP platform.

To advance the platform from the MVP stage to full production, various aspects will continue to be enhanced. Participation from both sectors will also be further widened.



Panel session on mBridge at Hong Kong FinTech Week 2024

#### Project e-HKD+

To strengthen its research on CBDC, the HKMA has continued its studies on the prospect of issuing an e-HKD that can potentially be used by both individuals and corporates, examining the initiative from technical, legal and policy perspectives. Under the three-rail approach adopted for possible implementation of an e-HKD, the HKMA commenced Phase 2 of the e-HKD Pilot Programme in September to delve deeper into innovative use cases across three main themes<sup>9</sup>. As Project e-HKD expands its coverage to include also tokenised deposits, the project has been renamed Project e-HKD+.

The HKMA has also established an e-HKD Industry Forum to provide a collaborative platform for discussing common issues regarding the project.



Mr Howard Lee (right), Deputy Chief Executive; and Mr George Chou (left), Chief Fintech Officer, host a press conference for the commencement of Phase 2 of the e-HKD Pilot Programme

<sup>9</sup> The three main themes are (1) settlement of tokenised assets; (2) programmability; and (3) offline payments.



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### Project Ensemble

To support the development of the tokenisation market in Hong Kong, the HKMA commenced Project Ensemble in March, and established the Architecture Community in May to develop industry standards for supporting interoperability between CBDC, tokenised money and tokenised assets.

The Ensemble Sandbox was launched in August to explore and experiment with tokenisation use cases with the industry. The initial round of experimentation covers tokenisation of both traditional financial assets and real-world assets across four main themes<sup>10</sup>. The initial round of experiments on six tokenisation use cases was completed in collaboration with the SFC and Sandbox participants.

Internationally, the HKMA established partnerships to explore cross-border tokenisation use cases with the Banque de France, the Central Bank of Brazil and the Bank of Thailand.



Members of the Project Ensemble Architecture Community and representatives of participating organisations attend a launch ceremony for Project Ensemble Sandbox

### e-CNY

The HKMA has also continued to work with the Digital Currency Institute of the PBoC to further expand the scope of the e-CNY pilot. As the first place to conduct a cross-boundary e-CNY pilot, Hong Kong has become the first location outside the Mainland to enable its residents to set up personal e-CNY wallets locally using their mobile phone numbers, without the need to open a Mainland bank account. Users can leverage the 24x7 operating hours and real-time transfer feature of the FPS to top up their e-CNY wallets through 17 retail banks (as of 31 December) in Hong Kong. The e-CNY can be used to make payments for both online and offline retail purchases in Mainland pilot areas, providing residents in Hong Kong with an additional safe, convenient and innovative means of cross-boundary payments.

### Commercial Data Interchange

Meanwhile the HKMA continues to drive the digital economy forward with its consent-based financial data infrastructure, CDI, which enhances commercial data sharing and facilitates lending to SMEs. Since its official launch in 2022, CDI has facilitated more than 42,000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$35.4 billion as at the end of December. With CDI now in its third year of operation, robust data partnerships have been established with the participation of 26 banks and 14 data providers.



An SME explains how CDI helps streamline the loan application process<sup>11</sup>

<sup>10</sup> The four main themes are (1) fixed income and investment funds; (2) liquidity management; (3) green and sustainable finance; and (4) trade and supply chain finance.

<sup>11</sup> For more details, see the SME Stories on the CDI website (<https://cdi.hkma.gov.hk/sme-stories/>).

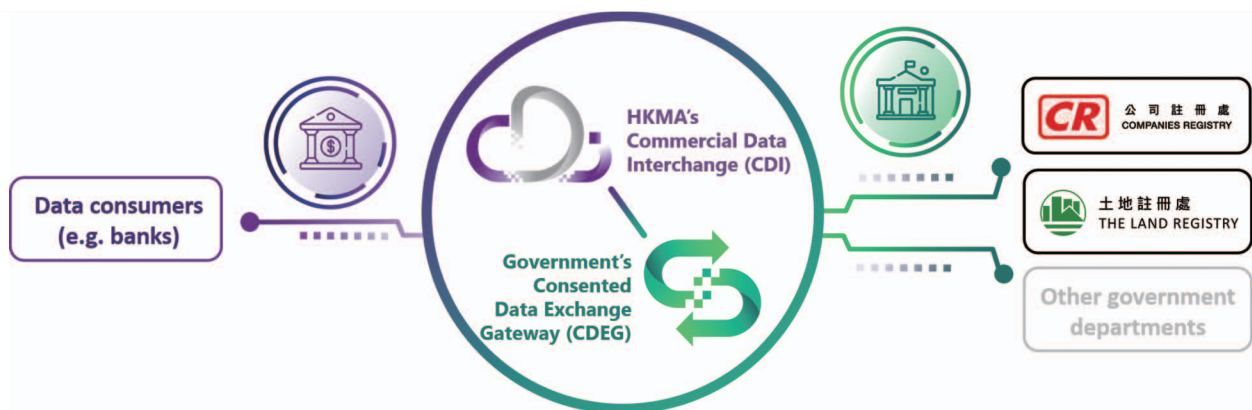
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During the year, the HKMA strengthened its efforts to address the banking industry's demand for government data through CDI. A key milestone was achieved in August with the announcement of the full operation of the connection arrangement between CDI and the Government's CDEG. Through the CDI-CDEG linkage, the Companies Registry is connected to CDI as its first government data source, and the connection arrangement is open to all CDI participating banks.

In a further move to facilitate consented data sharing between Government departments and financial institutions, the HKMA has been working to connect with the Land Registry via the CDI-CDEG linkage in phases from 2025, thereby enhancing mortgage and loan assessments for both individuals and corporates.



Mr Colin Pou (centre), the then Executive Director (Financial Infrastructure), stresses the importance of integrating data from both public and private sources into CDI at a panel session at Hong Kong FinTech Week 2024



Leveraging the CDI-CDEG linkage, CDI is set to welcome the Land Registry as its second government data source in a phased approach starting from 2025

To advance the data analytics functions of CDI, the HKMA commenced a proof-of-concept project on the Commercial Credit Reference Agency (CCRA) 2.0, featuring corporate credit scoring and benchmarking as well as credit modelling based on CDI data elements. Its aim is to streamline the SME lending journey by leveraging the analytics insights derived.

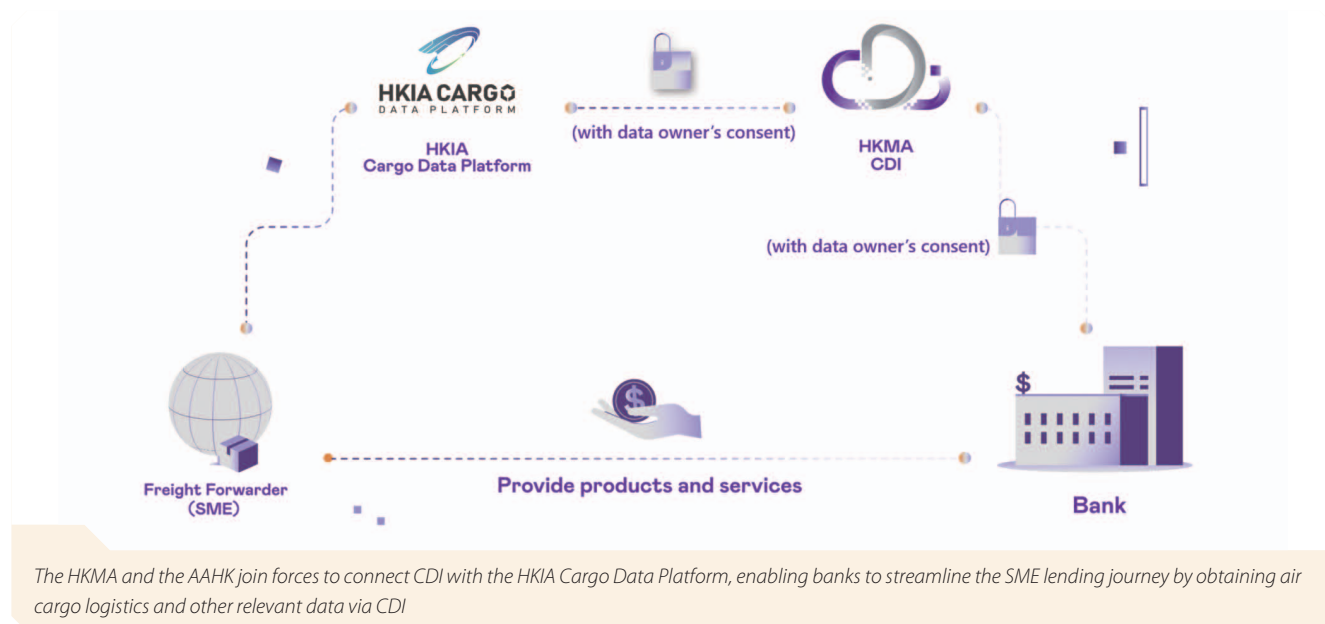


Representatives from banks explore the potential benefits of CCRA 2.0 at a seminar and feedback session

## International Financial Centre

To diversify CDI's data sources and foster cross-sectoral collaboration, the HKMA has also established a new partnership with the Airport Authority Hong Kong (AAHK) to incorporate consented air cargo logistics data from the Hong Kong International Airport (HKIA) Cargo Data Platform into CDI.

Separately, to enhance cross-boundary banking services for SMEs, the HKMA has been actively exploring pilot operations of cross-boundary credit referencing with Mainland credit reference platforms through CDI.



## Talent development

To expand the fintech talent pool, the HKMA has continued to run the Fintech Career Accelerator Scheme (FCAS) in collaboration with its strategic partners to nurture young fintech talent to meet Hong Kong's growing demands. More than 70 students were recruited by the HKMA and over 20 institutions participated in 2024. 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 second edition of IPMN was successfully concluded in 2024, with 120 students from six fintech postgraduate programmes and around 30 financial institutions having taken part in fintech industry projects.



## International Financial Centre

### Fintech Sandbox

The Fintech Supervisory Sandbox (FSS) continued to be extensively used by authorized institutions during the year. By the end of December 2024, a total of 360 pilot trials of fintech initiatives had been allowed in the FSS since its launch in 2016, compared with 323 at the end of 2023. The HKMA also received a total of 911 requests to access the FSS Chatroom, more than 59% of them made by technology firms. Since its introduction in 2017, the Chatroom has provided banks and tech firms with valuable supervisory feedback at the early stages of their fintech projects.

The HKMA rolled out the FSS 3.0 and 3.1 Pilot to offer funding support for fintech projects and assist in their commercialisation and wider adoption. FSS 3.0 facilitated the approval of three projects under the Innovation and Technology Commission's Public Sector Trial Scheme. Following the successful completion of the first round of the FSS 3.1 Pilot funding scheme, the HKMA, in collaboration with Cyberport, launched the second round to provide a subsidy of up to HK\$500,000 per project to a maximum of 10 fintech projects.

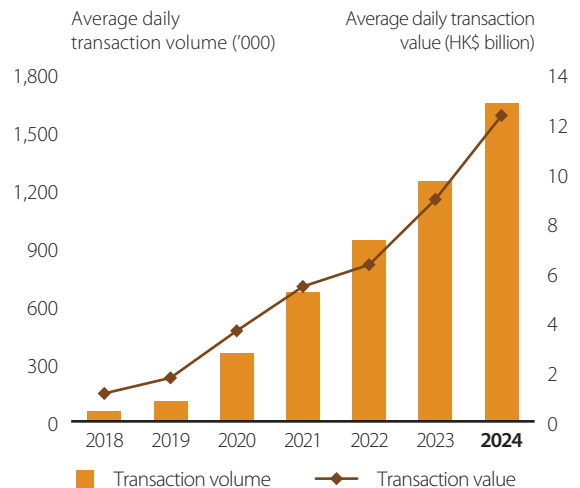
### Faster Payment System

The number of registrations has grown steadily since the launch of the FPS in 2018. As at 31 December, there were 15.8 million registrations for the FPS (Chart 1), representing a 16% increase from the previous year.

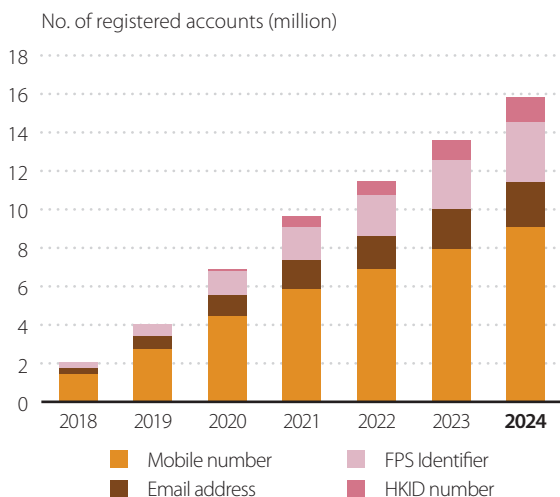
FPS adoption and FPS turnover have continued to grow alongside the increased use of electronic payments. Average daily turnover in Hong Kong dollar and renminbi reached 1.66 million real-time transactions (worth HK\$12.4 billion and RMB593 million) in 2024, 33% higher than in 2023 (see Chart 2 for average daily turnover of Hong Kong dollar).

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



**Chart 1** Registrations of FPS proxy identifiers





## International Financial Centre

The HKMA has been working closely with various Government departments and the banking industry to expand the acceptance of FPS payments. Users can easily scan the FPS QR codes displayed at counters, on bills and on web pages, or use the FPS Web-to-App or App-to-App payment function on mobile applications. More public services such as tunnels, libraries, museums, leisure facilities and Government car parks now accept the FPS for payments of fees and charges. Public usage of the FPS for making payments to the Government continued to expand in 2024. All Government departments now accept the FPS for payments of some of their services. The HKMA will continue to assist the Government in broadening the 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. In 2024, merchant payments surged to an average of 235,000 transactions per day, representing an increase of 26% over 2023. 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 has also contributed to a rise in account top-up transactions made through the FPS. In 2024, the average daily number of top-up transactions rose by 57% compared to the 2023 figure.

The FPS x PromptPay link, jointly launched by the HKMA and the Bank of Thailand for cross-border QR payments between Hong Kong and Thailand, has been operating smoothly since its launch. This linkage with Thailand has established a strong foundation for us to explore the potential of similar collaborations with other jurisdictions. In August, the HKMA signed an MoU with the PBoC to establish a co-operative framework for linking the fast payment systems in the two places. The HKMA is working with the PBoC to push forward a linkage between Hong Kong's FPS and Mainland's Internet Banking Payment System to support cross-boundary payments.

During 2024, the HKMA continued to promote the use of the FPS in a number of other areas:

- Outreach activities were conducted with various industry associations and public bodies to promote the use of the FPS and better understand any difficulties with its adoption. Additionally, meetings were arranged with industry stakeholders, including the Government, banks and SVFs, to discuss possible initiatives to help small businesses embrace e-payment through the use of the FPS. To drive further adoption of the FPS by SMEs and merchants in their business operations, the HKMA has encouraged the banking industry to offer microbusinesses and SMEs simple, easy-to-use and affordable FPS payment solutions. This can help small merchants embrace the era of e-payment, which is also one of the HKMA's goals of promoting financial inclusion.
- To further raise public awareness and highlight the key features and benefits of the FPS, a new series of publicity materials was launched in November, including radio and TV Announcements in the Public Interest. The videos were produced in a lively and engaging manner to illustrate the integration of the FPS into residents' daily lives.





## International Financial Centre

- Promotion campaigns were launched with a series of videos, animations and social media posts to promote new FPS-related services, such as the FPS x PromptPay linkage and the expansion of the cross-boundary e-CNY pilot.



- Joint efforts continued with the industry to promote giving electronic lai sees (e-lai sees) through FPS to go green. Banks and SVFs developed innovative user interfaces to facilitate the giving of e-lai sees and offered incentives to encourage their customers to do so.

### Open Application Programming Interface

Since the launch of the Open Application Programming Interface (Open API) Framework for the Hong Kong Banking Sector in 2018, the number of registered third-party service providers (TSPs) using banks' Open API had been growing steadily. As at December, more than 1,600 registrations from these TSPs for using Open API had been recorded, representing a year-on-year growth of about 9%. Over 66 million banking product applications, account enquiries and payment transactions were completed via Open API in the same month, representing a 46-fold increase compared to the same period in 2023.

### Interbank Account Data Sharing

The HKMA commenced the Interbank Account Data Sharing (IADS) Pilot Programme in January with the aim of allowing customers to share their bank account data with other banks securely and efficiently, subject to customer consent. As at December, 13 banks had launched IADS products, with other banks planning to follow gradually. We also launched the IADS Developer Platform in collaboration with the Hong Kong Science and Technology Parks Corporation. This is a one-stop platform that provides testing account data and simulated application programming interfaces, facilitating the banking industry and technology firms to jointly develop data-driven products and services.



## International Financial Centre

### Shenzhen-Hong Kong cross-boundary data validation platform

The HKMA and the Shenzhen authorities announced the pilot launch of the Shenzhen-Hong Kong cross-boundary data validation platform in May. This platform utilises blockchain technology and data coding for document verification without involving any cross-boundary transfer or storage of the original documents. It provides a credible means for validating the authenticity of documents presented by data owners. During the first phase of its implementation, pilot trials were conducted with cross-boundary use cases in the financial sector, covering the validation of credit referencing reports as well as account opening documents for corporate customers.

### Outreach and collaboration

Since its establishment in March 2016, the FFO has liaised with fintech market players to facilitate the exchange of ideas among stakeholders. During the year, the FFO organised nine events, including panel discussions at Hong Kong FinTech Week 2024. Together, these events attracted over 37,000 attendees from over 100 economies. FFO representatives also spoke at 40 fintech-related events and held over 1,200 meetings with other regulatory authorities, industry organisations, financial institutions, technology firms and start-ups, as well as handling over 140 enquiries from market participants.

The HKMA made further efforts throughout 2024 to strengthen cross-border fintech collaboration, including attending summits and conferences hosted by other jurisdictions.



Mr Paul Chan (fourth from right), Financial Secretary of the Government of HKSAR; Mr Christopher Hui (fourth from left), Secretary for Financial Services and the Treasury; Ms Salina Yan (third from left), Permanent Secretary for Financial Services and the Treasury (Financial Services); Mr Eddie Yue (third from right), Chief Executive, with other guests at Hong Kong FinTech Week 2024



Mr Eddie Yue, Chief Executive, delivers keynote address at Hong Kong FinTech Week 2024



## International Financial Centre

### Hong Kong dollar RTGS system

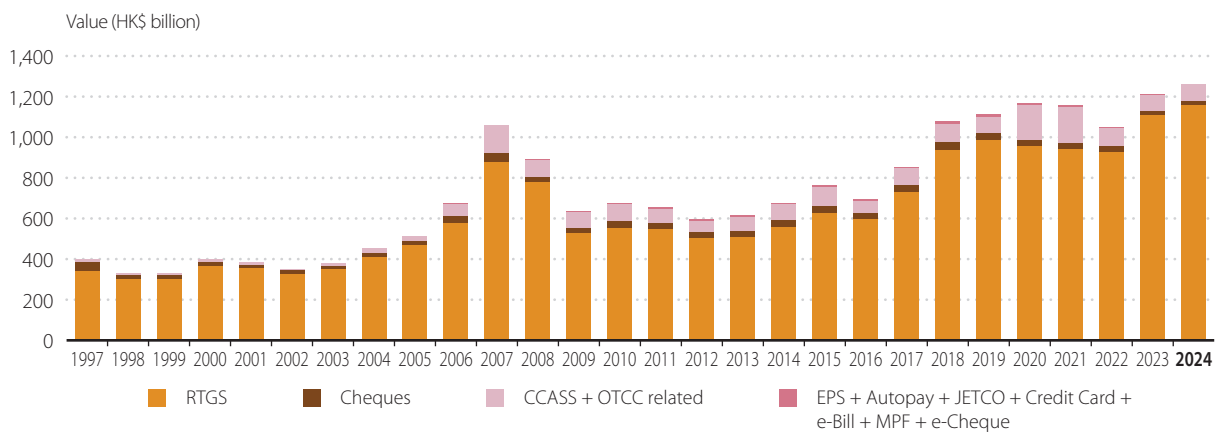
The Hong Kong dollar Clearing House Automated Transfer System (CHATS), which operates on an RTGS basis, is responsible for clearing Hong Kong dollar interbank payments. It continued to run smoothly and efficiently in 2024, with daily average turnover reaching a record high transaction value of HK\$1,156.1 billion (33,491 items), compared with HK\$1,106.1 billion (30,436 items) in 2023.

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). Launched in late 2023, Hong Kong Exchanges and Clearing Limited (HKEX)'s Fast Interface for New Issuance enables the settlement of initial public offering allotment money across banks via RTGS payments, replacing the previous settlement of subscription and refund of over-subscription money via bulk settlement runs.

In September, the HKEX implemented the Severe Weather Trading initiative for the first time under the support of the Government and in collaboration with the HKMA and the SFC. This initiative allows the city's securities and derivatives markets to remain open during severe weather conditions, including the hoisting of typhoon signal No.8 or above, to provide trading, clearing and settlement services to local, Mainland and international investors. CHATS has also been enhanced to support this reform, which is a key step in strengthening Hong Kong's competitiveness as an international financial centre.

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\$12.4 billion (1,652,911 items) in 2024.

**Chart 4** Hong Kong dollar RTGS system average daily turnover



## International Financial Centre

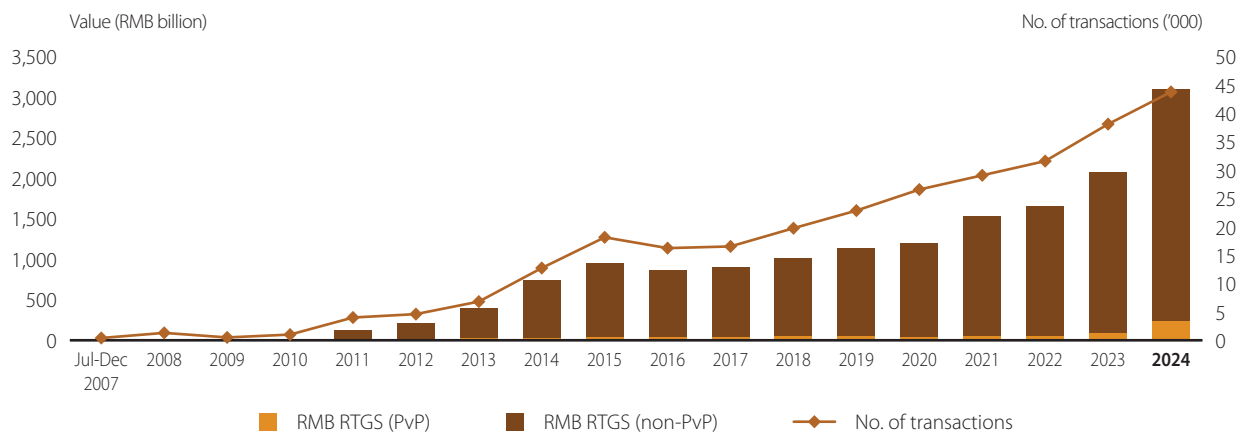
### RTGS systems for other currencies in Hong Kong

The renminbi, US dollar and euro RTGS systems all operated smoothly during 2024. The cut-off time for 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. This extension gives financial institutions around the world a much longer operating window to settle offshore and

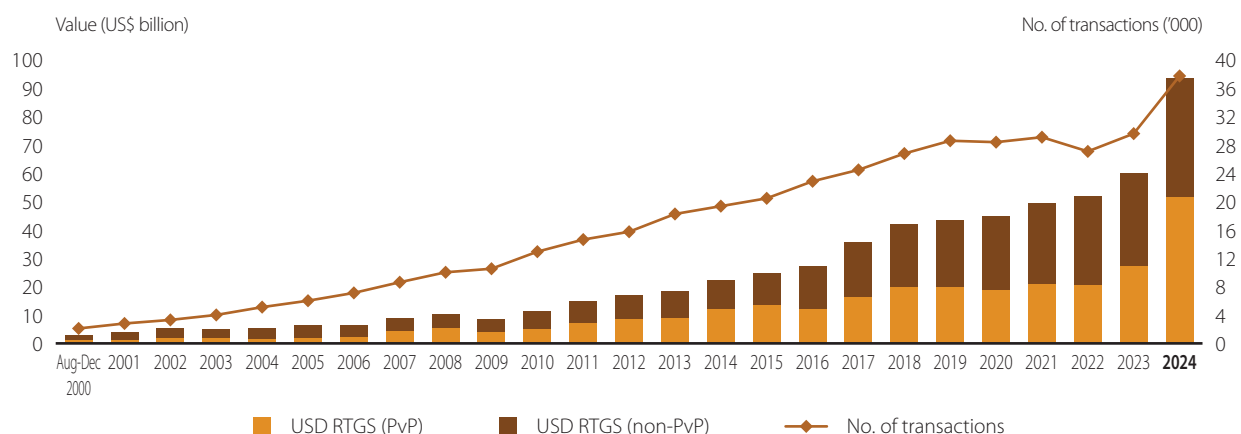
cross-boundary renminbi payments through Hong Kong's infrastructure. The average daily value of Mainland-Hong Kong cross-boundary renminbi payments amounted to around RMB927 billion in 2024, accounting for 30% of total turnover.

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



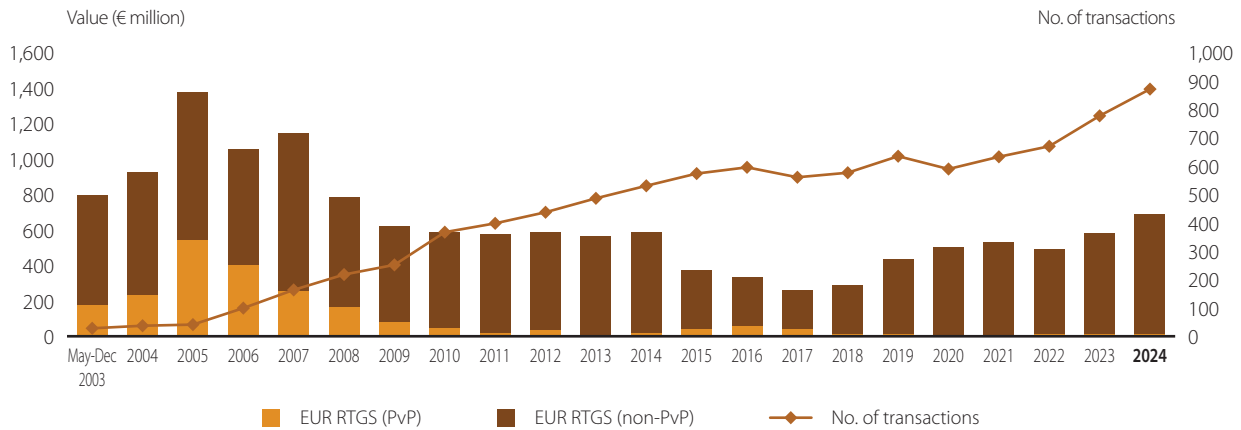
**Chart 6** US dollar RTGS system average daily turnover





## International Financial Centre

**Chart 7** Euro RTGS system average daily turnover



**Table 1** RTGS systems for other currencies

RTGS system	Launch date	Settlement institution or Clearing Bank	Number of participants at end 2024	Average daily turnover in 2024	Average daily transactions in 2024
Renminbi RTGS system	June 2007	Bank of China (Hong Kong) Limited	Direct: 206	RMB3,097.5 billion <sup>a</sup>	43,659
US dollar RTGS system	August 2000	The Hongkong and Shanghai Banking Corporation Limited	Direct: 115 Indirect: 88	US\$93.1 billion <sup>a</sup>	37,613
Euro RTGS system	April 2003	Standard Chartered Bank (Hong Kong) Limited	Direct: 39 Indirect: 18	€686 million	869

a. Average daily turnover represented a record high in 2024.

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 RMB593 million (3,101 items) in 2024.

### Payment-versus-payment

Payment-versus-payment (PvP) is a settlement mechanism for foreign exchange transactions that ensures payments involving two currencies are settled simultaneously. 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 Hong Kong, six cross-currency PvP links have been established connecting the Hong Kong dollar, renminbi, US dollar, and euro RTGS systems. The US dollar RTGS system has also established three cross-border PvP links, namely with

Malaysia's ringgit RTGS system in 2006, Indonesia's rupiah RTGS system in 2010, and Thailand's baht RTGS system in 2014.

To encourage further adoption of PvP, the PvP settlement mechanism was enhanced in February 2023 to enable US dollar-renminbi foreign exchange transactions to be settled on a multilateral netting basis (PvPNet) as scheduled on CHATS, in addition to the current gross mode. PvPNet 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.

In 2024, the transaction values of Hong Kong dollar, renminbi, US dollar and euro-related PvP transactions (including PvPNet) amounted to approximately HK\$21,850 billion, RMB52,132 billion, US\$11,827 billion, and €2,697 million respectively.

## International Financial Centre

### Payment links with the Mainland

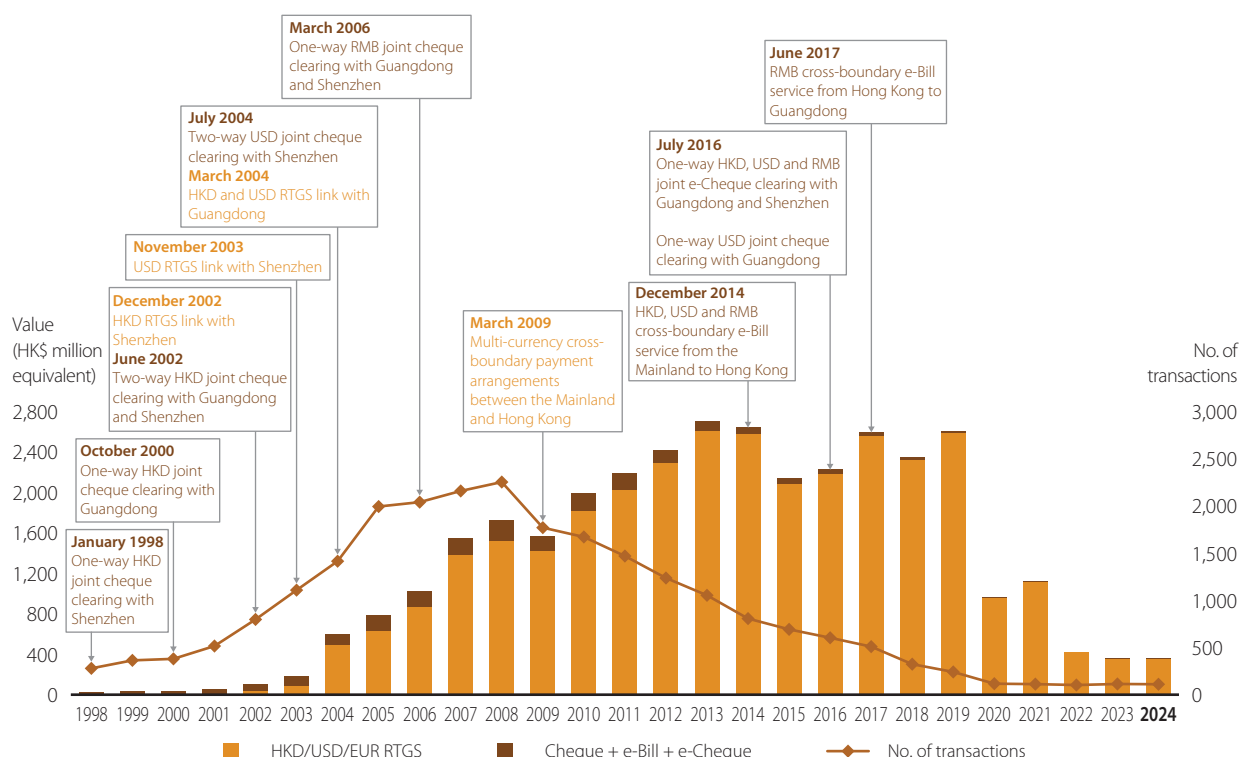
The HKMA works closely with Mainland authorities to provide efficient cross-boundary payment links. In 2024, the average daily turnover of various system links, including RTGS cross-boundary links with Mainland's Domestic Foreign Currency Payment Systems, recorded a total value equivalent to around HK\$0.4 billion (Chart 8). The Hong Kong dollar and US dollar RTGS system links with Shenzhen and Guangdong handled more than 6,400 transactions, with a total value equivalent to HK\$54.4 billion.

The joint cheque-clearing facilities provide clearing service for cheques drawn on banks in Hong Kong and presented in Shenzhen and Guangdong. In 2024, these facilities processed about 9,100 Hong Kong dollar, renminbi and US dollar cheques, with a total value equivalent to around HK\$0.6 billion.

### Payment links with Macao

A 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 2024, Hong Kong dollar cheques and US dollar cheques amounting to about HK\$7 billion and about US\$47 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 "Hong Kong Dollar 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 in October 2022.

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



## International Financial Centre

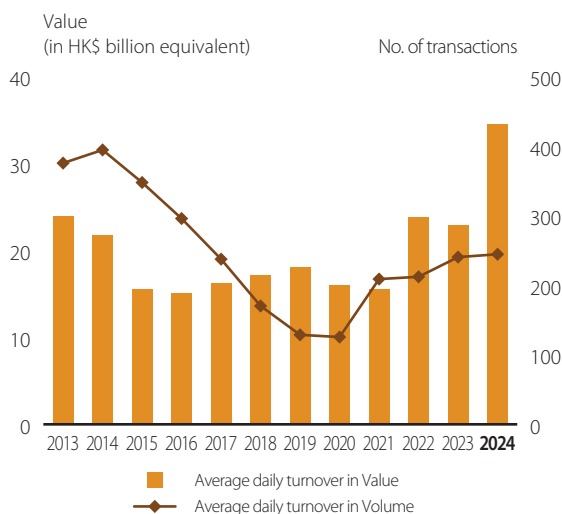
### Debt securities settlement system

From its initial role of 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 dollars or other currencies.

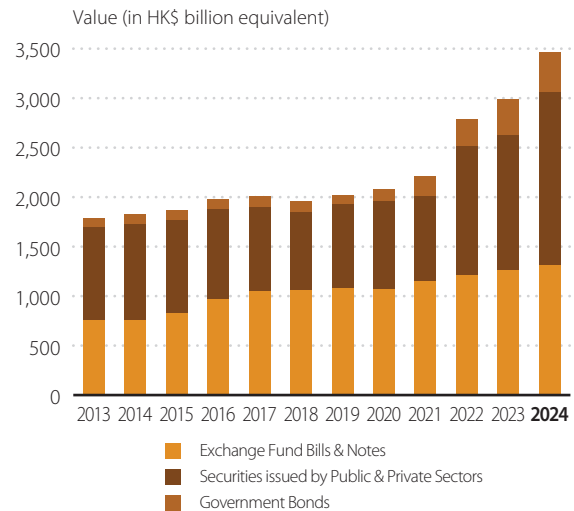
Robust growth in assets under custody and new debt issuance through the CMU were observed in 2024, continuing the strong performance in 2023. The CMU processed an average daily value of HK\$34.7 billion in 245 secondary market transactions (Chart 9). By the end of the year, the outstanding amount of Exchange Fund Bills and Notes, Government bonds and debt securities issued by the public and private sectors stood at HK\$1,306.8 billion, HK\$404.0 billion, and HK\$1,752.3 billion equivalent respectively (Chart 10), while the total outstanding amount of debt securities lodged with the CMU reached the equivalent of around HK\$3.4 trillion.

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 14 rounds of bonds/bills issuance were conducted for CMOF/PBoC in 2024 with an aggregated issue size of RMB330 billion, compared with RMB210 billion in 2023.

**Chart 9 CMU average daily turnover**



**Chart 10 Outstanding amount of CMU issues**



Over the years, the CMU's linkages with international and regional central securities depositories (CSDs) have enabled investors outside Hong Kong to hold and settle securities lodged with the CMU, while local investors can hold and settle securities held with CSDs outside Hong Kong. In September, the HKMA and the Monetary Authority of Macao jointly announced the establishment of a direct linkage between the CMU and the CSD operated by Macao Central Securities Depository and Clearing Limited to facilitate mutual bond market access. In October, the CMU and SIX<sup>12</sup> signed an MoU for co-operation in securities depository and settlement.

<sup>12</sup> SIX provides and operates stable and efficient infrastructure for the Swiss and Spanish financial centres.

## International Financial Centre

To help Hong Kong capitalise on the further opening up of the Mainland debt market and support new business initiatives, the HKMA is making enhancements on the system front by implementing a phased introduction of the CMU New Platform. The first phase, launched in July 2023, has been operating in an orderly manner and has laid a sound infrastructural foundation for subsequent phases of development. The second phase is currently under way, with the objective of upgrading the capabilities of the CMU system and enhancing its functionality for higher settlement and operational efficiency. Apart from this new platform development, CMU system enhancements for alignment with international standards and cyber security have been progressing well during the year, such as the migration of money messages to ISO20022 standard.

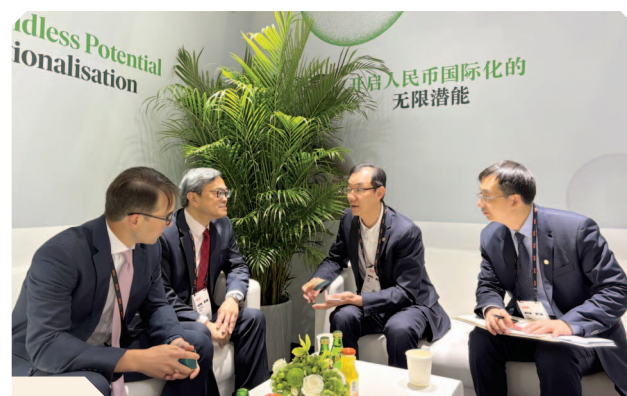
In October, CMU OmniClear was set up as a wholly owned subsidiary of the Exchange Fund to take over the operations and business development of the CMU with effect from 1 January 2025. More efforts were made during the year to raise CMU's profile and recognition among the financial community through various marketing and outreach activities, including participation in international conferences and organisations, and the publication of CMU newsletters and online videos. The CMU was also an exhibitor at the Sibos<sup>13</sup> event and became a member of the International Securities Services Association.



Senior representatives of the HKMA and CMU OmniClear conduct a meeting with senior management from SIX to foster a closer working relationship for the prosperity of financial markets in both jurisdictions



The CMU delegation at Sibos 2024 in Beijing, organised by Swift



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

### Over-the-counter derivatives trade repository

By the end of 2024, the HKTR system had recorded 4,732,372 outstanding transactions, compared with 5,017,584 in 2023. 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.

<sup>13</sup>

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

## International Financial Centre

### 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.

In 2024, the HKMA continued to provide supervisory guidance to the industry on key issues such as the rollout of new functions and services. Alongside this, the HKMA proactively worked with different market participants to raise awareness of issues related to the usage and regulation of SVFs. Over the year, 13 licensing enquiries were received by the HKMA.

The HKMA also provided necessary supervisory guidance to the SVF industry. This included 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.

To address the risk of fraud, the HKMA provided guidance to SVF licensees on enhanced controls in relation to malware, implementation of the Suspicious Account Alert Model, and mandatory participation in the SMS Sender Registration Scheme. An SVF Industry Working Group meeting was organised to raise the industry's awareness of fraud cases and facilitate sharing of industry trends among SVF licensees.

**Table 2**

#### Register of SVF licensees

*(in alphabetical order) (as at 31 December 2024)*

##### 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\*  
UniCard Solution Limited  
WeChat Pay Hong Kong Limited  
Yintran Group Holdings Limited

\* The licence of TNG (Asia) Limited as an SVF licensee was revoked by the Monetary Authority in accordance with the PSSVFO on and from 9 January 2025.

##### Licensed Banks *(currently issuing or facilitating the issue of, or with no objection from the HKMA for issuing or facilitating the issue of, SVFs)<sup>a</sup>*

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.



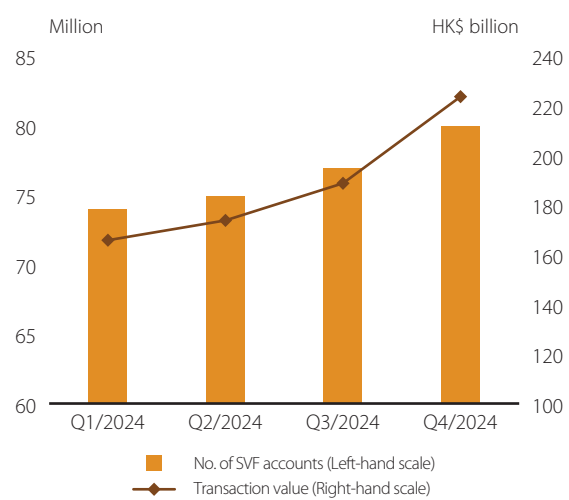
## International Financial Centre

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 Government’s 2023 Consumption Voucher Scheme that was completed in the first half of 2024, the HKMA facilitated co-ordination between the relevant Government agencies and the SVF licensees appointed for the scheme.

The number of SVF accounts stood at 79.78 million as at the end of 2024, or around 10.6 accounts per resident. In the fourth quarter, 2.2 billion transactions totalling HK\$223.6 billion were recorded (Chart 11).

**Chart 11** Growth trend of the SVF industry in 2024



### 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.

**Table 3**

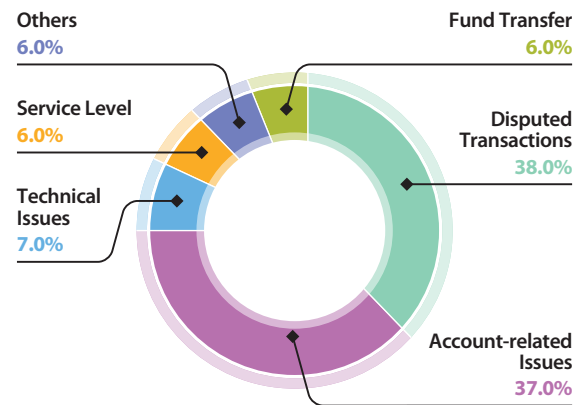
**System operators of designated RPSs**  
(in alphabetical order)(as at 31 December 2024)

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

### Complaints and enquiries on stored value facilities and retail payment systems

The HKMA received a total of 1,090 complaints and enquiries regarding SVF licensees and RPS operators in 2024. Cases involving disputed transactions and account-related issues continued to be the most common type of the 304 SVF complaints received during the year (Chart 12). SVF licensees and RPS operators are required to review their capacity and efficiency for responding to public complaints on a regular basis, with the HKMA monitoring their handling of such complaints to ensure they are being processed in a fair and timely manner. The HKMA also reviewed all the complaints and enquiries it received, following up with relevant SVF licensees and RPS operators when potential supervisory issues were identified.

**Chart 12** SVF complaints received in 2024



## International Financial Centre

### Performance Pledge

In fulfilling its regulatory functions, the HKMA pledges to be responsive to the public, media, and other authorities. In late 2023, the RPOD enhanced its operating system to enable automatic issuance of an acknowledgment email for complaints or enquiries submitted online or by email. The RPOD will continue to adhere to its performance pledge of issuing a preliminary response to complaints or enquiries within seven working days upon case validation. In 2024, our performance pledges on the response time to complaints and enquiries were met (Table 4).

**Table 4**

#### **Performance pledge of the HKMA in handling complaints and enquiries related to SVF/RPS in 2024**

Item	Performance Pledge	Achievement Rate
Preliminary response to complaints or enquiries in relation to SVF/RPS	Seven working days	100%

### Regulation of stablecoin issuers and crypto-asset-related work

Following a two-month public consultation ending in February on legislative proposals for implementing a regulatory regime for stablecoin issuers in Hong Kong, the Financial Services and the Treasury Bureau and the HKMA jointly published the conclusions of the relevant consultation in July. A vast majority of respondents supported the proposals. The Stablecoins Bill, which will provide a robust regulatory environment for sustainable and responsible development of the stablecoin ecosystem in Hong Kong, was subsequently introduced into the Legislative Council in December.

To better understand the business models of stablecoin issuers and formulate a fit-for-purpose regulatory regime, the HKMA launched a Stablecoin Issuer Sandbox. This sandbox allows institutions planning to issue fiat-referenced stablecoins in Hong Kong to conduct testing on their operational plans in a risk-controlled environment and facilitates two-way communications on the proposed regulatory requirements. Three participants were admitted to the sandbox in July and successfully conducted testing in a risk-controlled environment under the HKMA's oversight. Outside of the sandbox, the HKMA maintains regular contact with institutions planning to issue fiat-referenced stablecoins in Hong Kong.

Meanwhile the HKMA has actively engaged in international discussions and co-ordination efforts on topics related to digital assets. In particular, it has contributed to the discussion and drafting work of the FSB in assessing and addressing financial stability risks and vulnerabilities associated with crypto-assets, including stablecoins, as well as tokenisation. The relevant reports were submitted to the G20 and published. The HKMA will also lead the FSB's review of the implementation status of the FSB Global Regulatory Framework for Crypto-asset Activities at the jurisdictional level in 2025.

## 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. The AoF's leadership development and research efforts are focused on key contemporary developments in the financial sector.

During the year, a diverse range of activities was conducted under the AoF's Leadership Development Programme. Four sessions of the Distinguished Speakers Series featuring world-renowned speakers were held (Table 5). These discussions covered global economic and geopolitical developments and financial market issues, as well as the speakers' leadership journeys. The AoF co-organised a number of events with other international, overseas and local organisations on various topics.



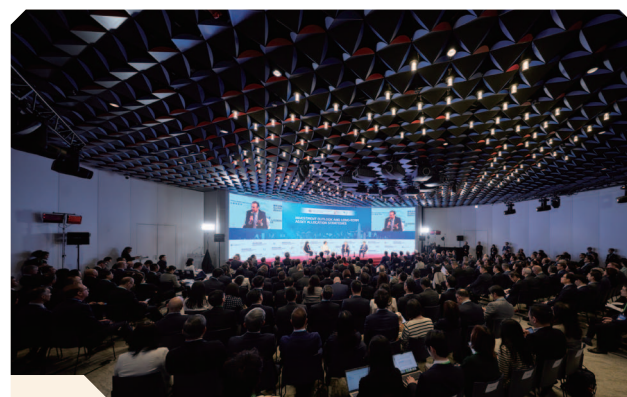
(From left) Mr Eddie Yue, Chief Executive of HKMA and Chairman of AoF; Dr Andreas Dombret, Global Senior Advisor of Oliver Wyman; and Mr Arthur Yuen, Deputy Chief Executive of HKMA and Deputy Chairman of AoF, at the Distinguished Speakers Series in February



Mr Eddie Yue (left), Chief Executive of HKMA and Chairman of AoF, with Mr Tobias Adrian (right), Financial Counsellor and Director of the Monetary and Capital Markets Department of the International Monetary Fund, at the AoF-HKIMR-IMF Seminar in March



Ms Jenny Johnson (left), President and Chief Executive Officer of Franklin Templeton, with Mr Howard Lee (right), Deputy Chief Executive of HKMA, at the Distinguished Speakers Series in March



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

## International Financial Centre

**Table 5 Distinguished Speakers Series in 2024**

2 Feb	<b>Dr Andreas Dombret</b>	Global Senior Advisor, Oliver Wyman and former member of the Executive Board of Deutsche Bundesbank
5 Mar	<b>Ms Jenny Johnson</b>	President and Chief Executive Officer, Franklin Templeton
16 May	<b>Mr Zhang Lei</b>	Founder and Chairman, Hillhouse
4 Dec	<b>Mr Ayman Al-Sayari</b>	Governor, Saudi Central Bank
	<b>Mr Agustín Carstens</b>	General Manager, Bank for International Settlements
	<b>Mr Klaas Knot</b>	President, De Nederlandsche Bank
	<b>Mr François Villeroy de Galhau</b>	Governor, Banque de France

The key objectives of the Financial Leaders Programme are to inspire Hong Kong's future financial leaders, equip them with a leadership mindset and the ability to look at issues from a macro perspective, and expand their networks. The 2024 cohort comprised 21 senior executives from a broad spectrum of the industry. Their nine-month programme included a five-day field trip to Bangkok and Jakarta in September as part of the AoF's outreach to the ASEAN region.



*Cohort members in a field trip to Bangkok and Jakarta*

The AoF continues to recruit members to strengthen the pipeline of future leaders. Members of the AoF are senior executives from financial institutions, regulators, professional firms and academia in the field of finance. During the year, the AoF launched the Regulators' Series to strengthen knowledge-sharing and networking among the financial regulators in Hong Kong, as well as a "luncheon seminar" series at which prominent speakers were invited to discuss topical issues of importance with Members in a more relaxed setting.

Many of the AoF's events were made available online. 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

On the research front, the Hong Kong Institute for Monetary and Financial Research (HKIMR), the research arm of the AoF, published two applied research reports on decentralised finance and the metaverse. The research findings were disseminated by the HKIMR through a wide range of initiatives. These included the launch of new promotional videos, a series of local events organised in collaboration with key industry associations that brought together around 1,000 market practitioners from various financial sectors, presentations at seminars in Japan and the ASEAN region, and a webinar aimed at the ASEAN+3<sup>14</sup> Finance Think-tank Network community. Additionally, the activities were promoted on social media channels, resulting in a notable

increase in report downloads. Through these initiatives, the HKIMR played its role in fostering dialogue among industry participants and enhancing awareness of the latest market and regulatory trends in the digital asset space.

During the year, the HKIMR also published three applied research papers covering environmental, social and governance; market microstructure; and financial innovation. Local and international market participants, regulators and academics extensively made reference to these research outputs through various channels, reflecting the financial community's favourable response.



Mr Enoch Fung (left), Chief Executive Officer of AoF, with Mr Giorgio Valente (right), Head of HKIMR, share key findings of two applied research reports in June

<sup>14</sup>

ASEAN+3 comprises the 10 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 in 2024 to contribute to global financial stability.

The HKMA is a member of the FSB Plenary, the FSB Steering Committee, 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 work on non-bank financial intermediation, crypto-assets and financial innovation, and cross-border payments, among other topics. The FSB Steering Committee, to which the HKMA was admitted as a member in April 2024, provides guidance to Standing Committees to carry forward the directions of the FSB. In addition, the HKMA has co-chaired the FSB Regional Consultative Group for Asia for a two-year term since July 2023, with the aim of promoting interaction between FSB members and non-members in the region on policy initiatives, and facilitating exchange of views on financial stability issues.

In other areas, the HKMA co-chaired the Financial Innovation Network under the FSB Standing Committee on Assessment of Vulnerabilities, which monitors and assesses financial innovations from a financial stability perspective, until July 2024. The HKMA is also leading a peer review team to assess progress and challenges to the implementation of the FSB Global Regulatory Framework for Crypto-asset Activities at jurisdictional level from November.

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 has contributed to the development of priority actions and to a G20 roadmap that addresses the challenges of existing arrangements for cross-border payments.

The HKMA is a member of the BIS, which provides central banks with a forum for dialogue and broad international co-operation. The HKMA participates in BIS bi-monthly 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 2023, the HKMA has been chairing the Meeting of Governors from Major EMEs. This meeting is convened 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, its 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 this office to promote international standards and best practices among the central banking community in Asia.

In 2019, the BIS Innovation Hub established one of its first Innovation Hub Centres in Hong Kong. The Centre collaborates closely with the HKMA, with its current project focus areas being CBDCs, open finance and green finance.

Separately, the HKMA has since 2021 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 of the HKMA's participation in the Basel Committee, see the *Banking Stability* chapter on page 109.

### Regional co-operation

The HKMA is committed to regional co-operation to promote financial stability in Asia and harness the region's collective voice in international financial affairs. From 2018 to 2024, it served as the chair of the EMEAP Working Group on Financial Markets, which 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 grow the fund's assets.

## International Financial Centre

In 2024, the HKMA continued to chair the EMEAP Study Group on Resolution, which supports knowledge sharing among authorities in the region in relation to resolution. It 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 visited Thailand in January and Malaysia in May for discussions with central banks on further strengthening bilateral financial linkages and collaboration, notably the cross-border usage of local currencies, financial digitisation, and green and sustainable finance.

The HKMA also co-organised a 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 (GFSN) in safeguarding financial stability. As a member of the global financial community, Hong Kong has maintained its commitment to strengthening the GFSN through its participation in the IMF New Arrangements to Borrow (NAB)<sup>15</sup>, ASEAN+3, and the Chiang Mai Initiative Multilateralisation (CMIM)<sup>16</sup>.

### Collaboration with the Middle East

The HKMA continued to work with key financial stakeholders in the Middle East to further solidify long-term financial co-operation and connectivity between Hong Kong and the Middle Eastern countries.

Following visits to the UAE and the Kingdom of Saudi Arabia in 2023, the HKMA hosted bilateral meetings with the CBUAE and the SAMA in Hong Kong in December. The meetings featured in-depth discussions covering several major areas including financial infrastructure development, financial market connectivity, supervisory technology adoption, global investment outlook and opportunities, and experience in economic research. An MoU was signed with the CBUAE to establish connectivity between Hong Kong and the UAE of the debt capital markets and related financial market infrastructures, with a view to facilitating cross-border debt securities issuance and investment activities.

The HKMA also visited Doha, Qatar in October to enhance collaboration between the financial services sectors of the two jurisdictions. The HKMA and the Qatar Central Bank held a bilateral meeting to discuss a range of collaborative initiatives aimed at strengthening co-operation on financial infrastructure, as well as exchanging experience on capital market connectivity, sustainable finance, bond market development, digital assets and talent development.

The HKMA will continue to deepen its collaboration with these central banks and strengthen its ties with key financial stakeholders in the region, with the aim of promoting investment and financial market connectivity between the Middle East and Asia.

In September, the HKMA and the DFSA co-hosted the inaugural Joint Climate Finance Conference in Hong Kong. The HKMA and the DFSA signed an MoU to further deepen their strategic partnership on sustainable finance and will conduct joint research in this area.

<sup>15</sup> 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.

<sup>16</sup> 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.



## Reserves Management

Global financial markets performed broadly well in 2024. Major economies recorded stable growth while inflation eased closer to policy targets. Major central banks progressively lowered their policy rates. This was positive to the investment environment. For 2024 as a whole, the Exchange Fund recorded an investment income of HK\$218.8 billion, representing an investment return of 5.2%.

## Reserves Management

### The Exchange Fund

The Exchange Fund's primary objective, as laid down in the Exchange Fund Ordinance, is to affect, either directly or indirectly, the exchange value of the currency of Hong Kong. The Fund may also be used to maintain the stability and integrity of Hong Kong's monetary and financial systems in order to help maintain Hong Kong as an international financial centre. The HKMA, under the delegated authority of the Financial Secretary and within the terms of the delegation, is responsible to the Financial Secretary for the use and investment management of the Exchange Fund.

### Management of the Exchange Fund

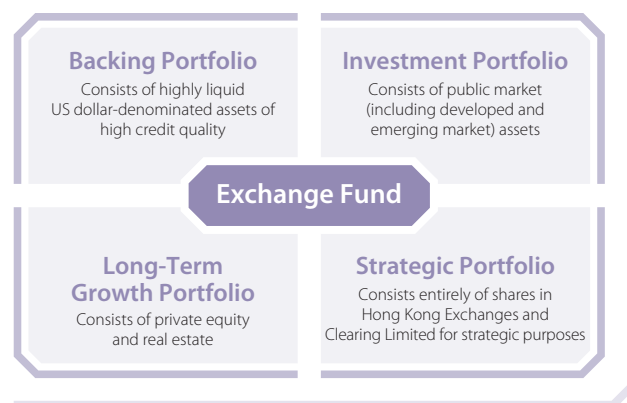
#### Investment objectives and portfolio structure

The Exchange Fund Advisory Committee (EFAC) has set the following investment objectives for the Exchange Fund:

- (i) To preserve capital;
- (ii) To ensure that the entire Monetary Base, at all times, is fully backed by highly liquid US dollar-denominated assets;
- (iii) To ensure that sufficient liquidity is available for the purposes of maintaining monetary and financial stability; and
- (iv) Subject to (i)–(iii), to achieve an investment return that will help preserve the long-term purchasing power of the Exchange Fund.

These objectives take full account of the statutory purposes of the Exchange Fund, and are incorporated into the portfolio structure and the target asset mix of the Fund (Figure 1).

**Figure 1** Portfolio segregation of the Exchange Fund



Broadly speaking, the Exchange Fund has two major portfolios: the Backing Portfolio (BP) and the Investment Portfolio (IP). The BP holds highly liquid US dollar-denominated assets to provide full backing to the Monetary Base, as required under the Currency Board arrangements. The IP invests primarily in the bond and equity markets of the member economies of the Organisation for Economic Co-operation and Development, with a view to preserving the value and long-term purchasing power of its assets.

To better manage risks and enhance returns in the medium and long term, the HKMA diversifies part of the Exchange Fund's investments in a prudent and incremental manner into a wider variety of asset classes. These include emerging market and Mainland bonds and equities, private equity (including infrastructure), and real estate. Emerging market and Mainland bonds and equities are held under the IP, while private equity and real estate investments are held under the Long-Term Growth Portfolio (LTGP). The target asset allocation of the LTGP is determined concurrently with that of other asset classes, subject to prudent risk management principles and portfolio diversification strategies.

The Strategic Portfolio, established in 2007, holds shares in Hong Kong Exchanges and Clearing Limited that have been acquired by the Government for the account of the Exchange Fund for strategic purposes. Due to its unique nature, the Strategic Portfolio is not included in the assessment of the Fund's investment performance.

## Reserves Management

### Placements with the Exchange Fund

The Exchange Fund, from time to time, accepts placements by the Fiscal Reserves, Government funds and statutory bodies. The interest rate is generally linked to the performance of the IP<sup>1</sup>. A major exception is the Future Fund<sup>2</sup>, which links its interest rate to the return of both the IP and the LTGP in accordance with the portfolio mix. The target portfolio mix of the Future Fund between the IP and the LTGP was 35:65 for 2024.

### The investment process

The investment process of the Exchange Fund is underpinned by decisions on two types of asset allocation: strategic asset allocation and tactical asset allocation. Strategic asset allocation, reflected in the investment benchmark, represents long-term asset allocation based on the investment objectives of the Exchange Fund. Guided by the strategic allocation, assets are tactically allocated in an attempt to achieve an excess return over the benchmark. This means the actual allocation is often different from the benchmark (or strategic) allocation. The differences between the actual and benchmark allocations are known as “tactical deviations”. While the benchmark and tracking error<sup>3</sup> limit are determined by the Financial Secretary in consultation with EFAC, tactical decisions and allowable ranges for tactical deviations are made and set by the HKMA under delegated authority. Within the ranges allowed for tactical deviations, portfolio managers may assume positions to take advantage of short-term market movements.

### Investment management

#### Direct investment

The HKMA's Exchange Fund Investment Office houses the Exchange Fund's investment and related risk management functions. Exchange Fund Investment Office staff members directly manage about 70% of the investments of the Exchange Fund, comprising the entire BP and part of the IP. The part of the IP managed internally includes a set of portfolios invested in global fixed-income markets and various derivative overlay portfolios implementing macro risk management strategies for the Fund.

### Use of external managers

In addition to managing assets internally, the HKMA employs external fund managers to manage about 30% of the Exchange Fund's assets, including all of its listed equity portfolios and other specialised asset classes. The purpose of engaging external managers is to tap the best investment expertise available in the market to realise sustainable returns, while also drawing on diverse and complementary investment styles and taking advantage of external market insights and technical expertise in investment.

Expenditure relating to the use of external managers includes fund management and custodian fees, transaction costs, and withholding and other taxes. The expenditure is determined primarily by market factors and may fluctuate from year to year.

### Risk management and compliance

As the investment environment becomes more complex, sound risk management is increasingly important. The HKMA sets stringent controls and investment guidelines for both its internally and externally managed portfolios, and ensures that a proper risk monitoring and compliance system is in place. Three lines of defence are in place to implement effective risk management and governance of investment-related activities. Key risk categories (including credit, market, liquidity and operational risks) are regularly monitored. The risk management process provides a robust framework that supports the HKMA's strategic planning and investment diversification efforts.

### Responsible investment

The HKMA believes that an appropriate emphasis on responsible investment and sustainable long-term economic performance can help better achieve the investment objectives of the Exchange Fund, as well as reduce risks associated with environmental, social and governance (ESG)-related matters of its underlying investments. To embrace responsible investment practices, the HKMA has integrated ESG factors into the investment processes of the Exchange Fund, with the guiding principle that priority will generally be given to ESG investments if their long-term risk-adjusted returns are comparable with other investments. For more details about the HKMA's responsible investment work, see the *Responsible Investment* chapter of our *Sustainability Report 2024*.

<sup>1</sup> The rate is the average annual investment return of the IP for the past six years, or the average annual yield of three-year Government Bond for the previous year, subject to a minimum of 0% (whichever is higher).

<sup>2</sup> The Future Fund was established by the Government in 2016 with a view to securing higher investment returns for the Fiscal Reserves to support increasing needs in the future.

<sup>3</sup> “Tracking error” measures how closely a portfolio follows its benchmark.



## Reserves Management

### Performance of the Exchange Fund

#### The financial markets in 2024

Global financial markets performed broadly well in 2024.

Major equity markets rose notably in 2024, with US equities making strong gains in the first three quarters on the back of generally positive economic and inflationary fundamentals, and the fervour around the artificial intelligence industry. However, markets became more volatile in the fourth quarter and retreated from their highs as investors turned more cautious amidst concerns over rising inflation and bond yields. In the Mainland and Hong Kong, investor confidence improved, following the Central Government's announcements of a series of policy measures in the third quarter to stimulate the economy and equity market. Nevertheless, the two equity markets softened in the fourth quarter as market participants remained somewhat uncertain about the real economic growth.

Global bond markets experienced higher volatility in 2024. Although major central banks affirmed their general policy direction of lowering interest rates, the pace and magnitude of rate cuts changed a few times during the year. Entering the fourth quarter, as markets began to focus on the US fiscal policy in 2025, US Treasury yields rose sharply and weighed on bond prices.

In the currency markets, the US dollar strengthened against other major currencies in 2024, particularly in the fourth quarter, as a result of interest rate movements and the relatively strong performance of the US economy.

The performance of major currencies, bond and equity markets in 2024 is shown in Table 1.

**Table 1** 2024 market returns

#### Currencies

Appreciation (+)/depreciation (-) against US dollar

Euro	-6.2%
Pound sterling	-1.7%
Renminbi	-2.7%
Yen	-10.3%

#### Bond markets

Relevant US Government Bond (1–30 years) Index	+0.7%
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#### Equity markets<sup>a</sup>

Standard & Poor's 500 Index	+23.3%
DAX Index	+18.9%
FTSE 100 Index	+5.7%
TOPIX Index	+17.7%
MSCI Emerging Markets Index	+5.1%
Hang Seng Index	+17.7%

a. Market performance of equities is based on index price change during the year.

## Reserves Management

### The Exchange Fund's performance

The Exchange Fund recorded investment income of HK\$218.8 billion in 2024, which included:

- gains on bonds of HK\$135.9 billion;
- gains on equities of HK\$90.9 billion (with gains of HK\$21.8 billion from Hong Kong equities and HK\$69.1 billion from other equities);
- a negative currency translation effect of HK\$35.6 billion on non-Hong Kong dollar assets; and
- gains of HK\$27.6 billion on other investments held by the investment-holding subsidiaries of the Fund.

Separately, the Strategic Portfolio recorded a valuation gain of HK\$2.8 billion.

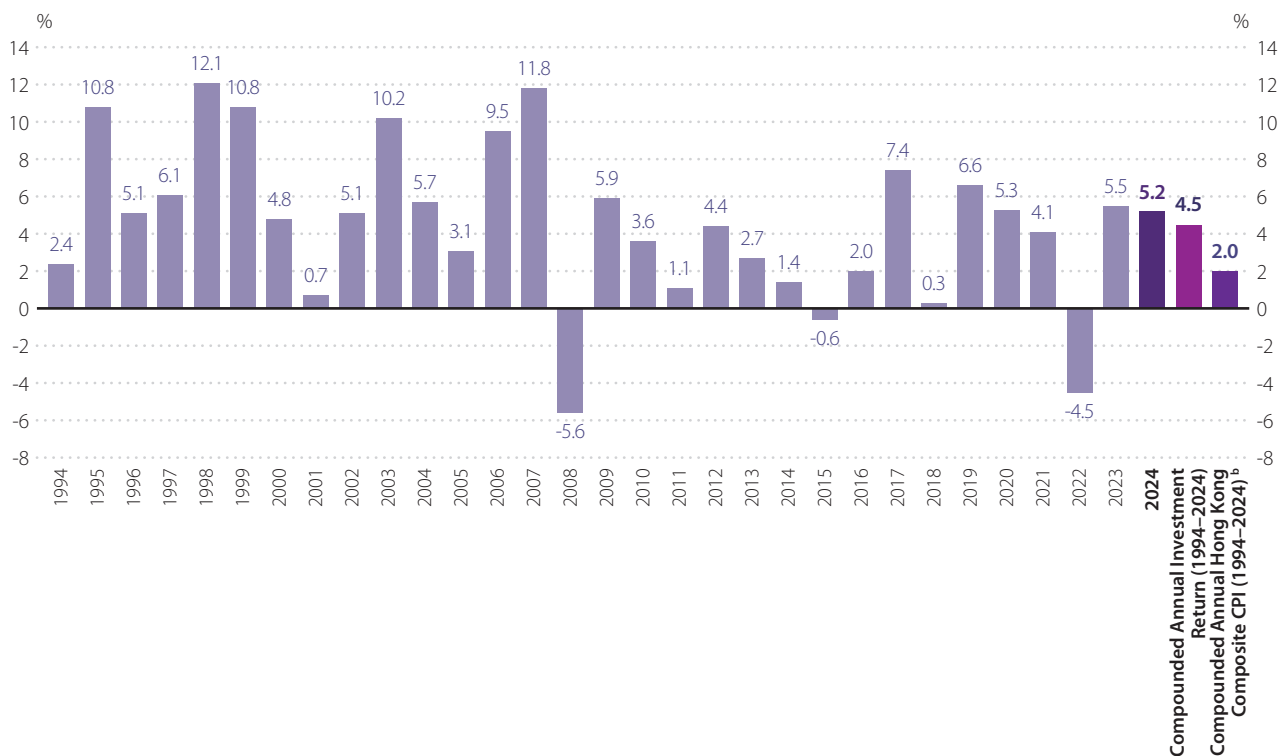
Total assets of the Exchange Fund reached HK\$4,081.0 billion at the end of the year. The market value of investments under the LTGP totalled HK\$541.2 billion, with private

equity amounting to HK\$434.8 billion and real estate HK\$106.4 billion. Outstanding investment commitments of the LTGP amounted to HK\$288.6 billion.

The investment return of the Exchange Fund in 2024, excluding the Strategic Portfolio, was 5.2%. The returns of the IP and the BP were 7.2% and 4.1% respectively. The LTGP has recorded an annualised internal rate of return of 11.2% since its inception in 2009.

The annual returns of the Exchange Fund from 1994 to 2024 are set out in Chart 1. Table 2 shows the 2024 investment return and the average investment returns of the Fund over several different time horizons. The average return was 2.0% during 2022–2024, 3.1% during 2020–2024, 3.1% during 2015–2024 and 4.5% since 1994. Table 3 shows the currency mix of the Fund's assets on 31 December 2024. For details, see pages 203 to 309 for the audited 2024 financial statements of the Exchange Fund.

**Chart 1 Investment return of the Exchange Fund (1994–2024)<sup>a</sup>**



- a. Investment return calculation excludes the holdings in the Strategic Portfolio.  
 b. The Composite Consumer Price Index (CPI) is calculated based on the 2019/2020-based series.

## Reserves Management

**Table 2** Investment return of the Exchange Fund in Hong Kong dollar terms<sup>a</sup>

	Investment return <sup>b,c</sup>
<b>2024</b>	<b>5.2%</b>
3-year average (2022–2024)	2.0%
5-year average (2020–2024)	3.1%
10-year average (2015–2024)	3.1%
Average since 1994	4.5%

a. The investment returns for 2001 to 2003 are in US dollar terms.

b. Investment return calculation excludes the holdings in the Strategic Portfolio.

c. Averages over different time horizons are calculated on an annually compounded basis.

**Table 3** Currency mix of the Exchange Fund's assets on 31 December 2024 (including forward transactions)

	HK\$ million	%
US dollar	3,230,422	79.1
Hong Kong dollar	260,243	6.4
Others <sup>a</sup>	590,310	14.5
Total	4,080,975	100.0

a. Other currencies consisted mainly of the euro, renminbi, pound sterling and yen.



## Corporate Functions

Corporate functions support the operations of the HKMA with a high level of transparency, accountability, efficiency and professionalism. To promote public understanding of its policies and operations, the HKMA communicates actively with the community and market participants through traditional and social media, the HKMA website, the HKMA Information Centre and other channels.

Internally, the HKMA is striving to build an agile and professional workforce, maintain rigorous financial discipline and upgrade its digital capabilities in order to adapt to changes and ensure its policies and initiatives are effectively implemented.

## Corporate Functions

### Transparency

#### Media relations and use of social media

The HKMA works closely with the media to enhance transparency and promote public understanding of its policies and operations. In 2024, we held or participated in a total of 207 events, which included 14 press conferences, four media briefings, 14 stand-up interviews and 175 other public functions. We organised press conferences and media briefings to raise awareness of our key functions among local, Mainland and foreign media. Topics included tokenisation, anti-scam initiatives and measures to support small and medium-sized enterprises (SMEs). Throughout the year, we also arranged 25 media interviews, issued about 600 bilingual press releases and responded to a large volume of media enquiries on a daily basis.



*Mr Eddie Yue, Chief Executive, speaks at a media stand-up at Hong Kong FinTech Week 2024*



*Mr Howard Lee, Deputy Chief Executive, delivers welcome remarks at the Interbank Account Data Sharing Showroom Day*

Media representatives actively participated in events organised by the HKMA in 2024, in particular the third Global Financial Leaders' Investment Summit. The three-day event generated over 10,000 pieces of news coverage across local, Mainland and international media.



*Mr Eddie Yue, Chief Executive, gives a live media interview at the 2024 Global Financial Leaders' Investment Summit*



*Mr Arthur Yuen, Deputy Chief Executive, hosts a media briefing session on the establishment of the Taskforce on SME Lending*



*Mr Darryl Chan, Deputy Chief Executive, gives opening remarks at the Treasury Markets Summit 2024*



## Corporate Functions

To engage with the public more effectively, the HKMA operates six social media channels (Facebook, Instagram, LinkedIn, WeChat, X (formerly Twitter), and YouTube), which collectively have over 200,000 followers. We develop creative social media content to raise public awareness on a range of topics and initiatives, such as scam prevention, fintech, green and sustainable finance, supporting SMEs, and major events of the HKMA. We also livestreamed the Global Financial Leaders' Investment Summit on social media channels to enhance participation from the public and the industry.



Creative social media content helps raise public awareness of the HKMA initiatives and a range of other topics

## Public enquiries

The HKMA's Public Enquiry Service provides an effective channel for the public to gain a better understanding of key HKMA functions and operations.

In 2024, the Public Enquiry Service handled 9,594 enquiries (Chart 1), all within the response timeline outlined in the HKMA's performance pledge (Table 1). About half of these enquiries were related to consumer banking issues, financial infrastructure and debt market development, banking policies and regulations, as well as notes and coins (Chart 2). Common subjects of enquiries included the Coin Collection Programme, banking products and services, the Retail Bond Issuance Programme, banking-related guidelines and circulars, and the Faster Payment System.

Chart 1 Total number of public enquiries

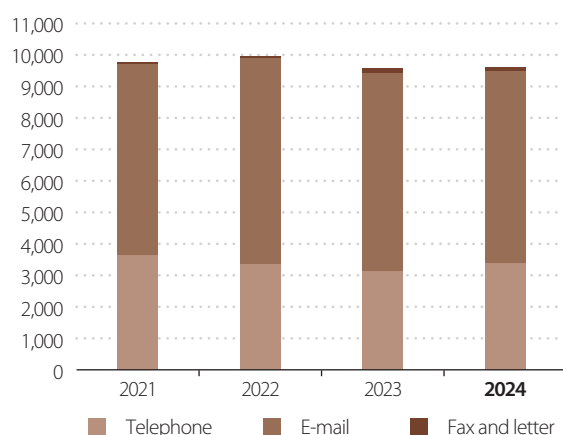
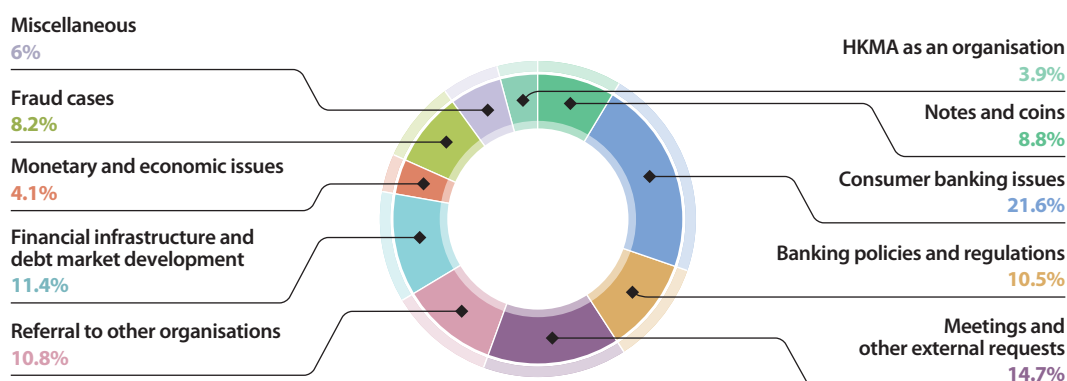


Chart 2 Nature of enquiries received in 2024



## Corporate Functions

**Table 1** Public enquiry service performance pledge and achievement rate

Service	Performance Pledge	Achievement Rate in 2024
Reply to enquiries	Answer or issue an interim reply within seven working days after the day an enquiry is received	100%

### Publications

During the year, the HKMA published its *Annual Report 2023* along with its stand-alone *Sustainability Report 2023*. The *Sustainability Report 2023* won the Special Mention award in the “Public Sector/Not-for-profit (Large) Category” of the Hong Kong Institute of Certified Public Accountants’ Best Corporate Governance and ESG Awards 2024. Meanwhile, the *Annual Report 2023* received a Bronze Award in the “Non-profit Making and Charitable Organizations” category at the Hong Kong Management Association’s 2024 Best Annual Reports Awards.

In 2024, we regularly updated our *Monthly Statistical Bulletin*<sup>1</sup> and published:

- two issues of the *Half-Yearly Monetary and Financial Stability Report*<sup>1</sup>;
- four issues of the *Quarterly Bulletin*<sup>1</sup>; and
- 14 *inSight*<sup>2</sup> articles.

### Corporate website

The corporate website ([www.hkma.gov.hk](http://www.hkma.gov.hk)), with over 73,000 pages of content in English and traditional and simplified Chinese, is the public gateway to up-to-date information about the HKMA. It contains the register of authorized institutions (AIs) and local representative offices and the register of securities staff of AIs, both maintained under section 20 of the Banking Ordinance (BO), as well as the register of stored value facility (SVF) licensees under the Payment Systems and Stored Value Facilities Ordinance.

We have been releasing financial data and important information on our website via an Open Application Programming Interface (Open API) in phases since 2018. By the end of 2024, the HKMA had opened up 177 sets of Open APIs<sup>3</sup>, in line with its target schedule. For more information, please visit the HKMA’s Open API portal (<https://apidocs.hkma.gov.hk/>).

### Information Centre

Located on the 55th floor of Two International Finance Centre, the HKMA Information Centre consists of an exhibition area and a library designed to introduce the work of the HKMA to the community and enhance public awareness of monetary and banking matters. The interactive exhibition area presents an overview of the HKMA’s work and of the development of money and banking in Hong Kong, along with information and exhibits useful for the study of Hong Kong’s monetary, banking and financial affairs.

During the year, the Information Centre welcomed more than 68,000 visitors, up around 120% compared with 2023. It hosted over 570 guided tours for schools and other groups.

The library, next to the exhibition area, houses over 26,000 books, journals and other publications on Hong Kong’s monetary, banking and financial affairs as well as central banking topics. It also maintains the register of AIs and local representative offices, as well as the register of securities staff of AIs, for public access as required by section 20 of the BO.

<sup>1</sup> The *Monthly Statistical Bulletin*, *Half-Yearly Monetary and Financial Stability Report* and *Quarterly Bulletin* provide up-to-date and thematic information on and analyses of monetary, banking and economic issues in Hong Kong.

<sup>2</sup> *inSight* is the HKMA’s official column, featuring articles written by senior executives to introduce major new policies, initiatives, and topical issues.

<sup>3</sup> Including data from the Hong Kong Economic History Database constructed by the Hong Kong Institute for Monetary and Financial Research, the research arm of the Hong Kong Academy of Finance, on its website (<https://www.aof.org.hk/research/HKIMR/publications-and-research/open-api>).

## Corporate Functions



*Kindergarten students participate in a guided tour to learn about the design of Hong Kong banknotes*



*Visitors listen to an introduction about the mosaic artwork of Victoria Harbour, created with Hong Kong coins*

### Community engagement and public education

Since 1998, the HKMA has been running a public education programme aimed at raising public awareness of its work. To date, more than 68,000 people have participated in the programme. In 2024, we organised a webinar for over 800 students and teachers from 41 secondary schools. The webinar topics included an overview of the HKMA's work, the Linked Exchange Rate System, Hong Kong banknotes, anti-scam, the Deposit Protection Scheme, green finance, and career opportunities in the banking industry.

Through different channels, we engage and educate the public on being smart and responsible financial consumers. The 2024 activities attracted over 67,000 participations.

To dovetail with the trend of digital payment and going green in daily life, we encouraged the public to give out electronic lai sees (e-lai sees) and to consider using good-as-new banknotes for physical lai sees during the Chinese New Year through social media and radio promotion.



*Animated video to promote e-lai sees*



## Corporate Functions

### Anti-scam song – “Don’t Click Links Indiscriminately”

To further its anti-scam efforts, we launched an anti-scam song, featuring Mr Jackson Wan Kwong, a singer, and Mr Arthur Yuen, Deputy Chief Executive of the HKMA, to remind the public “not to be fooled by fake links”, and properly safeguard their sensitive personal and credit card information. The effectiveness of the campaign’s cross-media promotion was recognised with an international marketing award.



Mr Arthur Yuen (right), Deputy Chief Executive, joins in to jam along to the anti-scam song



Cross-media promotion to enhance the dissemination of anti-scam messages

### Cross-boundary Wealth Management Connect TV video series

The HKMA collaborated with a local TV station to produce a video series to help the public to further understand the opportunities and the flexibility given to individual retail investors in cross-boundary investment via the Cross-boundary Wealth Management Connect (Cross-boundary WMC) Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Promoted through TV, digital and social media platforms, the videos featured “classic scenes” of five iconic Hong Kong movies to explain the Cross-boundary WMC framework, investor eligibility and products offered in the Northbound and Southbound Schemes, risk management, and matters to note in cross-boundary investment.



Infotainment videos to introduce the Cross-boundary WMC in a fun manner

## Corporate Functions

### Hong Kong Financial Literacy Championship

To promote financial literacy at secondary schools, the HKMA co-operated with various stakeholders to co-organise the “Hong Kong Financial Literacy Championship”. Celebrating its 10th anniversary in 2024, the Championship was themed “Next-gen Finance”, aiming at equipping secondary school students with knowledge about the integration of artificial intelligence, digitalisation, fintech innovation, and raising their commitment to sustainability and environmental, social and governance principles.

The first component of the Championship was an online quiz that tested students’ knowledge about money management and hot financial topics. Students from 290 secondary schools made a total of 32,000 submissions to the online quiz in 2024, setting a record high. From 2015 to 2024, students from 440 secondary schools entered a total of around 125,000 submissions to the quiz as part of the annual Championship. The second component, the Young Financial Talent Runway, operated under a mentorship framework, with seasoned practitioners from across different areas acting as mentors to train participating students to prepare for the Design Thinking Challenge. In 2024, a special “GBA Invitation Match” was added, enhancing interaction among students in the GBA.



Mr Darryl Chan, Deputy Chief Executive, gives a welcoming speech and cheers up the participants in the finale of the Championship



Students meet with their mentors during the Young Financial Talent Runway



## Corporate Functions

### Education board games

We launched “\$mart Money Management 321”, our first financial education board game, in 2023. In 2024, we further promoted the game to expand its reach and enhance its use as an educational tool to help primary school students learn about different payment methods, money management concepts, fintech and cybersecurity in a simulated setting.

At the community level, we restaged the award-winning board game at our booth at the Hong Kong Book Fair 2024, and through trial workshops at community centres and parenting workshops on the HKMA premises during the Christmas and the Chinese New Year holidays. In addition, we organised trial sessions at primary schools, as well as a train-the-trainer workshop to encourage secondary school teachers to use the board game as part of the teaching kit for the module on financial education in the new “Citizenship, Economics and Society” subject for junior secondary school students. Moreover, in recognition of the board game as a good educational tool, the Education Bureau presented the board game as a gift to winning schools in its Financial Education School Award Scheme (2023/24). In total, the HKMA organised around 40 board game workshops throughout 2024, reaching over 3,600 students, parents, teachers and social workers.

Leveraging the experience in developing the “\$mart Money Management 321” board game, we launched a strategy board game named “企業綠化大變身”<sup>4</sup> as a souvenir for visitors to its booth at the Hong Kong Book Fair 2024. This board game, the first of its kind in Hong Kong, teaches children lessons on green financing.



*Hong Kong's first green financing board game*

Furthermore, we continued to support the work of the Investor and Financial Education Council in promoting financial literacy and financial capacity in Hong Kong. We will explore further collaboration with different stakeholders to maximise the impact of our community engagement work.



*Engaging activities to promote the financial education board game to teachers, kids and parents*

<sup>4</sup> The Chinese title of the game literally translates into corporates in greening transformation.

## Corporate Functions

### Financial disclosure

To maintain a high level of transparency, the HKMA adopts international standards in financial disclosure insofar as they are applicable to central banking operations. These include the Hong Kong Financial Reporting Standards and the Special Data Dissemination Standard of the International Monetary Fund. The Finance Division works with external auditors and other accounting professionals to prepare and present the Exchange Fund's financial statements in accordance with the Hong Kong Financial Reporting Standards. The HKMA also provides detailed disclosures and thorough analyses of budgetary and expenditure information in its *Annual Report* (See *Budgeting and Financial Controls* on pages 193 to 194).

### Accountability and controls

#### Risk management

One of the HKMA's most important tasks is to manage risks to the monetary and banking systems. Risk management is undertaken both at a working level in day-to-day operations, and at a higher level through strategic planning. Two high-level committees, the Macro Surveillance Committee and the Risk Committee, operate under the HKMA's risk management framework. Both are chaired by the Chief Executive of the HKMA.

The terms of reference of the Macro Surveillance Committee are to:

- identify potential risks and threats to the monetary and financial system in Hong Kong and discuss possible measures to address such risks;
- review existing measures for managing risks in the monetary and financial system to identify possible gaps and ensure the adequacy of these measures; and
- encourage cross-departmental sharing of relevant information on macro surveillance with a view to enhancing the macro surveillance capability of the HKMA.

The terms of reference of the Risk Committee are to:

- identify potential risks and threats to the organisation and devise strategies to reduce the impact of such events;
- review the existing system for managing risks across different departments to identify possible gaps and significant risks and ensure the adequacy of measures to address them;
- harmonise the criteria and methods of risk measurement and prioritise the management of known risks to resources; and
- encourage a stronger risk management culture institutionally that promotes proper levels of authorisation and controls.

The HKMA has a robust operational risk management framework in place that covers its organisational risks at two levels: the entity level and the department level. Entity-level risks refer mainly to those that concern the entire organisation in the medium term or might require a cross-departmental response. Department-level risks including potential or emerging risks identified by business units, and the adequacy of the control measures and mitigating strategies they devise, are reviewed and reported every quarter. This is supplemented by a top-down approach to manage entity-level risks, in which senior colleagues heading different business units actively identify risks of wider impact and propose mitigating measures. The Risk Committee discusses these assessments and decides on appropriate follow-up actions.

## Corporate Functions

### Internal audit

The Internal Audit Division (IAD) provides independent and objective assessment of the adequacy and effectiveness of the HKMA's governance, risk management and control processes. The IAD reports functionally to the Audit Sub-Committee of the Exchange Fund Advisory Committee (EFAC), and administratively to the Chief Executive of the HKMA. Adopting a risk-based approach, the IAD conducts operational and information system audits to review areas of significant risk. In 2024, the IAD conducted 32 audits on reserves management, banking supervisory activities, monetary and financial development, information technology and other corporate functions of the HKMA. These audits confirmed that adequate and effective control systems were in place to manage risks arising from the HKMA's business operations. The IAD also advises on governance and controls for major projects and new business initiatives. It provides regular risk updates to the Risk Committee, and reports the progress of audits and key internal control matters to the Audit Sub-Committee and senior executives every quarter.

### Budgeting and financial controls

In drawing up the annual budget, the HKMA follows a disciplined approach that takes into account its ongoing operations and strategic development, as set out in its Three-Year Plan approved by the Financial Secretary on the advice of EFAC. The budget process requires departments to assess their needs for the coming year and to review the possibility of making savings in staffing and expenditure by critically assessing the value and cost-effectiveness of their existing services and delivery methods. The Finance Division scrutinises all budget requests and discusses them with individual departments before submitting a consolidated draft budget for further review by senior management. The Governance Sub-Committee (GSC) of EFAC then deliberates on the proposed budget and recommends any changes it considers necessary, before sending the proposed budget through EFAC to the Financial Secretary for approval.

All expenditure items are subject to stringent financial controls that are governed by detailed procurement rules and guidelines. Compliance with these guidelines is subject to internal audit, and is also reviewed by independent auditors during the annual audit of the Exchange Fund. Expenses are analysed and reported to senior management every month. The administrative expenditure in 2024 and the budgeted expenditure for core activities in 2024 and 2025 are shown in Table 2. The difference between the actual 2024 expenditure and the 2025 budget arises mainly from an increase in staff costs (including the filling of existing vacancies and additional headcounts for 2025), the full-year effect of premises expenses, and enhanced international liaison efforts.

Table 3 shows other expenses that are not related directly to the HKMA's own operations. During 2024, we provided financial support (including support for premises and administrative costs) to international organisations whose presence in Hong Kong enhances the city's status as an international financial centre, as well as to certain regional bodies dedicated to setting global standards and promoting regulatory co-operation. We allocated funds to promote the healthy development and diversification of Hong Kong's capital markets, including through supporting adoption of green and sustainable finance and fintech. We also provided funding for financial infrastructure development (including spending to support the enhancement and daily operation of payment and settlement systems, such as the Faster Payment System), to enable Hong Kong's financial markets to function efficiently and securely. The HKMA also provided operational support to the Hong Kong Deposit Protection Board on a cost-recovery basis, as endorsed by the Financial Secretary under section 6 of the Deposit Protection Scheme Ordinance.

## Corporate Functions

**Table 2** Administrative expenditure

HK\$ million	2024 Budget	2024 Actual	2025 Budget
<b>Staff costs</b>	2,024		2,043
Salaries and other staff costs		1,712	
Retirement benefit costs		140	
<b>Premises expenses</b>			
Rental expenses	64	64	96
Other premises expenses (including management fees and utility charges)	98	92	118
<b>General operating costs</b>			
Maintenance of office and computer equipment	280	221	288
Financial information and communication services (including trading, dealing terminals and data link charges)	112	94	119
External relations (including international meetings)	95	60	98
Public education and publicity	68	36	52
Professional, consulting and other services	198	112	198
Training	30	9	26
Others	25	21	36
<b>Total administrative expenditure</b>	<b>2,994</b>	<b>2,561</b>	<b>3,074</b>

**Table 3** Additional expenses

HK\$ million	2024 Budget	2024 Actual	2025 Budget
Financial support to international financial organisations	62	62	63
Financial support to the Hong Kong Academy of Finance and the Hong Kong Institute for Monetary and Financial Research	111	71	114
Funding to promote the development of Hong Kong's capital markets	70	28	91
Service fees for financial infrastructure	153	83	222

## Corporate Functions

### Staff conduct and discipline

The HKMA places great importance on the integrity and conduct of its staff, expecting them to uphold exemplary standards of personal conduct and integrity while acting in the best interests of the organisation. The HKMA Code of Conduct provides guidance to staff on their ethical and legal responsibilities. We make dedicated efforts to remind staff of our conduct-related rules and regulations, including issuing email alerts to raise staff awareness of important conduct issues in areas such as the avoidance of conflicts of interest, prevention of corruption, personal data protection and anti-discrimination practices. Staff are required to take regular online tests to deepen their understanding of relevant policies, rules and regulations.

### Efficiency

#### Information technology

The Information Technology (IT) Division made notable progress in its IT strategy and initiatives during 2024. As part of its ongoing efforts to enhance cybersecurity, IT infrastructure and digital transformation, the HKMA has implemented various projects and initiatives aimed at ensuring that it has the right IT capabilities to meet with ever evolving business needs.

In line with the enhanced cybersecurity strategy, we strengthened our cybersecurity posture in 2024. This included an improved operating model, secured endpoints, the deployment of advanced security tools and external threat management solutions, and the ongoing application of zero-trust design principles to bolster its defences and protect its IT services, data and assets.

To promote cybersecurity awareness, we organised a Cybersecurity Awareness Day, bringing together industry leaders to share their expertise and provide staff with the knowledge to recognise emerging trends and potential threats. Furthermore, we conducted drills to strengthen our overall capability and preparedness for potential security incidents and recovery from them.

We have also optimised our infrastructure and operations by continuing to drive cloud adoption where appropriate, thereby streamlining operating costs and resource allocation. This approach enabled the organisation to accommodate emerging needs, including the adoption of data analytics and artificial intelligence applications.

In 2024, we continued our efforts to enhance the digital workplace. A centrally managed messaging platform was successfully migrated, resulting in improvements in usability and productivity. During the year, we rolled out a new internal mobile application for our staff, with functions aimed at reducing paper-based and manual processes, optimising workplace usage and enhancing the overall user experience.

### Digitalisation

Since its inception in 2019, the Digitalisation Programme has been driving the adoption of emerging technologies to enhance the efficiency and effectiveness of the HKMA's work. The programme has made significant progress in five key areas: banking supervision, anti-money laundering supervision, financial stability surveillance, economic research and reserves management.

The launch of the Common Submission Platform (CSP) has been a key milestone under the Digitalisation Programme, enabling AIs to submit data to regulators with greater ease and security. All AIs have been onboarded, and multiple data areas are now being reported regularly through the CSP. Building on this success, the CSP was also expanded in 2024 to cover SVF licensees, marking another significant step in the Programme's digitalisation journey.

In 2024, a number of corporate-wide trainings and workshops were conducted to drive wider adoption of the emerging technologies. The first-ever Digital Day was held, featuring seminars, fireside chats, hands-on workshops, a hackathon and collaboration booths showcasing projects across the areas of data analytics, automation and visualisation. This event provided valuable insights into the technologies introduced by the Digitalisation Programme and highlighted the significance of digital transformation in everyday work.



## Corporate Functions

Building on the momentum of the Digital Day, we have also launched our generative artificial intelligence (GenAI) product suite, comprising both open-source and proprietary large language models and catering to the varying needs across departments. Governance procedures have been updated to ensure safe and proper usage of the technology, and a roadmap is being devised to expand the usage of GenAI across the HKMA mandates.

As the Digitalisation Programme continues to evolve, we remain committed to harnessing the power of emerging technologies to drive innovation and enhance the organisation's capabilities. Looking ahead, we will further diversify our IT capabilities and tools to reduce dependencies and increase resilience, while exploring the potential of cutting-edge technologies like GenAI. Building on the success of its data platform, which embeds robust data governance procedures to ensure compliance by design, we will continue to foster a more data-driven culture across the organisation.

### Administration

We regularly review our corporate resources, including the space available for use, to ensure that we can meet our operational needs. During the year, additional office space is leased to relieve chronic shortage and provide reasonable work environment to staff to ensure productivity. For a more efficient use of space and greater seating capacity, the HKMA's offices generally adopt an open-plan layout with breakout areas for team discussions. Conference rooms and multi-function rooms for meetings and interviews are equipped with audio-visual systems that offer a user-friendly setup for the hosting of web conferences and webinars. Comprehensive office security measures, including access controls, surveillance systems and security personnel, are in place to ensure that office premises, staff and assets remain safe. To enhance operational efficiency and facilitate further digitalisation, we are part-way through a multi-year project to implement an electronic record-keeping system, under which the existing records classification scheme in a paper-based filing system is being reviewed for transitioning to an electronic one. We also promote a green and caring workplace; more information can be found in the *Sustainable HKMA* chapter of our *Sustainability Report 2024*.

### Legal support

The Office of the General Counsel (OGC) provides legal advice to the HKMA on all aspects of its functions. In 2024, the OGC worked alongside other HKMA departments on a range of matters. These included the investment management of the Exchange Fund; the commercialisation of the Central Moneymarkets Unit (CMU) (including establishing CMU OmniClear Limited to operate the CMU on behalf of the HKMA and pursue new business development initiatives); the development of the mBridge platform (a distributed ledger technology-based cross border payment system employing Central Bank Digital Currencies); the facilitation of digital green bond issuance by the Government; the rule changes necessary to implement new elements of the Basel Framework; the preparation of legislation including the Stablecoins Bill, relevant aspects of the Companies (Amendment) (No. 2) Bill 2024 and the Protection of Critical Infrastructures (Computer Systems) Bill, as well as proposals to amend the BO, the Financial Institutions (Resolution) Ordinance and the Hong Kong Association of Banks Ordinance.

OGC lawyers also provide legal support for the HKMA's participation in international working groups, and respond to consultations on legislative proposals and other matters which may affect the functions and operations of the HKMA.

## Corporate Functions

### Settlement services

The Settlement Section provides reliable and efficient settlement services and operational support to the HKMA’s reserves management, monetary operations and other initiatives. In 2024, the Settlement Section continued to maintain a high level of operational resilience and efficiency to meet ongoing and new settlement service demands through enhancements to systems and procedures. Supported by effective and robust operation and system controls, the funds and assets of the Exchange Fund were accurately and securely transferred. The Settlement Section will stay agile amid new changes arising from the rapid development of the financial industry.

### Professional workforce

#### Establishment and strength

The HKMA recruits, develops and maintains a highly professional workforce to support its policy objectives and respond in an agile manner to changing work priorities. The establishment of the HKMA in 2024 was 1,112. We made continuous efforts to support new initiatives as well as our ongoing voluminous and complex work through use of technology, flexible redeployment of existing resources, efficiency enhancement and streamlining of work processes. In 2025, we will increase our establishment to 1,133 by creating eight new posts and converting 13 contract posts to permanent posts, in order to cope with our longer-term manpower needs in various areas of work.

Table 4 gives a breakdown of the establishment and strength of the HKMA.

#### HKMA’s Core Values

The HKMA is committed to promoting a sound corporate culture which underpins the effective delivery of the important missions of safeguarding financial and monetary stability, as well as strengthening Hong Kong’s status as an international financial centre. The core values of the HKMA are



##### Integrity

We act with honesty, probity, and impartiality



##### Professionalism

We pursue professional excellence, intelligent enquiry, innovation and continuous improvements



##### Collaboration

We respect and value our people and promote diversity of views and teamwork

## Corporate Functions

**Table 4** Establishment and strength of the HKMA on 1 January 2025

Department	Functions	Senior staff		Others	
		Establishment	Strength	Establishment	Strength
Senior Executives' Office	Top management of the HKMA	4	4	9	9
Banking Conduct	To take charge of payment systems oversight, licensing, and all supervisory and development functions relating to the business conduct of AIs	1	1	99	95
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector, enhance the capacity building of industry practitioners, and take charge of the deposit protection function	1	1	52	50
Banking Supervision	To supervise operations of AIs	1	1	204	188
Enforcement and Anti-Money Laundering	To investigate and, where appropriate, take enforcement action under relevant ordinances, supervise anti-money laundering and counter-terrorist financing systems, and handle complaints	1	1	110	107
Exchange Fund Investment Office	To manage reserves in line with established guidelines to achieve investment returns and enhance the quality of returns by diversifying investments into different markets and asset types	1	0	120	107
Risk and Compliance*	To oversee all risk-generating activities, including investment risks and non-investment-related corporate risks of the HKMA	1	1	44	43
External	To develop and promote Hong Kong as an international financial centre, foster regional monetary co-operation through participation in the international central banking and financial community, and promote the development of financial markets	1	1	69	63
Financial Infrastructure	To develop and enhance financial market infrastructure for maintaining and strengthening Hong Kong's status as an international financial centre	1	1	21	21
Monetary Management	To maintain financial and monetary stability through macro-financial surveillance and monitoring of market operations, license and supervise SVFs, designate and oversee important retail payment systems, develop thought leadership and implement policies in digital finance including regulatory regime for stablecoin issuers, take charge of the settlement function, and ensure an adequate supply of banknotes and coins	1	1	97	95
Research	To conduct research and analyses on economic and financial market developments in Hong Kong and other economies	1	1	44	42
Office of the General Counsel	To provide in-house legal support and advice	1	1	30	27
Corporate Services	To provide support in the form of administration, finance, human resources, information technology and secretariat services; handle media and community relations; and provide consumer education	1	1	192	169
Internal Audit Division	To evaluate and advise on the adequacy and effectiveness of the HKMA's governance, risk management and control processes	0	0	10	10
Resolution Office	To establish resolution standards, contribute to international resolution policy development, undertake local and cross-border resolution planning, develop operational capabilities to implement resolution, and execute the orderly resolution of a failing AI or a cross-sectoral group if needed	0	0	16	11
<b>Total</b>		<b>16</b>	<b>15</b>	<b>1,117</b>	<b>1,037</b>

\* Staff members overseeing investment risks are part of the Exchange Fund Investment Office set-up. For presentational reasons, they are grouped under the Risk and Compliance Department.

## Corporate Functions

### Remuneration policies

The Financial Secretary determines the pay and conditions of service for HKMA staff on the advice of the GSC through EFAC, taking into account prevailing market rates and practices. Remuneration comprises a total cash package and a provident fund scheme, with minimal benefits in kind. The cash package consists of monthly fixed pay (or basic pay) and variable pay that may be awarded to individual staff members as a lump sum once a year, depending on performance.

Pay for HKMA staff is reviewed annually by the Financial Secretary in light of recommendations made to him by the GSC, taking into account the GSC's assessment of the performance of the HKMA in the preceding year, findings of the pay surveys of the financial sector conducted by independent human resources consultants, and any other relevant factors. Special pay adjustments may be made from time to time to reward individual meritorious staff members and to maintain the competitiveness of their pay.

Any approved annual adjustments to fixed pay and any variable pay are awarded to individual staff members based on their performance. Investment staff members are subject to a variable pay system that seeks to strengthen the link between their investment performance and remuneration award. The pay adjustments and awards for individual staff members at the ranks of Executive Director and above are separately discussed and approved by the Financial Secretary on the advice of the GSC. The staff members concerned are not present at the meetings when their pay is discussed. Pay adjustments and awards for individual staff members at the ranks of Division Head and below are determined by the Chief Executive of the HKMA under delegated authority from the Financial Secretary.

### Remuneration of senior staff members

The remuneration packages of senior staff members in 2024 are shown in Table 5.

**Table 5**

**Remuneration packages of senior staff members in 2024<sup>a</sup>**

	Chief Executive	Deputy Chief Executive/ Senior Executive Director (average)	Executive Director (average)
Number of staff members <sup>b</sup>	1	4	13
(HK\$'000)			
Annualised pay			
Fixed pay	7,361	6,325	4,247
Variable pay	2,172	1,821	1,119
Other benefits <sup>c</sup>	980	806	630

- Except for annual leave accrued, the actual remuneration received by staff members who did not serve out a full year is annualised for the purpose of calculating the average annual package for the rank.
- The number of staff members in this table includes those who did not serve out a full year. The senior staff members include the Chief Executive Officer of the Hong Kong Mortgage Corporation Limited and the Special Adviser to the Chief Executive of the HKMA.
- Other benefits include provident funds or gratuity (as the case may be), medical and life insurance, and annual leave accrued during the year. The provision of these benefits varies among senior staff members, depending on individual terms of service.

## Corporate Functions

### Staff development

The HKMA places a high priority on developing its staff's capabilities to cater for its operational needs and staff's career development, which in turn enhances their ability to adapt to new challenges. Considerable efforts are devoted to training each staff member's vertical (job-specific) and horizontal (general) skills according to identified individual and organisational needs. In 2024, we continued to enhance the professional development of staff with respect to their work and ranks under our structured training curriculum. We organised thematic talks on key work priorities and emerging trends for staff, including topics such as sustainable investment, climate change and financial stability, to keep staff abreast of the latest financial developments. We organised leadership training for senior staff to equip them with skills and insights for leading the organisation effectively.



*A workshop on Relationship Building and Collaboration for general staff*



*A workshop on Facilitation Skills for senior managers*



*A Presentation Skills Series for managers*



*A leadership training on Emotional Intelligence for division heads*



## Corporate Functions

### 2024 Training Days: 4,438

- **3,205** days on vertical training
- **1,233** days on horizontal training

Average: **4.2** training days per staff

The HKMA's Continuous Capacity Development Programme aims to foster a culture of continuous learning and strengthen the competencies of its staff. We operate a training sponsorship scheme that supports staff members pursuing studies relevant to the work of the HKMA, and reimburses membership fees paid by staff to relevant professional bodies that support their work in the HKMA as well as their professional development.

To enhance work exposure and promote the cross-fertilisation of skills and experience, we encourage staff members to rotate across different job areas, for example by accepting postings to the HKMA's New York Representative Office, or secondments to HKMA-related organisations, other regulatory authorities or the Government. Secondments to international organisations as well as peer regulatory authorities in Mainland and overseas are also arranged to foster cross-border collaboration and knowledge exchange. In addition, some staff members are deployed to provide support to related organisations, like the Hong Kong Deposit Protection Board, as well as to subsidiaries wholly owned by the Exchange Fund, such as Hong Kong FMI Services Limited and the Hong Kong Academy of Finance.

## Opportunities for graduates and students to join the HKMA

### Manager Trainee and Graduate Economist Programmes

The HKMA runs two trainee programmes designed to create a pool of young talents with sharp analytical minds, strong communication skills, high leadership potential and good team spirit who wish to pursue long-term careers in central banking: the Manager Trainee (MT) Programme and the Graduate Economist (GE) Programme. Each programme lasts for two years.

The MT Programme prepares young talents interested in central banking work for future key management roles within the HKMA, contributing to the financial stability and prosperity of Hong Kong. Each MT undergoes on-the-job training in two or three departments where they acquire hands-on experience in some of the HKMA's most important functions. The GE Programme, on the other hand, offers young graduates interested in economic research the opportunity to apply their research skills and contribute to the process of policy formulation in two or three departments.

Both programmes provide an all-round career development environment for trainees. Apart from receiving on-the-job training, the MTs and GEs also attend courses or briefings related to central banking, and participate in mentorship and buddy programmes, international events, special research projects and internal staff events. Upon successful completion of their programmes, MTs are offered appointments as Managers and GEs as Economists within the HKMA.

### Career Prospects



## Corporate Functions

### Assistant Managers

Assistant Managers (AMs) are an important backbone of the HKMA's body of professional staff. Most AMs work in the banking departments, helping to preserve the safety and stability of Hong Kong's banking system. A small number of AMs work in other functional areas, where they provide analytical support and other forms of assistance. The AM position is a good career starting point for young graduates with a keen interest in banking supervision and regulatory work.



*Digital intelligence sharing for MTs and GEs*

### Internship programmes

We run summer and winter internship programmes for undergraduates, designed to equip them with practical work experience and insights into the roles of a central bank. The programmes include talks and visits that provide interns with an in-depth understanding of the functions and work of the HKMA.



*MTs and GEs chat with senior executives*



*MTs and GEs visit Hong Kong Exchanges and Clearing Limited*



*Familiarisation talk on the Linked Exchange Rate System for summer interns*

## The Exchange Fund

- Report of the Director of Audit
- Exchange Fund Financial Statements

## Report of the Director of Audit



### **Audit Commission**

**The Government of the Hong Kong Special Administrative Region**

## Independent Auditor's Report To the Financial Secretary

### *Opinion*

I certify that I have audited the financial statements of the Exchange Fund and its subsidiaries ("the Group") set out on pages 209 to 309, which comprise the balance sheets of the Exchange Fund and of the Group as at 31 December 2024, and their income and expenditure accounts, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund and of the Group as at 31 December 2024, and of their financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the directive of the Chief Executive made under section 7 of the Exchange Fund Ordinance (Cap. 66).

### *Basis for opinion*

I conducted my audit in accordance with the directive of the Chief Executive made under section 7 of the Exchange Fund Ordinance and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Group in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Key audit matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements for the year ended 31 December 2024. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

## Report of the Director of Audit (continued)

Key audit matter	How the matter was addressed in my audit
<b>Valuation of financial assets and financial liabilities at fair value</b> <i>Refer to notes 2.5, 2.6 and 37.1 to the financial statements.</i>	
<p>As at 31 December 2024, the Group had financial assets totalling HK\$3,915,117 million and financial liabilities totalling HK\$1,386,299 million valued at fair value.</p> <p>For 86% of these financial assets and all these financial liabilities, their fair values were quoted prices in active markets for identical assets or liabilities (Level 1 inputs) or were estimated using valuation techniques with inputs based on observable market data (Level 2 inputs).</p> <p>For the remaining 14% of these financial assets, their fair values were estimated using valuation techniques with inputs not based on observable market data (Level 3 inputs). Such financial assets totalled HK\$552,251 million, including mainly unlisted investment funds.</p> <p>Given the substantial amount and the estimations involved, valuation of financial assets and financial liabilities at fair value was a key audit matter.</p>	<p>The audit procedures on valuation of financial assets and financial liabilities at fair value included:</p> <ul style="list-style-type: none"> <li>– obtaining an understanding of the procedures, including relevant controls, for valuing different categories of financial assets and financial liabilities;</li> <li>– evaluating and testing the controls, including relevant application controls of the computer systems;</li> <li>– obtaining external confirmations on the valuation, existence, rights and obligations and completeness of the financial assets and financial liabilities;</li> <li>– where quoted market prices were used, verifying the prices to independent sources;</li> <li>– where valuation techniques with inputs based on observable market data were used, evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions, and verifying the inputs to independent sources; and</li> <li>– where valuation techniques with inputs not based on observable market data were used, evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions and inputs.</li> </ul>
<b>Valuation of investment properties at fair value</b> <i>Refer to notes 2.11, 17 and 18 to the financial statements.</i>	
<p>The Group's investment properties were stated at their fair values, totalling HK\$21,132 million as at 31 December 2024. The Group also had interests in associates and joint ventures whose principal activities were holding overseas investment properties. The fair values of these investment properties, whether held by the Group directly or by associates or joint ventures, were mainly determined based on valuations by independent professional valuers. Such valuations involved significant judgments and estimates, including the valuation methodologies and the assumptions used.</p>	<p>The audit procedures on valuation of investment properties at fair value included:</p> <ul style="list-style-type: none"> <li>– obtaining and reviewing the valuation reports of investment properties held by the Group directly or by associates or joint ventures, and verifying that the fair values were based on the valuations stated in the valuation reports;</li> <li>– assessing the independence and qualifications of the valuers; and</li> <li>– evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions and inputs.</li> </ul>



## Report of the Director of Audit (continued)

### *Other information*

The Monetary Authority is responsible for the other information. The other information comprises all the information included in the 2024 Annual Report of the Hong Kong Monetary Authority, other than the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### *Responsibilities of the Monetary Authority and the Audit Sub-Committee of the Exchange Fund Advisory Committee for the financial statements*

The Monetary Authority is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the directive of the Chief Executive made under section 7 of the Exchange Fund Ordinance, and for such internal control as the Monetary Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Monetary Authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Audit Sub-Committee of the Exchange Fund Advisory Committee is responsible for overseeing the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the financial statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

## Report of the Director of Audit (continued)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Monetary Authority;
- conclude on the appropriateness of the Monetary Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the financial statements. I am responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

I communicate with the Audit Sub-Committee of the Exchange Fund Advisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Audit Sub-Committee of the Exchange Fund Advisory Committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Audit Sub-Committee of the Exchange Fund Advisory Committee, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Prof. LAM Chi Yuen Nelson**  
Director of Audit

3 April 2025

Audit Commission  
6th Floor, High Block  
Queensway Government Offices  
66 Queensway  
Hong Kong

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# Exchange Fund – Income and Expenditure Account

for the year ended 31 December 2024

		Group		Fund	
(Expressed in millions of Hong Kong dollars)	Note	2024	2023	2024	2023
<b>INCOME</b>					
Interest income		139,694	127,293	129,279	117,659
Dividend income		16,222	16,671	15,391	12,880
Income/(Loss) from investment properties		66	(1,672)	–	–
Net investment gains		117,199	94,438	88,231	67,491
Net exchange (loss)/gain		(39,937)	359	(35,576)	(513)
Investment income	4(a)	233,244	237,089	197,325	197,517
Bank licence fees		62	118	62	118
Other income		859	735	140	100
<b>TOTAL INCOME</b>		<b>234,165</b>	<b>237,942</b>	<b>197,527</b>	<b>197,735</b>
<b>EXPENDITURE</b>					
Interest expense on placements by Fiscal Reserves, HKSAR Government funds and statutory bodies	4(b)	(45,137)	(52,082)	(45,137)	(52,082)
Other interest expense	4(c)	(65,779)	(57,652)	(58,849)	(50,719)
Operating expenses	4(d)	(8,922)	(8,119)	(5,339)	(5,083)
Note and coin expenses	4(e)	(316)	(212)	(316)	(212)
(Charge for)/Reversal of impairment allowances	4(f)	(15)	(65)	(3)	2
<b>TOTAL EXPENDITURE</b>		<b>(120,169)</b>	<b>(118,130)</b>	<b>(109,644)</b>	<b>(108,094)</b>
<b>SURPLUS BEFORE SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURES</b>					
		113,996	119,812	87,883	89,641
Share of loss of associates and joint ventures, net of tax		(822)	(7,976)	–	–
<b>SURPLUS BEFORE TAXATION</b>		<b>113,174</b>	<b>111,836</b>	<b>87,883</b>	<b>89,641</b>
Income tax credit	5	197	356	–	–
<b>SURPLUS FOR THE YEAR</b>		<b>113,371</b>	<b>112,192</b>	<b>87,883</b>	<b>89,641</b>
<b>SURPLUS FOR THE YEAR ATTRIBUTABLE TO:</b>					
Owner of the Fund		113,233	112,525	87,883	89,641
Non-controlling interests		138	(333)	–	–
		113,371	112,192	87,883	89,641

The notes on pages 217 to 309 form part of these financial statements.

## Exchange Fund – Statement of Comprehensive Income

for the year ended 31 December 2024

(Expressed in millions of Hong Kong dollars)	Group		Fund	
	2024	2023	2024	2023
<b>SURPLUS FOR THE YEAR</b>	<b>113,371</b>	112,192	<b>87,883</b>	89,641
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>				
<b>Items that will not be reclassified to income and expenditure account</b>				
Equity securities measured at fair value through other comprehensive income				
– fair value changes	72	100	72	100
<b>Items that are or may be reclassified subsequently to income and expenditure account</b>				
Debt securities measured at fair value through other comprehensive income				
– fair value changes	15	9	–	–
Cash flow hedges				
– fair value changes	(20)	(120)	–	–
Net insurance finance income	197	26	–	–
Deferred tax	(53)	(14)	–	–
Exchange difference on translation of financial statements of overseas subsidiaries, associates and joint ventures	(1,282)	1,171	–	–
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(1,071)</b>	1,172	<b>72</b>	100
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>112,300</b>	113,364	<b>87,955</b>	89,741
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>				
Owner of the Fund	112,175	113,684	87,955	89,741
Non-controlling interests	125	(320)	–	–
	<b>112,300</b>	113,364	<b>87,955</b>	89,741

The notes on pages 217 to 309 form part of these financial statements.



## Exchange Fund – Balance Sheet

as at 31 December 2024

		Group		Fund	
(Expressed in millions of Hong Kong dollars)	Note	2024	2023	2024	2023
<b>ASSETS</b>					
Cash and money at call	7	207,009	195,831	202,830	190,478
Placements with banks and other financial institutions	8	182,243	206,133	130,095	155,125
Financial assets measured at fair value through income and expenditure account	9	3,902,643	3,885,297	3,398,963	3,408,917
Financial assets measured at fair value through other comprehensive income	10	5,157	3,873	1,436	1,364
Derivative financial instruments	11(a)	4,720	2,842	3,695	1,465
Debt securities measured at amortised cost	12	15,106	14,574	–	–
Loan portfolio	13	106,045	120,158	–	–
Gold	14	1,355	1,076	1,355	1,076
Other assets	15	114,443	42,528	108,499	35,808
Interests in subsidiaries	16	–	–	230,503	218,893
Interests in associates and joint ventures	17	31,684	34,034	154	159
Investment properties	18	21,132	22,449	–	–
Property, plant and equipment	19	4,073	3,639	3,445	3,206
<b>TOTAL ASSETS</b>		<b>4,595,610</b>	4,532,434	<b>4,080,975</b>	4,016,491
<b>LIABILITIES AND EQUITY</b>					
Certificates of Indebtedness	20	598,944	593,235	598,944	593,235
Government-issued currency notes and coins in circulation	20	12,994	12,941	12,994	12,941
Balance of the banking system	21	44,802	44,950	44,802	44,950
Placements by banks and other financial institutions	22	72,112	99,120	72,112	99,120
Placements by Fiscal Reserves	23	669,738	695,426	669,738	695,426
Placements by HKSAR Government funds and statutory bodies	24	391,073	468,656	391,073	468,656
Placements by subsidiaries	25	–	–	45,665	31,186
Exchange Fund Bills and Notes issued	26	1,383,658	1,244,462	1,383,658	1,244,462
Derivative financial instruments	11(a)	2,641	5,659	744	2,559
Bank loans	27	14,861	15,359	–	–
Other debt securities issued	28	148,931	162,363	–	–
Other liabilities	29	156,194	202,822	126,308	176,974
<b>Total liabilities</b>		<b>3,495,948</b>	3,544,993	<b>3,346,038</b>	3,369,509

## Exchange Fund – Balance Sheet (continued)

as at 31 December 2024

(Expressed in millions of Hong Kong dollars)	Group		Fund	
	2024	2023	2024	2023
Accumulated surplus	1,101,168	987,935	733,994	646,111
Revaluation reserve	966	879	943	871
Hedging reserve	(1)	19	–	–
Insurance finance reserve	386	242	–	–
Translation reserve	(4,153)	(2,884)	–	–
Total equity attributable to owner of the Fund	1,098,366	986,191	734,937	646,982
Non-controlling interests	1,296	1,250	–	–
<b>Total equity</b>	<b>1,099,662</b>	<b>987,441</b>	<b>734,937</b>	<b>646,982</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,595,610</b>	<b>4,532,434</b>	<b>4,080,975</b>	<b>4,016,491</b>

### Eddie Yue

Monetary Authority

3 April 2025

The notes on pages 217 to 309 form part of these financial statements.

# Exchange Fund – Statement of Changes in Equity

for the year ended 31 December 2024

(Expressed in millions of Hong Kong dollars)	Attributable to owner of the Fund						Non-controlling interests	Total
	Accumulated surplus	Revaluation reserve	Hedging reserve	Insurance finance reserve	Translation reserve	Total attributable to owner of the Fund		
<b>Group</b>								
At 1 January 2023	875,410	770	139	230	(4,042)	872,507	1,617	874,124
Surplus for the year	112,525	–	–	–	–	112,525	(333)	112,192
Other comprehensive income for the year	–	109	(120)	12	1,158	1,159	13	1,172
Total comprehensive income for the year	112,525	109	(120)	12	1,158	113,684	(320)	113,364
Capital distribution to non-controlling interests	–	–	–	–	–	–	(41)	(41)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(6)	(6)
At 31 December 2023	987,935	879	19	242	(2,884)	986,191	1,250	987,441
At 1 January 2024	987,935	879	19	242	(2,884)	986,191	1,250	987,441
Surplus for the year	113,233	–	–	–	–	113,233	138	113,371
Other comprehensive loss for the year	–	87	(20)	144	(1,269)	(1,058)	(13)	(1,071)
Total comprehensive income for the year	113,233	87	(20)	144	(1,269)	112,175	125	112,300
Capital distribution to non-controlling interests	–	–	–	–	–	–	(78)	(78)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1)	(1)
At 31 December 2024	1,101,168	966	(1)	386	(4,153)	1,098,366	1,296	1,099,662

## Exchange Fund – Statement of Changes in Equity (continued)

for the year ended 31 December 2024

	Accumulated surplus	Revaluation reserve	Total attributable to owner of the Fund
(Expressed in millions of Hong Kong dollars)			
<b>Fund</b>			
At 1 January 2023	556,470	771	557,241
Surplus for the year	89,641	–	89,641
Other comprehensive income for the year	–	100	100
Total comprehensive income for the year	89,641	100	89,741
At 31 December 2023	646,111	871	646,982
At 1 January 2024	<b>646,111</b>	<b>871</b>	<b>646,982</b>
Surplus for the year	<b>87,883</b>	–	<b>87,883</b>
Other comprehensive income for the year	–	<b>72</b>	<b>72</b>
Total comprehensive income for the year	<b>87,883</b>	<b>72</b>	<b>87,955</b>
At 31 December 2024	<b>733,994</b>	<b>943</b>	<b>734,937</b>

The notes on pages 217 to 309 form part of these financial statements.

# Exchange Fund – Statement of Cash Flows

for the year ended 31 December 2024

		Group		Fund	
(Expressed in millions of Hong Kong dollars)	Note	2024	2023	2024	2023
<b>Cash flows from operating activities</b>					
Surplus before taxation		113,174	111,836	87,883	89,641
<b>Adjustments for:</b>					
Interest income	4(a)	(139,694)	(127,293)	(129,279)	(117,659)
Dividend income	4(a)	(16,222)	(16,671)	(15,391)	(12,880)
Change in fair value of investment properties	4(a)	1,039	2,798	–	–
Interest expense	4(b) & 4(c)	110,916	109,734	103,986	102,801
Depreciation	4(d)	488	388	348	282
Charge for/(Reversal of) impairment allowances	4(f)	15	65	3	(2)
Share of loss of associates and joint ventures		822	7,976	–	–
Exchange differences and other non-cash items		12,318	(723)	4,682	1,246
Interest received		138,928	124,986	128,628	115,633
Dividends received		16,522	16,286	11,624	11,904
Interest paid		(151,620)	(126,172)	(144,220)	(119,019)
Income tax paid		(121)	(172)	–	–
		86,565	103,038	48,264	71,947
Changes in fair value of derivatives and other debt securities issued		(4,391)	326	(4,029)	(203)
Changes in:					
– placements with banks and other financial institutions		14,328	(12,267)	23,860	(16,015)
– financial assets measured at fair value through income and expenditure account		(19,239)	(72,779)	15,044	(33,123)
– loan portfolio		13,937	(10,228)	–	–
– gold		(279)	(131)	(279)	(131)
– other assets		(71,616)	1,240	(72,313)	(1,496)
– Certificates of Indebtedness, government-issued currency notes and coins in circulation		5,762	(12,943)	5,762	(12,943)
– balance of the banking system		(148)	(51,301)	(148)	(51,301)
– placements by banks and other financial institutions		(27,008)	(335)	(27,008)	(335)
– placements by Fiscal Reserves		(25,688)	(69,763)	(25,688)	(69,763)
– placements by HKSAR Government funds and statutory bodies		(77,583)	19,615	(77,583)	19,615
– placements by subsidiaries		–	–	14,479	598
– net Exchange Fund Bills and Notes issued		139,196	44,139	139,196	44,139
– other liabilities		(5,134)	(11)	(10,479)	5,250
<b>Net cash from/(used in) operating activities</b>		<b>28,702</b>	(61,400)	<b>29,078</b>	(43,761)



## Exchange Fund – Statement of Cash Flows (continued)

for the year ended 31 December 2024

		Group		Fund	
(Expressed in millions of Hong Kong dollars)	Note	2024	2023	2024	2023
<b>Cash flows from investing activities</b>					
Proceeds from sale or redemption of financial assets measured at fair value through other comprehensive income		282	196	–	–
Purchase of financial assets measured at fair value through other comprehensive income		(1,512)	(1,441)	–	–
Proceeds from sale or redemption of debt securities measured at amortised cost		5,849	2,507	–	–
Purchase of debt securities measured at amortised cost		(6,434)	(3,945)	–	–
Investments in subsidiaries		–	–	(12,800)	(2,500)
Decrease/(Increase) in loans to subsidiaries		–	–	1,190	(12,237)
Decrease/(Increase) in interests in associates and joint ventures		455	171	5	(43)
Additions of investment properties		(606)	(729)	–	–
Additions of property, plant and equipment		(691)	(402)	(381)	(321)
Dividends received from subsidiaries		–	–	4,040	637
<b>Net cash used in investing activities</b>		<b>(2,657)</b>	<b>(3,643)</b>	<b>(7,946)</b>	<b>(14,464)</b>
<b>Cash flows from financing activities</b>					
Bank loans raised	30(c)	390	–	–	–
Repayment of bank loans	30(c)	(186)	(46)	–	–
Proceeds from issue of other debt securities	30(c)	103,114	98,147	–	–
Redemption of other debt securities issued	30(c)	(117,659)	(69,456)	–	–
Principal portion of lease payments	30(c)	(145)	(130)	(104)	(94)
Capital distribution to non-controlling interests		(78)	(41)	–	–
Dividends paid to non-controlling interests		(1)	(6)	–	–
<b>Net cash (used in)/from financing activities</b>		<b>(14,565)</b>	<b>28,468</b>	<b>(104)</b>	<b>(94)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,480</b>	<b>(36,575)</b>	<b>21,028</b>	<b>(58,319)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>406,238</b>	<b>444,068</b>	<b>350,885</b>	<b>410,450</b>
<b>Effect of foreign exchange rate changes</b>		<b>(4,770)</b>	<b>(1,255)</b>	<b>(4,753)</b>	<b>(1,246)</b>
<b>Cash and cash equivalents at 31 December</b>	30(a)	<b>412,948</b>	<b>406,238</b>	<b>367,160</b>	<b>350,885</b>

The notes on pages 217 to 309 form part of these financial statements.

# Exchange Fund – Notes to the Financial Statements

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## 1 PRINCIPAL ACTIVITIES

The Monetary Authority, under delegated authority from the Financial Secretary as Controller of the Exchange Fund (the Fund), manages the Fund in accordance with the provisions of the Exchange Fund Ordinance (Cap. 66). The principal activities of the Fund are safeguarding the exchange value of the currency of Hong Kong and maintaining the stability and integrity of Hong Kong's monetary and financial systems.

The assets of the Fund are managed as four portfolios: the Backing Portfolio, the Investment Portfolio, the Long-Term Growth Portfolio and the Strategic Portfolio. The assets of the Backing Portfolio fully match the Monetary Base, under Hong Kong's Currency Board system. The Investment Portfolio is invested primarily in the bond and equity markets of the member countries of the Organisation for Economic Co-operation and Development (OECD). The Long-Term Growth Portfolio holds private equity and real estate investments. The Strategic Portfolio holds shares in Hong Kong Exchanges and Clearing Limited acquired by the Hong Kong Special Administrative Region (HKSAR) Government for the account of the Fund for strategic purposes. Operating segment information is set out in note 31.

## 2 MATERIAL ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. Material accounting policies adopted by the Fund and its subsidiaries (together referred to as the Group) are set out below.

The HKICPA has issued certain new or revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on the changes, if any, in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### 2.2 Basis of preparation of the financial statements

The Group financial statements include the financial statements of the Group as well as the Group's interests in associates and joint ventures. The principal activities of the principal subsidiaries, associates and joint ventures are shown in notes 16 and 17.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The measurement basis used in the preparation of the financial statements is historical cost except for the following assets and liabilities that are measured at fair value:

- derivative financial instruments (note 2.6);
- financial assets and financial liabilities measured at fair value through income and expenditure account (note 2.6);
- financial assets measured at fair value through other comprehensive income (note 2.6);
- loan portfolio transferring significant insurance risk (note 2.6);
- gold (note 2.10); and
- investment properties (note 2.11).

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in note 2.18.

### 2.3 Subsidiaries and non-controlling interests

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Group financial statements from the date that control commences until the date that control ceases.

Intra-group balances, transactions and cash flows and any unrealised profits and losses arising from intra-group transactions are eliminated in full in preparing the Group financial statements.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Fund, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the Group balance sheet within equity, separately from equity attributable to the owner of the Fund. Non-controlling interests in the results of the Group are presented on the face of the Group income and expenditure account and statement of comprehensive income as an allocation of the surplus or deficit and total comprehensive income or loss for the year between non-controlling interests and the owner of the Fund.

In the balance sheet of the Fund, its investments in subsidiaries are stated at cost less impairment losses, if any (note 2.14).

In an acquisition of a subsidiary, when a group of assets acquired and liabilities assumed does not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such acquisition does not give rise to any goodwill.

### 2.4 Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, through its power to participate in the financial and operating policy decisions.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An interest in an associate or a joint venture is accounted for in the Group financial statements under the equity method and is initially recorded at cost, adjusted for any excess or deficit of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment, if any. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the net assets of the associate or the joint venture and any impairment loss relating to the investment.

The Group income and expenditure account and statement of comprehensive income include the Group's share of the post-tax results of the associates and the joint ventures for the year. When the Group's share of losses exceeds its interest in the associates or the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or the joint ventures. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or the joint ventures.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the associates or the joint ventures.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the associate or the joint venture, with a resulting gain or loss being recognised in the Group income and expenditure account. Any interest retained in the associate or the joint venture at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (note 2.6).

In the balance sheet of the Fund, interests in associates and joint ventures are stated at cost less impairment losses, if any (note 2.14).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.5 Fair value measurement

The Group measures most financial instruments, all investment properties and gold at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in note 37.2.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) in the principal market for the asset or liability; or
- (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- (a) Level 1 – fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 – fair values are determined involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (c) Level 3 – fair values are determined with inputs that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting date.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.6 Financial assets and financial liabilities

#### 2.6.1 Initial recognition and measurement

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial instruments are recognised on trade date, the date on which the Group commits to purchase or sell the instruments.

At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through income and expenditure account, transaction costs that are directly attributable to the acquisition of the financial assets or the issue of the financial liabilities. Transaction costs of financial assets and financial liabilities at fair value through income and expenditure account are expensed immediately.

#### 2.6.2 Classification and subsequent measurement

The Group classifies its financial assets into three categories for determining the subsequent measurement methods, on the basis of both the Group's business model for managing the assets and the contractual cash flow characteristics of the assets. The three measurement categories are:

- fair value through income and expenditure account (which is equivalent to the term "fair value through profit or loss" under HKFRS 9 "Financial Instruments");
- fair value through other comprehensive income; and
- amortised cost.

The Group classifies its financial liabilities as subsequently measured at fair value through income and expenditure account, or other financial liabilities.

Financial liabilities measured at fair value through income and expenditure account include those that are irrevocably designated by the Group at initial recognition as at fair value through income and expenditure account when doing so results in more relevant information because either:

- (a) the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- (b) a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities measured at fair value through income and expenditure account also include contracts that contain embedded derivatives which significantly modify the cash flows otherwise required.

The Group reclassifies a financial asset when and only when it changes its business model for managing the asset, except for equity securities elected to be measured at fair value through other comprehensive income at initial recognition (note 2.6.2.2). A financial liability is not reclassified.

An analysis of the Group's financial assets and financial liabilities by category is set out in note 6.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.6.2.1 Debt securities

The Group classifies its debt securities as measured at: (a) amortised cost; (b) fair value through other comprehensive income; or (c) fair value through income and expenditure account, depending on the Group's business model in managing them and their contractual cash flow characteristics.

#### (a) Debt securities measured at amortised cost

Debt securities are measured at amortised cost if they are held within a business model whose objective is to hold them for collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Debt securities in this category are initially recognised at fair value plus directly attributable transaction costs and subsequently carried at amortised cost. Interest income on these debt securities is recognised in the income and expenditure account using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The measurement of loss allowances for debt securities measured at amortised cost is based on the expected credit loss model as described in note 2.9.

#### (b) Debt securities measured at fair value through other comprehensive income

Debt securities are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling them and the contractual cash flows represent solely payments of principal and interest. Debt securities in this category are initially recognised at fair value plus directly attributable transaction costs and subsequently carried at fair value. Movements in the carrying amount of these securities are recognised in other comprehensive income, except for interest income, foreign exchange gains or losses, and impairment losses or reversals which are recognised in the income and expenditure account. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income and expenditure account.

The measurement of loss allowances for debt securities measured at fair value through other comprehensive income is based on the expected credit loss model as described in note 2.9. The loss allowances are recognised in other comprehensive income and do not reduce the carrying amount of such debt securities in the balance sheet.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (c) Debt securities measured at fair value through income and expenditure account

Debt securities that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at fair value through income and expenditure account. Debt securities in this category are initially recognised at fair value with transaction costs immediately charged to the income and expenditure account, and subsequently carried at fair value. Changes in fair value of these securities are recognised in the income and expenditure account in the period in which they arise.

### 2.6.2.2 Equity securities and investment funds

Equity securities are measured at fair value through income and expenditure account, unless an election is made to designate them at fair value through other comprehensive income upon initial recognition.

For equity securities measured at fair value through income and expenditure account, changes in fair value are recognised in the income and expenditure account in the period in which they arise.

The Group classifies certain equity securities, which are held for strategic or longer term investment purposes, as measured at fair value through other comprehensive income. The election of fair value through other comprehensive income is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these equity securities are recognised in other comprehensive income, which are not transferred subsequently to the income and expenditure account, including when they are derecognised. Dividends on such investments are recognised in the income and expenditure account unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment funds are measured at fair value through income and expenditure account. Changes in fair value of these funds are recognised in the income and expenditure account in the period in which they arise.

### 2.6.2.3 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair values. Fair values are obtained from market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through income and expenditure account. These embedded derivatives are measured at fair value through income and expenditure account.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (a) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge) or (b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided that certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income and expenditure account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the income and expenditure account over the period to maturity.

### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income and expenditure account.

Amounts accumulated in equity are reclassified to the income and expenditure account in the periods in which the hedged item will affect the income and expenditure account.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity existing at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income and expenditure account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the income and expenditure account.

### (c) Derivatives not qualified as hedges for accounting purposes

Derivative instruments entered into as economic hedges that do not qualify for hedge accounting are held at fair value through income and expenditure account. Changes in the fair value of such derivative instruments are recognised in the income and expenditure account.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.6.2.4 Loan portfolio transferring significant insurance risk

There are contracts issued by the Group with a feature combining a loan component with an agreement to compensate the borrowers by waiving the borrowers' outstanding debt if a specified uncertain future event adversely affects the borrowers. These contracts, with both loan and insurance components in entirety, are measured at fair value through income and expenditure account. Changes in fair value of these contracts are recognised in the income and expenditure account in the period in which they arise.

### 2.6.2.5 Other financial assets

Other financial assets are measured at amortised cost. This category includes cash and money at call, placements with banks and other financial institutions, and remaining loan portfolio. The measurement of loss allowances for these financial assets is based on the expected credit loss model as described in note 2.9.

### 2.6.2.6 Financial liabilities measured at fair value through income and expenditure account

The following financial liabilities are measured at fair value through income and expenditure account:

- Exchange Fund Bills and Notes (EFBN) issued which, on initial recognition, are irrevocably designated by the Group as at fair value through income and expenditure account; and
- other debt securities issued, which contain embedded derivatives that significantly modify the cash flows otherwise required.

Financial liabilities measured at fair value through income and expenditure account are initially recognised at fair value. Changes in fair value are recognised in the income and expenditure account, except for those changes arising from changes in the Group's own credit risk. Any changes in fair value of liabilities due to changes in the Group's own credit risk are recognised in other comprehensive income and the amount of such changes recognised in other comprehensive income is not transferred subsequently to the income and expenditure account upon derecognition.

### 2.6.2.7 Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at fair value through income and expenditure account.

Other financial liabilities repayable on demand are stated at the principal amount payable. These include Certificates of Indebtedness, government-issued currency notes and coins in circulation (note 2.6.2.8), balance of the banking system, placements by Fiscal Reserves (Operating and Capital Reserves), placements by the Bond Fund, placements by the Deposit Protection Scheme Fund and placements by The Hong Kong Mortgage Corporation Limited.

Other financial liabilities with a fixed maturity and a predetermined rate are carried at amortised cost using the effective interest method. These include placements by banks and other financial institutions, placements by HKSAR Government funds and statutory bodies (other than the Bond Fund and the Deposit Protection Scheme Fund), placements by subsidiaries (other than The Hong Kong Mortgage Corporation Limited), bank loans and other debt securities issued (other than those which contain embedded derivatives).



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

Placements by Fiscal Reserves (Future Fund) which are repayable on 31 December 2030 (unless otherwise directed by the Financial Secretary according to the terms of the placements) are stated at the principal amount payable. Interest payable on these placements is calculated at a composite rate determined annually (note 2.16.1) and compounded on an annual basis until maturity. If the composite rate is negative for a year, the negative return will first be offset against the balance of interest payable, with the excess portion (if any) written off against the principal amount payable. When the composite rate turns positive in subsequent years, the return will be used to recover fully or partially the amount written off.

### 2.6.2.8 Certificates of Indebtedness and government-issued currency notes and coins in circulation

As backing for the banknote issues, each note-issuing bank is required to hold a non-interest-bearing Certificate of Indebtedness issued by the Financial Secretary, which is redeemable on demand. Payments for the issue and redemption of banknotes against these Certificates are made in US dollars at the fixed exchange rate of US\$1=HK\$7.80. Consistent with the requirement for backing banknote issues with US dollars, the issue and redemption of government-issued currency notes and coins are conducted with an agent bank against US dollars at the fixed exchange rate of US\$1=HK\$7.80.

The Group's liabilities in respect of Certificates of Indebtedness represent the US dollars payable to the note-issuing banks on redemption of the Certificates. The Group's liabilities in respect of government-issued currency notes and coins represent the US dollars payable to the agent bank when they are redeemed. Certificates of Indebtedness in issue and government-issued currency notes and coins in circulation are stated in the financial statements at the Hong Kong dollar equivalent of the US dollars required for their redemption using the closing exchange rate at the reporting date.

### 2.6.3 Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

Liabilities for EFBN in issue are derecognised when they are repurchased as a result of market making activities. The repurchase is considered as redemption of the debt.

### 2.6.4 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.7 Repurchase and reverse repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained on the balance sheet without changes in their measurement. The proceeds from the sale are reported as liabilities in “placements by banks and other financial institutions” and are carried at amortised cost.

Conversely, securities purchased under agreements to resell (reverse repurchase agreements) are reported as receivables in “placements with banks and other financial institutions” and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised as interest income and interest expense respectively, over the life of each agreement using the effective interest method.

### 2.8 Securities lending agreements

Where securities are loaned with the receipt of cash or other securities as collateral, they are retained on the balance sheet without changes in their measurement. Where cash collateral is received, a liability is recorded in respect of the cash received in “placements by banks and other financial institutions”. Securities received as collateral are not recognised in the financial statements.

### 2.9 Impairment of financial instruments

The Group applies a three-stage approach to measure expected credit losses and to recognise the corresponding loss allowances (provision in the case of loan commitments and financial guarantee contracts) and impairment losses or reversals, for financial instruments that are not measured at fair value through income and expenditure account, including mainly the following types of financial instruments:

- cash and money at call;
- placements with banks and other financial institutions;
- debt securities measured at amortised cost or fair value through other comprehensive income;
- loan portfolio measured at amortised cost;
- loan commitments; and
- financial guarantee contracts.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The change in credit risk since initial recognition determines the measurement bases for expected credit losses:

### Stage 1: 12-month expected credit losses

For financial instruments for which there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime expected credit losses that represent the expected credit losses that result from default events that are possible within the 12 months after the reporting date are recognised.

### Stage 2: Lifetime expected credit losses – not credit impaired

For financial instruments for which there has been a significant increase in credit risk since initial recognition but that are not credit impaired, lifetime expected credit losses representing the expected credit losses that result from all possible default events over the expected life of the financial instruments are recognised.

### Stage 3: Lifetime expected credit losses – credit impaired

For financial instruments that have become credit impaired, lifetime expected credit losses are recognised and interest income is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

#### 2.9.1 *Determining significant increases in credit risk*

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial instruments since initial recognition by comparing the risk of default occurring over the remaining expected life as at the reporting date with that as at the date of initial recognition. For this purpose, the date of initial recognition of loan commitments and financial guarantee contracts is the date that the Group becomes a party to the irrevocable commitment. The assessment considers quantitative and qualitative historical information as well as forward-looking information. A financial asset is assessed to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Group assesses whether there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For collective assessment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account investment type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the counterparty or borrower and other relevant factors.

Debt securities with an external credit rating of investment grade are considered to have a low credit risk. Other financial instruments are considered to have a low credit risk if they have a low risk of default and the counterparty or borrower has a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on these financial instruments is assessed as not having increased significantly since initial recognition.

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

When a financial asset is uncollectible, it is written off against the related loss allowance. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the income and expenditure account.

### 2.9.2 *Measurement of expected credit losses*

Expected credit losses of a financial instrument are an unbiased and probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument:

- for financial assets, a credit loss is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate. For a financial asset that is credit impaired at the reporting date, the Group measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate;
- for undrawn loan commitments, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- for financial guarantee contracts, a credit loss is the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

Further details on the expected credit losses calculation are set out in note 36.3.3.

### 2.10 **Gold**

Gold is carried at fair value. Changes in the fair value of gold are recognised in the income and expenditure account in the period in which they arise.

### 2.11 **Investment properties**

Properties that are held for long-term rental yields, capital appreciation or both, and that are not occupied by the Group, are classified as investment properties.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value as assessed by independent professional valuers, or by the management based on the latest valuation made by the independent professional valuers. Fair value of the investment properties is measured based on the market or income approach. Under the market approach, the value is determined based on comparable transactions. For the income approach, the fair value is determined using valuation techniques including discounted cash flow and income capitalisation methods.

Any gain or loss arising from a change in fair value or the disposal of an investment property is recognised directly in the income and expenditure account. Rental income from investment properties is recognised in accordance with the accounting policies as set out in note 2.13.2.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.12 Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any impairment losses (note 2.14):

- buildings held for own use situated on freehold land;
- leasehold land and buildings held for own use;
- plant and equipment, including plant, machinery, furniture, fixtures, equipment, motor vehicles and personal computers; and
- right-of-use assets arising from leases of premises (note 2.13.1).

Intangible assets including computer software licences and system development costs are included in property, plant and equipment.

Freehold land is not depreciated. For other items of property, plant and equipment, depreciation is calculated to write off their cost less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

- |   |  |
|---|--|
| – leasehold land  | over the unexpired term of lease   |
| – buildings situated on freehold land                     | 39 years   |
| – buildings situated on leasehold land                    | over the shorter of the unexpired term of lease and their estimated useful lives |
| – right-of-use assets                                     | over the shorter of the lease terms and their estimated useful lives             |
| – plant and equipment                                     | 3 to 15 years  |
| – computer software licences and system development costs | 3 to 5 years   |

A gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income and expenditure account on the date of disposal.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.13 Leases

#### 2.13.1 As a lessee

A lease is recognised in the balance sheet as a right-of-use asset with a corresponding lease liability at the lease commencement date, except that payments associated with short-term leases having a lease term of 12 months or less and leases of low-value assets are charged to the income and expenditure account on a straight-line basis over the lease term.

A right-of-use asset, except that meeting the definition of investment property (note 2.11), is recognised as property, plant and equipment and measured at cost less accumulated depreciation and any impairment losses (note 2.12). The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the asset's estimated useful life. A right-of-use asset that meets the definition of investment property is presented in the balance sheet as an investment property.

The lease liability is recognised as other liabilities and is measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to the income and expenditure account in the accounting period in which they are incurred. The lease liability is subsequently adjusted by the effect of the interest on and the settlement of the lease liability, and the remeasurement arising from any reassessment of lease liability or lease modification.

Lease payments included in the measurement of the Group's lease liability mainly comprise:

- fixed payments, less any lease incentives receivable;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

#### 2.13.2 As a lessor

The Group enters into contracts as a lessor with respect to some of its properties. These contracts are classified as operating leases because the Group does not transfer substantially all the risks and rewards incidental to ownership of assets to the lessees. Rental income from operating leases is recognised in the income and expenditure account as other income (note 2.16.5) on a straight-line basis over the lease term.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.14 Impairment of other assets

The carrying amounts of other assets, including interests in subsidiaries, interests in associates and joint ventures, and property, plant and equipment, are reviewed at each reporting date to identify any indication of impairment.

If any such indication exists, an impairment loss is recognised in the income and expenditure account whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use.

### 2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash and money at call, placements with banks and other financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

### 2.16 Revenue and expenditure recognition

#### 2.16.1 Interest income and expense

Interest on the majority of the placements by Fiscal Reserves (Operating and Capital Reserves) and placements by HKSAR Government funds and statutory bodies is payable at a fixed rate determined annually (notes 23 and 24). Interest on these placements is recognised in the income and expenditure account on an accrual basis, using the effective interest method.

Interest on the placements by Fiscal Reserves (Future Fund) is payable at a composite rate which is determined annually and linked with the performance of certain portfolios of assets under the Fund (note 23). Interest on these placements is recognised in the income and expenditure account on an accrual basis, based on the performance of those portfolios.

Interest income and expense for all other interest-bearing financial assets and financial liabilities are recognised in the income and expenditure account on an accrual basis, using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### 2.16.2 Dividend income

Dividend income from listed equity securities is recognised in the income and expenditure account when the share price is quoted ex-dividend. Dividend income from unlisted equity securities is recognised when the shareholder's right to receive payment is unconditionally established.

Dividends on equity securities measured at fair value through other comprehensive income that clearly represent a recovery of part of the cost of the investment are presented in other comprehensive income.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.16.3 *Net investment gains/(losses)*

Realised gains or losses on financial instruments other than equity securities measured at fair value through other comprehensive income are recognised in the income and expenditure account when the financial instruments are derecognised.

Changes in fair value of financial instruments measured at fair value through income and expenditure account are recognised as unrealised gains or losses in the income and expenditure account in the period in which they arise.

### 2.16.4 *Bank licence fees*

Bank licence fees are fees receivable from authorized institutions under the Banking Ordinance (Cap. 155) and are accounted for in the period when the fees become receivable.

### 2.16.5 *Other income*

Other income includes rental income and fee income from the provision of financial market infrastructure services. Rental income is recognised in accordance with the accounting policies as set out in note 2.13.2. Other income is accounted for in the period when it becomes receivable.

### 2.16.6 *Contributions to staff retirement schemes*

The Group operates several defined contribution schemes, including the Mandatory Provident Fund Scheme. Under these schemes, contributions payable each year are charged to the income and expenditure account. The assets of the staff retirement schemes are held separately from those of the Group.

### 2.16.7 *Income tax*

The Fund is not subject to Hong Kong profits tax as it is an integral part of the government. Income tax payable on profits of subsidiaries is recognised as an expense in the period in which profits arise.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised. Deferred tax liabilities are provided in full. For investment properties that are measured at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date on the presumption that their carrying amounts are recovered entirely through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.17 Foreign currency translation

The financial statements are presented in Hong Kong dollars, which is the Group's and the Fund's functional currency.

Foreign currency transactions during the year are translated into Hong Kong dollars using the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars using the closing exchange rate at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the spot exchange rates at the transaction dates. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Hong Kong dollars using the closing exchange rates at the dates when the fair value is determined.

All foreign currency translation differences are presented in aggregate as "net exchange gain/(loss)" in the income and expenditure account. Although it is not practicable to disclose separately the net exchange gain/(loss) on financial assets and financial liabilities measured at fair value through income and expenditure account or on derivative financial instruments, the majority of the exchange gains/(losses) relate to these two categories of financial instruments.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income and expenditure account when the gain or loss on disposal is recognised.

### 2.18 Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Fair value of investment properties

The fair value of investment properties is revalued by independent professional valuers using property valuation techniques which involve certain assumptions of market conditions. Details of the fair value measurement of investment properties are set out in note 18.1.

#### (b) Fair value of financial instruments

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, where the measurement of fair value is more judgemental. Details of the fair value measurement of financial instruments are set out in note 37.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (c) *Impairment allowances on loan portfolio measured at amortised cost*

The Group reviews its loan portfolio to assess expected credit losses on a regular basis. In determining expected credit losses, the Group makes judgements as to whether there is any significant increase in credit risk since initial recognition. It is required to exercise judgements in making assumptions and estimates to incorporate relevant information about external credit ratings, past events, current conditions and forecast of economic conditions. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Information about the assumptions relating to measurement of expected credit losses is set out in note 36.3.3.

### 2.19 Related parties

For the purposes of these financial statements, a person or an entity is considered to be related to the Group if:

- (a) the person, or a close member of that person's family:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.
- (b) any of the following conditions applies to the entity:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) the entity is an associate or joint venture of the Group (or an associate or joint venture of a member of a group of which the Group is a member);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) the entity is a joint venture of another entity and the Group is an associate of that entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 2.20 Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision maker. The Group comprises the following operating segments:

- management of funds under the Currency Board Operations, including the Backing Portfolio;
- management of funds representing the general reserve assets of the Fund, including the Investment Portfolio, the Long-Term Growth Portfolio and the Strategic Portfolio; and
- maintaining the stability and integrity of Hong Kong's monetary and financial systems, which includes banking supervision and monetary management, and the activities of Hong Kong FMI Services Limited, The Hong Kong Mortgage Corporation Limited and Hong Kong Note Printing Limited.

Details of the operating segments of the Group are set out in note 31.

## 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new or revised HKFRS Accounting Standards that are first effective for the current accounting period of the Group. None of them has impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 38).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## 4 INCOME AND EXPENDITURE

## (a) Investment income

	Group		Fund	
	2024	2023	2024	2023
Interest income:				
– from financial assets measured at fair value through income and expenditure account	116,753	104,325	115,608	103,711
– from financial assets measured at fair value through other comprehensive income	107	60	–	–
– from derivative financial instruments	332	279	53	38
– from financial assets measured at amortised cost	22,502	22,629	13,618	13,910
	139,694	127,293	129,279	117,659
Dividend income:				
– from financial assets measured at fair value through income and expenditure account	16,206	16,658	11,335	12,230
– from financial assets measured at fair value through other comprehensive income	16	13	16	13
– from subsidiaries	–	–	4,040	637
	16,222	16,671	15,391	12,880
Income/(Loss) from investment properties:				
– rental income	1,105	1,126	–	–
– change in fair value on revaluation	(1,039)	(2,798)	–	–
	66	(1,672)	–	–
Net investment gains/(losses):				
– on financial assets and financial liabilities measured at fair value through income and expenditure account	122,151	99,116	93,474	73,694
– on derivative financial instruments	(5,020)	(4,860)	(5,522)	(6,334)
– on loan portfolio measured at fair value through income and expenditure account	(211)	51	–	–
– on gold	279	131	279	131
	117,199	94,438	88,231	67,491
Net exchange (loss)/gain	(39,937)	359	(35,576)	(513)
<b>TOTAL</b>	<b>233,244</b>	<b>237,089</b>	<b>197,325</b>	<b>197,517</b>

Net investment gains included a gain of HK\$631 million (2023: HK\$1,996 million) on hedging instruments designated as fair value hedge and a loss of HK\$531 million (2023: HK\$1,851 million) on hedged items.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (b) Interest expense on placements by Fiscal Reserves, HKSAR Government funds and statutory bodies

	Group and Fund	
	2024	2023
Interest expense on placements by Fiscal Reserves:		
– at a fixed rate determined annually <sup>1</sup>	13,188	17,526
– at market-based rates	3	1
– at a composite rate determined annually <sup>2</sup>	16,148	17,995
	29,339	35,522
Interest expense on placements by HKSAR Government funds and statutory bodies:		
– at a fixed rate determined annually <sup>1</sup>	15,703	16,504
– at market-based rates	95	56
	15,798	16,560
<b>TOTAL</b>	<b>45,137</b>	<b>52,082</b>

<sup>1</sup> This rate was fixed at 3.7% per annum for 2024 (2023: 3.7%) – notes 23, 24 and 29.

<sup>2</sup> The composite rate was 3.9% per annum for 2024 (2023: 4.8%) – notes 23 and 29.

### (c) Other interest expense

	Group		Fund	
	2024	2023	2024	2023
Interest expense on Exchange Fund Bills and Notes issued	52,851	45,512	52,851	45,512
Interest expense on placements by subsidiaries	–	–	1,375	1,326
Interest expense on derivative financial instruments	166	210	165	210
Interest expense on lease liabilities	25	14	8	3
Interest expense on other financial instruments	12,737	11,916	4,450	3,668
<b>TOTAL</b>	<b>65,779</b>	<b>57,652</b>	<b>58,849</b>	<b>50,719</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## (d) Operating expenses

	Group		Fund	
	2024	2023	2024	2023
Staff costs				
Salaries and other staff costs	2,193	1,986	1,712	1,568
Retirement benefit costs	169	157	140	132
Premises and equipment expenses				
Depreciation	488	388	348	282
Other premises expenses	117	103	96	84
General operating costs				
Maintenance of office and computer equipment	251	221	221	194
Financial infrastructure operation	226	176	83	82
Professional, consulting and other services	194	195	112	118
Financial information and communication services	108	95	94	82
Public education and publicity	64	65	39	36
External relations	67	58	60	51
Training	12	8	9	6
Expenses relating to investment properties				
– Operating expenses	318	275	–	–
– Variable lease payment expenses	12	11	–	–
Others	100	58	152	110
Recovery of operating expenses for loans with full guarantee from the HKSAR Government (note 13)	(166)	(162)	–	–
Operating result of insurance business (note 4(d)(iii))	2,127	1,781	–	–
Investment management and custodian fees				
Management and custodian fees	1,513	1,453	1,294	1,236
Transaction costs	257	243	256	241
Withholding tax	608	717	608	717
Professional fees and others	264	291	115	144
<b>TOTAL</b>	<b>8,922</b>	<b>8,119</b>	<b>5,339</b>	<b>5,083</b>

(i) The aggregate emoluments of senior staff members (Executive Directors and above) of the Group are as follows:

	Group	
	2024	2023
Fixed pay	83.1	83.1
Variable pay	21.7	22.1
Other benefits	11.9	10.9
	<b>116.7</b>	<b>116.1</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

Other benefits shown above included provident funds, medical and life insurance, gratuity and annual leave accrued during the year. There were no other allowances or benefits-in-kind.

The numbers of senior staff members (Executive Directors and above) of the Group whose emoluments including other benefits fell within the following bands were shown in the table below. The number of senior staff posts was 18 (2023: 18).

HK\$	Group	
	2024	2023
500,000 or below	1	–
2,000,001 to 2,500,000	–	2
3,000,001 to 3,500,000	1	–
4,000,001 to 4,500,000	1	–
5,000,001 to 5,500,000	2	2
5,500,001 to 6,000,000	3	3
6,000,001 to 6,500,000	1	4
6,500,001 to 7,000,000	3	2
7,000,001 to 7,500,000	1	–
7,500,001 to 8,000,000	–	1
8,000,001 to 8,500,000	–	1
8,500,001 to 9,000,000	2	–
9,000,001 to 9,500,000	1	1
9,500,001 to 10,000,000	1	1
10,000,001 to 10,500,000	–	1
10,500,001 to 11,000,000	1	–
	<b>18</b>	18

(ii) Details of the operating result of insurance business are as follows:

	Group	
	2024	2023
Insurance revenue	<b>(1,316)</b>	(1,133)
Insurance service expenses	<b>2,998</b>	1,257
Net insurance finance expenses	<b>445</b>	1,657
	<b>2,127</b>	1,781

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (e) Note and coin expenses

These represent reimbursements to the note-issuing banks in respect of note-issuing expenses and expenses incurred directly by the Fund in issuing government-issued currency notes and coins.

### (f) Charge for/(Reversal of) impairment allowances

	Group		Fund	
	2024	2023	2024	2023
<b>Charge for/(Reversal of) impairment allowances</b>				
Placements with banks and other financial institutions (note 36.3.3(a))	4	(1)	3	(2)
Loan portfolio measured at amortised cost (note 36.3.3(c))	26	57	–	–
Provision on loan commitments (note 36.3.3(d))	(15)	9	–	–
<b>TOTAL</b>	<b>15</b>	<b>65</b>	<b>3</b>	<b>(2)</b>

## 5 INCOME TAX CREDIT

### (a) Income tax credited to the income and expenditure account

	Group	
	2024	2023
<b>Current tax</b>		
Hong Kong profits tax:		
– current year	55	178
– under-provision/(over-provision) in prior years	1	(2)
Taxation outside Hong Kong:		
– current year	60	87
– over-provision in prior years	(19)	(13)
<b>Deferred tax</b>		
Credit for current year	(294)	(606)
<b>TOTAL</b>	<b>(197)</b>	<b>(356)</b>

No provision for Hong Kong profits tax has been made for the Fund as it is not subject to Hong Kong tax. The provision for Hong Kong profits tax relates to the tax liabilities of the Fund's subsidiaries. For 2024, it is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year. Tax for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries, which ranged from 15.0% to 25.0% (2023: 15.0% to 23.5%).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

Reconciliation between tax expense and accounting profit at applicable tax rates:

	Group	
	2024	2023
Surplus before taxation	<b>113,174</b>	111,836
Less: Surplus not subject to Hong Kong tax	<b>(87,883)</b>	(89,641)
Surplus subject to tax	<b>25,291</b>	22,195
Tax calculated at domestic tax rates in the respective countries	<b>4,868</b>	3,616
Tax effect of:		
– non-deductible expenses	<b>2,455</b>	3,206
– non-taxable income	<b>(7,449)</b>	(7,120)
– tax losses not recognised	<b>5</b>	97
– utilisation of tax losses previously not recognized	<b>(10)</b>	–
– over-provision in prior years	<b>(18)</b>	(15)
– others	<b>(48)</b>	(140)
Income tax credit	<b>(197)</b>	(356)

### (b) Tax (recoverable)/payable

	Note	Group	
		2024	2023
Tax recoverable	15	<b>(94)</b>	(36)
Tax payable	29	<b>639</b>	605
		<b>545</b>	569

### (c) Deferred tax

	Note	Group	
		2024	2023
Deferred tax assets	15	<b>–</b>	(6)
Deferred tax liabilities	29	<b>535</b>	810
		<b>535</b>	804

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The major components of net deferred tax liabilities and the movements during the year are as follows:

	Group					
	Fair value changes on investment properties and financial instruments	Accelerated tax depreciation	Tax losses	Insurance contract liabilities	Others	Net deferred tax liabilities
At 1 January 2023	779	28	(149)	730	(4)	1,384
(Credited)/Charged to the income and expenditure account	(313)	4	–	(294)	(3)	(606)
Charged to other comprehensive income	–	–	–	14	–	14
Exchange differences	12	–	–	–	–	12
At 31 December 2023	478	32	(149)	450	(7)	804
At 1 January 2024	<b>478</b>	<b>32</b>	<b>(149)</b>	<b>450</b>	<b>(7)</b>	<b>804</b>
(Credited)/Charged to the income and expenditure account	<b>(173)</b>	<b>36</b>	<b>(137)</b>	<b>(14)</b>	<b>(6)</b>	<b>(294)</b>
Charged to other comprehensive income	–	–	–	<b>53</b>	–	<b>53</b>
Exchange differences	<b>(28)</b>	–	–	–	–	<b>(28)</b>
At 31 December 2024	<b>277</b>	<b>68</b>	<b>(286)</b>	<b>489</b>	<b>(13)</b>	<b>535</b>

There was no significant unprovided deferred tax as at 31 December 2024 and 2023.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 6 CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Group – 2024					
	Total	Derivative financial instruments	Financial assets and financial liabilities measured at fair value through income and expenditure account	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Other financial liabilities
Cash and money at call	207,009	–	–	–	207,009	–
Placements with banks and other financial institutions	182,243	–	–	–	182,243	–
Financial assets measured at fair value through income and expenditure account	3,902,643	–	3,902,643	–	–	–
Financial assets measured at fair value through other comprehensive income	5,157	–	–	5,157	–	–
Derivative financial instruments	4,720	4,720	–	–	–	–
Debt securities measured at amortised cost	15,106	–	–	–	15,106	–
Loan portfolio	106,045	–	2,597	–	103,448	–
Others	112,711	–	–	–	112,711	–
<b>FINANCIAL ASSETS</b>	<b>4,535,634</b>	<b>4,720</b>	<b>3,905,240</b>	<b>5,157</b>	<b>620,517</b>	<b>–</b>
Certificates of Indebtedness	598,944	–	–	–	–	598,944
Government-issued currency notes and coins in circulation	12,994	–	–	–	–	12,994
Balance of the banking system	44,802	–	–	–	–	44,802
Placements by banks and other financial institutions	72,112	–	–	–	–	72,112
Placements by Fiscal Reserves	669,738	–	–	–	–	669,738
Placements by HKSAR Government funds and statutory bodies	391,073	–	–	–	–	391,073
Exchange Fund Bills and Notes issued	1,383,658	–	1,383,658	–	–	–
Derivative financial instruments	2,641	2,641	–	–	–	–
Bank loans	14,861	–	–	–	–	14,861
Other debt securities issued	148,931	–	–	–	–	148,931
Others	128,440	–	–	–	–	128,440
<b>FINANCIAL LIABILITIES</b>	<b>3,468,194</b>	<b>2,641</b>	<b>1,383,658</b>	<b>–</b>	<b>–</b>	<b>2,081,895</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Group – 2023					
	Total	Derivative financial instruments	Financial assets and financial liabilities measured at fair value through income and expenditure account	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Other financial liabilities
Cash and money at call	195,831	–	–	–	195,831	–
Placements with banks and other financial institutions	206,133	–	–	–	206,133	–
Financial assets measured at fair value through income and expenditure account	3,885,297	–	3,885,297	–	–	–
Financial assets measured at fair value through other comprehensive income	3,873	–	–	3,873	–	–
Derivative financial instruments	2,842	2,842	–	–	–	–
Debt securities measured at amortised cost	14,574	–	–	–	14,574	–
Loan portfolio	120,158	–	1,907	–	118,251	–
Others	41,492	–	–	–	41,492	–
<b>FINANCIAL ASSETS</b>	<b>4,470,200</b>	<b>2,842</b>	<b>3,887,204</b>	<b>3,873</b>	<b>576,281</b>	<b>–</b>
Certificates of Indebtedness	593,235	–	–	–	–	593,235
Government-issued currency notes and coins in circulation	12,941	–	–	–	–	12,941
Balance of the banking system	44,950	–	–	–	–	44,950
Placements by banks and other financial institutions	99,120	–	–	–	–	99,120
Placements by Fiscal Reserves	695,426	–	–	–	–	695,426
Placements by HKSAR Government funds and statutory bodies	468,656	–	–	–	–	468,656
Exchange Fund Bills and Notes issued	1,244,462	–	1,244,462	–	–	–
Derivative financial instruments	5,659	5,659	–	–	–	–
Bank loans	15,359	–	–	–	–	15,359
Other debt securities issued	162,363	–	–	–	–	162,363
Others	181,629	–	–	–	–	181,629
<b>FINANCIAL LIABILITIES</b>	<b>3,523,800</b>	<b>5,659</b>	<b>1,244,462</b>	<b>–</b>	<b>–</b>	<b>2,273,679</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2024					
	Total	Derivative financial instruments	Financial assets and financial liabilities measured at fair value through income and expenditure account	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Other financial liabilities
Cash and money at call	202,830	–	–	–	202,830	–
Placements with banks and other financial institutions	130,095	–	–	–	130,095	–
Financial assets measured at fair value through income and expenditure account	3,398,963	–	3,398,963	–	–	–
Financial assets measured at fair value through other comprehensive income	1,436	–	–	1,436	–	–
Derivative financial instruments	3,695	3,695	–	–	–	–
Others	108,402	–	–	–	108,402	–
<b>FINANCIAL ASSETS</b>	<b>3,845,421</b>	<b>3,695</b>	<b>3,398,963</b>	<b>1,436</b>	<b>441,327</b>	<b>–</b>
Certificates of Indebtedness	598,944	–	–	–	–	598,944
Government-issued currency notes and coins in circulation	12,994	–	–	–	–	12,994
Balance of the banking system	44,802	–	–	–	–	44,802
Placements by banks and other financial institutions	72,112	–	–	–	–	72,112
Placements by Fiscal Reserves	669,738	–	–	–	–	669,738
Placements by HKSAR Government funds and statutory bodies	391,073	–	–	–	–	391,073
Placements by subsidiaries	45,665	–	–	–	–	45,665
Exchange Fund Bills and Notes issued	1,383,658	–	1,383,658	–	–	–
Derivative financial instruments	744	744	–	–	–	–
Others	126,157	–	–	–	–	126,157
<b>FINANCIAL LIABILITIES</b>	<b>3,345,887</b>	<b>744</b>	<b>1,383,658</b>	<b>–</b>	<b>–</b>	<b>1,961,485</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2023					
	Total	Derivative financial instruments	Financial assets and financial liabilities measured at fair value through income and expenditure account	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Other financial liabilities
Cash and money at call	190,478	–	–	–	190,478	–
Placements with banks and other financial institutions	155,125	–	–	–	155,125	–
Financial assets measured at fair value through income and expenditure account	3,408,917	–	3,408,917	–	–	–
Financial assets measured at fair value through other comprehensive income	1,364	–	–	1,364	–	–
Derivative financial instruments	1,465	1,465	–	–	–	–
Others	35,731	–	–	–	35,731	–
<b>FINANCIAL ASSETS</b>	<b>3,793,080</b>	<b>1,465</b>	<b>3,408,917</b>	<b>1,364</b>	<b>381,334</b>	<b>–</b>
Certificates of Indebtedness	593,235	–	–	–	–	593,235
Government-issued currency notes and coins in circulation	12,941	–	–	–	–	12,941
Balance of the banking system	44,950	–	–	–	–	44,950
Placements by banks and other financial institutions	99,120	–	–	–	–	99,120
Placements by Fiscal Reserves	695,426	–	–	–	–	695,426
Placements by HKSAR Government funds and statutory bodies	468,656	–	–	–	–	468,656
Placements by subsidiaries	31,186	–	–	–	–	31,186
Exchange Fund Bills and Notes issued	1,244,462	–	1,244,462	–	–	–
Derivative financial instruments	2,559	2,559	–	–	–	–
Others	176,828	–	–	–	–	176,828
<b>FINANCIAL LIABILITIES</b>	<b>3,369,363</b>	<b>2,559</b>	<b>1,244,462</b>	<b>–</b>	<b>–</b>	<b>2,122,342</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 7 CASH AND MONEY AT CALL

	Group		Fund	
	2024	2023	2024	2023
<b>At amortised cost</b>				
Balance with central banks	2,661	2,106	2,661	2,106
Balance with banks	204,348	193,725	200,169	188,372
<b>TOTAL</b>	<b>207,009</b>	195,831	<b>202,830</b>	190,478

### 8 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Fund	
	2024	2023	2024	2023
<b>At amortised cost</b>				
Placements in respect of reverse repurchase agreements:				
– with central banks	7,876	20,851	7,876	20,851
– with banks and other financial institutions	6,843	22,942	6,843	22,942
Other placements:				
– with central banks	4,661	23,816	4,661	23,816
– with banks	162,871	138,528	110,718	87,516
	182,251	206,137	130,098	155,125
Less: allowances for expected credit losses	(8)	(4)	(3)	–
<b>TOTAL</b>	<b>182,243</b>	206,133	<b>130,095</b>	155,125

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## 9 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT

	Group		Fund	
	2024	2023	2024	2023
<b>At fair value</b>				
<b>Debt securities</b>				
<b>Treasury bills and commercial papers</b>				
Listed outside Hong Kong	20,790	553	20,790	553
Unlisted	1,141,710	1,037,793	1,141,710	1,037,793
<b>Certificates of deposit</b>				
Unlisted	127,885	209,496	127,885	209,496
<b>Other debt securities</b>				
Listed in Hong Kong	11,282	11,554	11,272	11,544
Listed outside Hong Kong	1,466,003	1,469,653	1,466,003	1,469,653
Unlisted	57,352	69,588	57,352	69,588
<b>Total debt securities</b>	<b>2,825,022</b>	<b>2,798,637</b>	<b>2,825,012</b>	<b>2,798,627</b>
<b>Equity securities</b>				
Listed in Hong Kong	132,936	125,005	132,936	125,005
Listed outside Hong Kong	310,416	352,130	304,848	350,508
Unlisted	144,041	149,637	136,167	134,777
<b>Total equity securities</b>	<b>587,393</b>	<b>626,772</b>	<b>573,951</b>	<b>610,290</b>
<b>Investment funds</b>				
Unlisted	490,228	459,888	–	–
<b>TOTAL</b>	<b>3,902,643</b>	<b>3,885,297</b>	<b>3,398,963</b>	<b>3,408,917</b>



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 10 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Fund	
	2024	2023	2024	2023
<b>At fair value</b>				
<b>Debt securities</b>				
Listed in Hong Kong	1,846	1,067	–	–
Listed outside Hong Kong	1,759	1,442	–	–
Unlisted	116	–	–	–
	3,721	2,509	–	–
<b>Equity securities</b>				
Unlisted	1,436	1,364	1,436	1,364
<b>TOTAL</b>	<b>5,157</b>	<b>3,873</b>	<b>1,436</b>	<b>1,364</b>

The Group's investment in unlisted equity securities as at 31 December 2024 represents a holding of 4,285 shares (2023: 4,285 shares) in the Bank for International Settlements. As at 31 December 2024 and 2023, the nominal value of each share is 5,000 Special Drawing Rights (SDRs) and is 25% paid up (note 34(a)).

### 11 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments refer to financial contracts whose value depends on the value of one or more underlying assets or indices with settlement at a future date.

The Group uses derivative financial instruments to manage its exposures to market risk and facilitate the implementation of investment strategies. The principal derivative financial instruments used are interest rate and currency swap contracts, forward foreign exchange contracts and equity index option contracts, which are primarily over-the-counter derivatives, as well as exchange-traded futures contracts.

Market risk arising from derivative financial instruments is included as part of the overall market risk exposure. The credit risk arising from these transactions is marked against the overall credit exposure to individual counterparties. The financial risk management approaches are outlined in note 36.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (a) Fair values of derivative financial instruments

An analysis of the fair values of derivative financial instruments held by product type is set out below:

	Group				Fund			
	2024		2023		2024		2023	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Derivatives categorised as held for trading</b>								
Interest rate derivatives								
Interest rate swap contracts	1,467	314	1,878	398	1,074	311	1,276	393
Interest rate futures contracts	10	4	2	4	10	4	2	4
Equity derivatives								
Equity index futures contracts	82	137	55	50	82	137	55	50
Equity index option contracts	27	8	–	–	27	8	–	–
Total return swap contracts	–	–	2	–	–	–	2	–
Currency derivatives								
Forward foreign exchange contracts	2,335	206	25	2,190	2,328	47	22	1,910
Currency swap contracts	153	8	34	40	–	–	–	–
Bond derivatives								
Bond futures contracts	75	125	101	62	75	125	101	62
Commodity derivatives								
Commodity futures contracts	99	112	7	140	99	112	7	140
	4,248	914	2,104	2,884	3,695	744	1,465	2,559
<b>Derivatives designated as hedging instruments in fair value hedges</b>								
Interest rate derivatives								
Interest rate swap contracts	212	597	284	737	–	–	–	–
Currency derivatives								
Currency swap contracts	259	1,128	454	1,800	–	–	–	–
	471	1,725	738	2,537	–	–	–	–
<b>Derivatives designated as hedging instruments in cash flow hedges</b>								
Currency derivatives								
Currency swap contracts	1	2	–	238	–	–	–	–
<b>TOTAL</b>	<b>4,720</b>	<b>2,641</b>	<b>2,842</b>	<b>5,659</b>	<b>3,695</b>	<b>744</b>	<b>1,465</b>	<b>2,559</b>

The fair value hedges consist of currency and interest rate swap contracts that are used to protect against changes in the fair value of certain fixed-rate debt securities issued due to movements in market interest rates and foreign exchange rates. The currency swap contracts under cash flow hedges are used to hedge the portion of foreign exchange risks arising from variability of cash flows from foreign currency denominated debt securities issued.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (b) Notional amounts of derivative financial instruments

An analysis of the notional amounts of derivative financial instruments held at the reporting date based on the remaining periods to settlement is set out below. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent the amounts at risk.

	Group									
	Notional amounts with remaining life of									
	2024					2023				
	Total	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Total	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years
<b>Derivatives categorised as held for trading</b>										
Interest rate derivatives										
Interest rate swap contracts	34,681	3,441	2,523	18,433	10,284	39,339	2,441	5,328	17,913	13,657
Interest rate futures contracts	36,682	10,043	13,712	12,927	–	14,300	356	6,517	7,427	–
Equity derivatives										
Equity index futures contracts	51,454	51,454	–	–	–	53,566	53,566	–	–	–
Equity index option contracts	1,662	–	1,662	–	–	–	–	–	–	–
Total return swap contracts	–	–	–	–	–	625	–	625	–	–
Currency derivatives										
Forward foreign exchange contracts	124,627	121,268	2,124	1,235	–	164,359	158,523	1,946	3,890	–
Currency swap contracts	8,110	1,353	871	5,672	214	7,323	521	2,470	4,332	–
Bond derivatives										
Bond futures contracts	219,788	219,788	–	–	–	188,235	188,235	–	–	–
Commodity derivatives										
Commodity futures contracts	15,472	11,134	4,338	–	–	16,458	8,171	8,287	–	–
	492,476	418,481	25,230	38,267	10,498	484,205	411,813	25,173	33,562	13,657
<b>Derivatives designated as hedging instruments in fair value hedges</b>										
Interest rate derivatives										
Interest rate swap contracts	110,629	17,211	25,563	65,275	2,580	99,655	16,049	50,622	31,415	1,569
Currency derivatives										
Currency swap contracts	52,465	9,180	9,995	29,333	3,957	61,159	26,017	6,067	26,353	2,722
	163,094	26,391	35,558	94,608	6,537	160,814	42,066	56,689	57,768	4,291
<b>Derivatives designated as hedging instruments in cash flow hedges</b>										
Currency derivatives										
Currency swap contracts	388	–	–	388	–	2,998	2,998	–	–	–
<b>TOTAL</b>	<b>655,958</b>	<b>444,872</b>	<b>60,788</b>	<b>133,263</b>	<b>17,035</b>	<b>648,017</b>	<b>456,877</b>	<b>81,862</b>	<b>91,330</b>	<b>17,948</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund									
	Notional amounts with remaining life of									
	2024					2023				
	Total	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Total	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years
<b>Derivatives categorised as held for trading</b>										
Interest rate derivatives										
Interest rate swap contracts	24,323	3,141	600	11,292	9,290	24,198	600	2,815	8,794	11,989
Interest rate futures contracts	36,682	10,043	13,712	12,927	–	14,300	356	6,517	7,427	–
Equity derivatives										
Equity index futures contracts	51,454	51,454	–	–	–	53,566	53,566	–	–	–
Equity index option contracts	1,662	–	1,662	–	–	–	–	–	–	–
Total return swap contracts	–	–	–	–	–	625	–	625	–	–
Currency derivatives										
Forward foreign exchange contracts	120,507	120,507	–	–	–	157,738	157,355	383	–	–
Bond derivatives										
Bond futures contracts	219,788	219,788	–	–	–	188,235	188,235	–	–	–
Commodity derivatives										
Commodity futures contracts	15,472	11,134	4,338	–	–	16,458	8,171	8,287	–	–
<b>TOTAL</b>	<b>469,888</b>	<b>416,067</b>	<b>20,312</b>	<b>24,219</b>	<b>9,290</b>	<b>455,120</b>	<b>408,283</b>	<b>18,627</b>	<b>16,221</b>	<b>11,989</b>

## 12 DEBT SECURITIES MEASURED AT AMORTISED COST

	Group	
	2024	2023
<b>At amortised cost</b>		
<b>Debt securities</b>		
Listed in Hong Kong	5,716	6,631
Listed outside Hong Kong	6,191	4,173
Unlisted	3,204	3,775
	<b>15,111</b>	<b>14,579</b>
Less: allowances for expected credit losses	(5)	(5)
<b>TOTAL</b>	<b>15,106</b>	<b>14,574</b>

Fair value information of the above debt securities is provided in note 37.2.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 13 LOAN PORTFOLIO

	Group	
	2024	2023
<b>At fair value</b>		
Mortgage loans	2,573	1,893
Other loans	24	14
	<b>2,597</b>	1,907
<b>At amortised cost</b>		
Loans with full guarantee from the HKSAR Government		
– Special 100% guarantee under the SME Financing Guarantee Scheme <sup>1</sup>	82,555	97,172
– Dedicated 100% Loan Guarantee Schemes <sup>1</sup>	228	190
Mortgage loans	2,817	2,805
Other loans	18,100	18,310
	<b>103,700</b>	118,477
Less: allowances for expected credit losses	(252)	(226)
	<b>103,448</b>	118,251
<b>TOTAL</b>	<b>106,045</b>	120,158

<sup>1</sup> The Hong Kong Mortgage Corporation Limited, a wholly-owned subsidiary of the Fund, launched the special 100% loan guarantee under the SME Financing Guarantee Scheme (100% SFGS) in April 2020 and the Dedicated 100% Loan Guarantee Schemes (DLGS) in April 2023 through a subsidiary, HKMC Insurance Limited. The loans, which are fully guaranteed by the HKSAR Government, are originated by the participating lenders and sold to The Hong Kong Mortgage Corporation Limited without recourse upon origination. Accordingly, the default losses of these loans are covered by the HKSAR Government's guarantee and no impairment allowance is recognised in view of the minimal default risk of the HKSAR Government.

### 14 GOLD

	Group and Fund	
	2024	2023
<b>At fair value</b>		
<b>Gold</b>		
66,798 ounces (2023: 66,798 ounces)	1,355	1,076

The fair value of gold is based on quoted price in an active market. It is classified under Level 1 of the fair value hierarchy.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## 15 OTHER ASSETS

	Group		Fund	
	2024	2023	2024	2023
Unsettled sales and redemption of securities	91,227	16,870	91,227	15,870
Interest and dividends receivable	18,847	18,600	15,561	15,183
Prepayments, receivables and other assets	2,968	6,067	1,486	4,567
Staff housing loans	225	181	225	181
Reinsurance contract assets	1,082	761	–	–
Tax recoverable	94	36	–	–
Loan to the International Monetary Fund	–	7	–	7
Deferred tax assets	–	6	–	–
<b>TOTAL</b>	<b>114,443</b>	<b>42,528</b>	<b>108,499</b>	<b>35,808</b>

## 16 INTERESTS IN SUBSIDIARIES

	Fund	
	2024	2023
Unlisted shares, at cost	27,762	14,962
Loans to subsidiaries	202,741	203,931
<b>TOTAL</b>	<b>230,503</b>	<b>218,893</b>



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The following is a list of the principal subsidiaries which are wholly owned by the Fund (except for Hong Kong Note Printing Limited<sup>1</sup>) as at 31 December 2024:

Name of company	Principal activities	Issued equity capital
The Hong Kong Mortgage Corporation Limited	Investment in mortgages and loans	HK\$26,500,000,000
HKMC Annuity Limited <sup>2</sup>	Long term insurance	HK\$12,500,000,000
HKMC Insurance Limited <sup>2</sup>	General insurance	HK\$15,000,000,000
HKMC Mortgage Management Limited <sup>2</sup>	Loan purchase, origination and servicing	HK\$1,000,000
Hong Kong Note Printing Limited	Banknote printing	HK\$255,000,000
Hong Kong FMI Services Limited	Performance of financial market infrastructure related operations	HK\$167,000,000
Hong Kong Academy of Finance Limited	Financial leadership development	HK\$150,000,000
CMU OmniClear Limited <sup>3</sup>	Operation of the Central Moneymarkets Unit	HK\$800,000,000
BNR Finance Company Limited	Investment holding	HK\$1
BNR Investment Company Limited	Investment holding	HK\$1
Catalyst Investment Company Limited	Investment holding	HK\$1
Debt Capital Solutions Company Limited	Investment holding	HK\$1
Drawbridge Investment Limited	Investment holding	HK\$1
Eight Finance Investment Company Limited	Investment holding	HK\$1
Green 2021 Investment Company Limited	Investment holding	HK\$1
Pine Gate Investment Company Limited	Investment holding	HK\$1
Stewardship Investment Company Limited	Investment holding	HK\$1
Stratosphere Finance Company Limited	Investment holding	HK\$1
Real Avenue Investment Company Limited	Investment properties holding	HK\$1
Real Boulevard Investment Company Limited	Investment properties holding	HK\$1
Real Gate Investment Company Limited	Investment properties holding	HK\$1
Real Horizon Investment Company Limited	Investment properties holding	HK\$1
Real Plaza Investment Company Limited	Investment properties holding	HK\$1
Real Summit Investment Company Limited	Investment properties holding	HK\$1
Real Zenith Investment Company Limited	Investment properties holding	HK\$1

<sup>1</sup> 55% equity interest held by the Fund.

<sup>2</sup> Subsidiaries indirectly held by the Fund through The Hong Kong Mortgage Corporation Limited.

<sup>3</sup> The subsidiary commenced operation of the Central Moneymarkets Unit with effect from 1 January 2025.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The place of incorporation and operation of the above subsidiaries are in Hong Kong.

The Fund has committed to inject additional funds up to HK\$20 billion (2023: HK\$20 billion) to The Hong Kong Mortgage Corporation Limited as equity for the purpose of financing The Hong Kong Mortgage Corporation Limited's additional capital injection to HKMC Annuity Limited for maintaining its margin of solvency above a certain level. During the year, there was no capital injection (2023: HK\$2.5 billion) to The Hong Kong Mortgage Corporation Limited under this arrangement and the outstanding commitment as at 31 December 2024 was HK\$12.5 billion (2023: HK\$12.5 billion).

The Fund has provided The Hong Kong Mortgage Corporation Limited with a revolving credit facility of HK\$80 billion (2023: HK\$80 billion) at prevailing market interest rates. As at 31 December 2024, there was no outstanding balance due from The Hong Kong Mortgage Corporation Limited under this facility (2023: Nil).

Loans to other subsidiaries are unsecured, interest-free and repayable on demand.

Placements by subsidiaries are disclosed in note 25.

The financial statements of the Fund's subsidiaries are audited by firms other than the Audit Commission. The aggregate assets and liabilities of these subsidiaries not audited by the Audit Commission amounted to approximately 16% (2023: 16%) and 6% (2023: 6%) of the Group's total assets and total liabilities, respectively.

## 17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group		Fund	
	2024	2023	2024	2023
Associates <sup>1</sup>	4,072	3,669	154	159
Joint ventures <sup>2</sup>	27,612	30,365	–	–
<b>TOTAL</b>	<b>31,684</b>	<b>34,034</b>	<b>154</b>	<b>159</b>

<sup>1</sup> Investment in an associate, comprising unlisted shares, is held directly by the Fund. In the Fund's balance sheet, the investment is stated at cost of HK\$5,000 (2023: HK\$5,000).

<sup>2</sup> The Fund does not directly hold investment in joint ventures.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 17.1 Interests in associates

The Group holds investments in six associates. One associate, incorporated in Hong Kong, provides interbank clearing services. The other five associates, incorporated outside Hong Kong, hold overseas investment properties and investment funds. The Group holds equity interests in these associates ranging from 16% to 50%.

Aggregate information of the Group's associates, which are not individually material, is summarised below:

	Group	
	2024	2023
Share of profit/(loss) for the year	284	(468)
Share of other comprehensive (loss)/income	(35)	163
Share of total comprehensive income/(loss)	249	(305)
Aggregate carrying amount of interests in associates	4,072	3,669

As at 31 December 2024, the Group has no outstanding investment commitments to associates (2023: Nil).

The Fund has provided an associate with non-revolving credit facilities totalling HK\$22 million (2023: HK\$50 million) for developing financial infrastructure. The facilities are unsecured and interest-free. The facility of HK\$28 million which has expired in June 2024 is repayable by October 2037 and the facility of HK\$22 million expiring in June 2025 is repayable by October 2035. During the year, loans totalling HK\$7 million (2023: HK\$43 million) and HK\$12 million (2023: Nil) were drawn and repaid respectively. As at 31 December 2024, there was no outstanding commitment of the facilities (2023: HK\$7 million) and the outstanding balance due from this associate under the facilities was HK\$154 million (2023: HK\$159 million).

### 17.2 Interests in joint ventures

The Group holds investments in 22 joint ventures, which are all incorporated outside Hong Kong. The principal activities of these joint ventures are holding overseas investment properties. The Group holds equity interests in these joint ventures ranging from 25% to 51%. Although the Group's equity interest in some of these joint ventures exceeds 50%, they are categorised as joint ventures because important business decisions relating to these joint ventures are required to be made with the consent of all parties. As at 31 December 2024, the aggregate interest in these joint ventures amounted to 0.60% (2023: 0.67%) of the Group's total assets.

Aggregate information of the Group's joint ventures, which are not individually material, is summarised below:

	Group	
	2024	2023
Share of loss for the year	(1,106)	(7,508)
Share of other comprehensive (loss)/income	(982)	328
Share of total comprehensive loss	(2,088)	(7,180)
Aggregate carrying amount of interests in joint ventures	27,612	30,365

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The Group's share of outstanding investment commitments to joint ventures is shown below:

	Group	
	2024	2023
Commitments to contribute funds	6,803	6,070

## 18 INVESTMENT PROPERTIES

	Group	
	2024	2023
<b>At fair value</b>		
At 1 January	22,449	23,394
Additions	606	729
Change in fair value on revaluation	(1,039)	(2,798)
Exchange differences	(884)	1,124
At 31 December	21,132	22,449

The carrying amount of the Group's investment properties is analysed as follows:

	Group	
	2024	2023
Held outside Hong Kong		
on freehold	9,962	10,656
on long-term lease (over 50 years)	11,170	11,793
<b>TOTAL</b>	<b>21,132</b>	<b>22,449</b>

The Group's investment properties are leased to third parties under operating leases. The gross rental income received and receivable by the Group and the related expenses in respect of these investment properties are summarised as follows:

	Group	
	2024	2023
Gross rental income	1,105	1,126
Direct expenses	(330)	(286)
Net rental income	775	840

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2024	2023
Within one year	861	897
After one year but not later than five years	2,721	2,106
After five years but not later than ten years	3,438	2,061
After ten years but not later than fifteen years	2,399	922
After fifteen years	2,920	–
<b>TOTAL</b>	<b>12,339</b>	<b>5,986</b>

As at 31 December 2024, investment properties with a fair value of HK\$20,762 million (2023: HK\$22,038 million) were pledged to secure general banking facilities granted to the Group (note 27).

### 18.1 Fair value measurement of investment properties

The Group's investment properties are revalued by independent professional valuers who hold recognised and relevant professional qualifications with recent experience in the location and category of the investment properties being valued. The valuers have valued the Group's investment properties on an open market value basis at each reporting date based on income approach with reference to comparable market evidence. The market value which is considered as the fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. For all properties, their current use equates to the highest and best use. There has been no change to the valuation technique during the year.

Under the income approach, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including the terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The significant unobservable inputs used in the income approach are the selection of discount rates which ranged from 4.63% to 8.05% (2023: 5.00% to 7.90%), equivalent yields which ranged from 5.68% to 6.20% (2023: 3.06% to 6.11%) and terminal capitalisation rates which ranged from 4.25% to 6.80% (2023: 4.25% to 6.70%). Significant increases or decreases in any of those inputs in isolation would result in significantly lower or higher fair value measurements, respectively.

All of the Group's investment properties are classified under Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year. The net losses recognised in the income and expenditure account relating to revaluation of investment properties held at the reporting date were HK\$1,039 million (2023: HK\$2,798 million).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## 19 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Owned assets			Right-of-use assets	Total
	Premises	Plant and equipment	Computer software licences and system development costs	Premises	
Cost					
At 1 January 2023	3,857	2,023	886	757	7,523
Additions	–	192	210	172	574
Disposals/write-offs	–	(19)	–	(40)	(59)
At 31 December 2023	3,857	2,196	1,096	889	8,038
At 1 January 2024	3,857	2,196	1,096	889	8,038
Additions	14	468	209	231	922
Disposals/write-offs	(1)	(16)	–	(24)	(41)
At 31 December 2024	3,870	2,648	1,305	1,096	8,919
Accumulated depreciation					
At 1 January 2023	1,691	1,513	479	387	4,070
Charge for the year	88	138	37	125	388
Written back on disposals/write-offs	–	(19)	–	(40)	(59)
At 31 December 2023	1,779	1,632	516	472	4,399
At 1 January 2024	1,779	1,632	516	472	4,399
Charge for the year	87	170	52	179	488
Written back on disposals/write-offs	(1)	(16)	–	(24)	(41)
At 31 December 2024	1,865	1,786	568	627	4,846
Net book value					
At 31 December 2024	2,005	862	737	469	4,073
At 31 December 2023	2,078	564	580	417	3,639



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund				
	Owned assets			Right-of-use assets	Total
	Premises	Plant and equipment	Computer software licences and system development costs		
<b>Cost</b>					
At 1 January 2023	3,843	1,047	886	557	6,333
Additions	–	111	210	36	357
At 31 December 2023	3,843	1,158	1,096	593	6,690
At 1 January 2024	3,843	1,158	1,096	593	6,690
Additions	–	172	209	206	587
Disposals/write-offs	–	(1)	–	–	(1)
At 31 December 2024	3,843	1,329	1,305	799	7,276
<b>Accumulated depreciation</b>					
At 1 January 2023	1,680	749	479	294	3,202
Charge for the year	88	72	37	85	282
At 31 December 2023	1,768	821	516	379	3,484
At 1 January 2024	1,768	821	516	379	3,484
Charge for the year	87	83	52	126	348
Written back on disposals/write-offs	–	(1)	–	–	(1)
At 31 December 2024	1,855	903	568	505	3,831
<b>Net book value</b>					
At 31 December 2024	1,988	426	737	294	3,445
At 31 December 2023	2,075	337	580	214	3,206

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The net book value of owned premises comprises:

	Group		Fund	
	2024	2023	2024	2023
In Hong Kong				
Leasehold land and the building situated thereon (leasehold between 10 and 50 years)	1,984	2,057	1,967	2,054
Outside Hong Kong				
Freehold land and the building situated thereon	21	21	21	21
<b>TOTAL</b>	<b>2,005</b>	<b>2,078</b>	<b>1,988</b>	<b>2,075</b>

## 20 CERTIFICATES OF INDEBTEDNESS, GOVERNMENT-ISSUED CURRENCY NOTES AND COINS IN CIRCULATION

	Group and Fund			
	Certificates of Indebtedness		Government-issued currency notes and coins in circulation	
	2024	2023	2024	2023
Carrying amount	598,944	593,235	12,994	12,941
<b>Reconciliation with face value:</b>				
Hong Kong dollar face value	601,415	592,585	13,047	12,927
Linked exchange rate for calculating the US dollars required for redemption	US\$1=HK\$7.80	US\$1=HK\$7.80	US\$1=HK\$7.80	US\$1=HK\$7.80
US dollars required for redemption	US\$77,104 million	US\$75,972 million	US\$1,673 million	US\$1,657 million
Market exchange rate for translation into Hong Kong dollars	US\$1=HK\$7.76795	US\$1=HK\$7.80855	US\$1=HK\$7.76795	US\$1=HK\$7.80855
Carrying amount	598,944	593,235	12,994	12,941

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 21 BALANCE OF THE BANKING SYSTEM

Under the interbank payment system based on Real Time Gross Settlement principles, all licensed banks maintain a Hong Kong dollar clearing account with the Hong Kong Monetary Authority (HKMA) for the account of the Fund. The aggregate amount in these clearing accounts, which must not have a negative balance, represents the total level of liquidity in the interbank market.

Under the weak-side Convertibility Undertaking, the HKMA undertakes to convert Hong Kong dollars in these clearing accounts into US dollars at the fixed exchange rate of US\$1=HK\$7.85. Likewise, under the strong-side Convertibility Undertaking, licensed banks can convert US dollars into Hong Kong dollars in these accounts, as the HKMA undertakes to buy US dollars at the fixed exchange rate of US\$1=HK\$7.75. Within the Convertibility Zone bounded by the two Convertibility Undertakings, the HKMA may choose to conduct market operations in a manner consistent with Currency Board principles. Such operations can result in matching changes in the balances of these accounts.

The balance of the banking system is repayable on demand and non-interest-bearing.

### 22 PLACEMENTS BY BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Fund	
	2024	2023
<b>At amortised cost</b>		
Placements by banks and other financial institutions in respect of repurchase agreements	<b>2,328</b>	–
Other placements:		
– by central banks	<b>21,284</b>	22,020
– by banks	<b>48,500</b>	77,100
<b>TOTAL</b>	<b>72,112</b>	99,120

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 23 PLACEMENTS BY FISCAL RESERVES

	Group and Fund	
	2024	2023
<b>Placements by Operating and Capital Reserves</b>		
<b>(i) with interest payable at a fixed rate determined annually</b>		
General Revenue Account	176,186	116,443
Capital Works Reserve Fund	123,518	145,648
Civil Service Pension Reserve Fund	57,929	55,857
Innovation and Technology Fund	23,980	29,822
Lotteries Fund	23,808	23,535
Capital Investment Fund	12,769	17,941
Loan Fund	5,636	6,690
Disaster Relief Fund	146	78
	<b>423,972</b>	396,014
<b>(ii) with interest payable at market-based rates</b>		
General Revenue Account	4	4
	<b>423,976</b>	396,018
<b>Placements by Future Fund with interest payable at a composite rate determined annually</b>		
Land Fund	240,962	294,608
General Revenue Account	4,800	4,800
	<b>245,762</b>	299,408
<b>TOTAL</b>	<b>669,738</b>	695,426

Fiscal Reserves comprise Operating and Capital Reserves and the Future Fund.

Placements by Operating and Capital Reserves are repayable on demand. Interest on the majority of these placements is payable at a fixed rate determined in January each year. The rate is the average annual investment return of the Fund's Investment Portfolio for the past six years or the average annual yield of three-year Government Bond for the previous year subject to a minimum of zero percent, whichever is the higher. This rate was fixed at 3.7% per annum for 2024 (2023: 3.7%).

The Future Fund was established on 1 January 2016. Placements by Future Fund comprise an initial endowment from the balance of the Land Fund, periodic top-ups from the General Revenue Account and ad-hoc transfers from the Land Fund as directed by the Financial Secretary. These placements are divided into two portions: one linked with the performance of the Investment Portfolio and another linked with the performance of the Long-Term Growth Portfolio. Interest on these placements is payable at a composite rate which is computed annually, on a weighted average basis, with reference to the above-mentioned fixed rate determined for placements by Operating and Capital Reserves and the annual rate of return linked with the performance of the Long-Term Growth Portfolio. The composite rate for 2024 was 3.9% (2023: 4.8%). In accordance with the directive made by the Financial Secretary in October 2022, the repayment date of placements by Future Fund and the interest thereon (note 29) was extended from 31 December 2025 to 31 December 2030 unless otherwise directed by the Financial Secretary according to the terms of the placements.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 24 PLACEMENTS BY HKSAR GOVERNMENT FUNDS AND STATUTORY BODIES

	Group and Fund	
	2024	2023
<b>Placements with interest payable at a fixed rate<sup>1</sup> determined annually</b>		
Bond Fund	229,944	293,917
Elite Athletes Development Fund	5,907	9,871
Employees Retraining Board	11,054	11,651
Environment and Conservation Fund	6,182	6,208
Hong Kong Housing Authority	39,233	40,283
Hospital Authority	13,578	16,691
Language Fund	7,007	7,205
Research Endowment Fund	52,541	52,398
Samaritan Fund	–	5,821
Trading Funds	9,662	9,317
Other funds <sup>2</sup>	13,916	13,938
	<b>389,024</b>	467,300
<b>Placements with interest payable at market-based rates</b>		
Deposit Protection Scheme Fund	2,049	1,356
<b>TOTAL</b>	<b>391,073</b>	468,656

<sup>1</sup> The rate is the average annual investment return of the Fund's Investment Portfolio for the past six years or the average annual yield of three-year Government Bond for the previous year subject to a minimum of zero percent, whichever is the higher. This rate was fixed at 3.7% per annum for 2024 (2023: 3.7%).

<sup>2</sup> This is a collective placement by 16 HKSAR Government funds (2023: 16 HKSAR Government funds).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 25 PLACEMENTS BY SUBSIDIARIES

	Fund	
	2024	2023
<b>Placements by:</b>		
HKMC Annuity Limited <sup>1</sup>	29,875	27,549
HKMC Insurance Limited <sup>2</sup>	15,790	3,637
<b>TOTAL</b>	<b>45,665</b>	31,186

<sup>1</sup> Placements by HKMC Annuity Limited are unsecured, interest-bearing and have fixed repayment terms from 6 to 10 years.

<sup>2</sup> Placements by HKMC Insurance Limited are unsecured, interest-bearing and have a fixed repayment term of 6 years.

### 26 EXCHANGE FUND BILLS AND NOTES ISSUED

	Group and Fund	
	2024	2023
<b>At fair value</b>		
<b>Exchange Fund Bills and Notes issued</b>		
Exchange Fund Bills	1,368,440	1,227,258
Exchange Fund Notes	15,418	18,193
	<b>1,383,858</b>	1,245,451
<b>Exchange Fund Bills held</b>	<b>(200)</b>	(989)
<b>TOTAL</b>	<b>1,383,658</b>	1,244,462

EFBN issued are unsecured obligations of the Fund and are one of the components of the Monetary Base in the Currency Board Account. Exchange Fund Bills are issued by the Fund for maturities not exceeding one year. Exchange Fund Notes are issued by the Fund with maturities of 2 years or more.

Since January 2015, the Fund has ceased to issue Exchange Fund Notes with tenors of three years or above to avoid overlapping with Government Bonds of the same tenors. To maintain the overall size of Exchange Fund paper, the Fund has issued additional Exchange Fund Bills to replace maturing Exchange Fund Notes of those tenors.

Exchange Fund Bills held by the Fund as a result of market making activities are considered as redemption of the bills issued and are netted off.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

An analysis of the nominal value of EFBN issued at the beginning and the end of year is set out below:

	Group and Fund			
	2024		2023	
	Exchange Fund Bills	Exchange Fund Notes	Exchange Fund Bills	Exchange Fund Notes
Issued by the Currency Board Operations segment				
Nominal value at 1 January	1,236,980	18,400	1,186,298	21,200
Issuance	4,184,601	4,800	3,973,227	4,800
Redemption	(4,043,564)	(7,600)	(3,922,545)	(7,600)
Nominal value at 31 December	1,378,017	15,600	1,236,980	18,400
Long positions held by the Financial Stability and Other Activities segment				
Nominal value at 31 December	(200)	–	(1,000)	–
Total nominal value	1,377,817	15,600	1,235,980	18,400
Carrying amount, at fair value	1,368,240	15,418	1,226,269	18,193
Difference	9,577	182	9,711	207

The fair value changes of EFBN issued are attributable to changes in benchmark interest rates.

## 27 BANK LOANS

	Group	
	2024	2023
<b>At amortised cost</b>		
Bank loans repayable:		
Within one year	1,845	2,737
After one year but not later than two years	3,894	1,589
After two years but not later than five years	9,122	11,033
<b>TOTAL</b>	<b>14,861</b>	<b>15,359</b>

As at 31 December 2024, the banking facilities of the Group were secured by mortgage over the investment properties with a fair value of HK\$20,762 million (2023: HK\$22,038 million) (note 18).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 28 OTHER DEBT SECURITIES ISSUED

	Group	
	2024	2023
Debt securities issued, carried at amortised cost	<b>6,431</b>	12,193
Debt securities issued, designated as hedged items under fair value hedge	<b>142,500</b>	147,429
Debt securities issued, designated as hedged items under cash flow hedge	–	2,741
<b>TOTAL</b>	<b>148,931</b>	162,363

An analysis of the nominal value of other debt securities issued at the beginning and the end of year is set out below:

	Group	
	2024	2023
Total debt securities issued		
Nominal value at 1 January	<b>164,438</b>	135,608
Issuance	<b>103,508</b>	98,329
Redemption	<b>(117,659)</b>	(69,456)
Exchange differences	<b>242</b>	(43)
Nominal value at 31 December	<b>150,529</b>	164,438
Carrying amount	<b>148,931</b>	162,363
Difference	<b>1,598</b>	2,075

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 29 OTHER LIABILITIES

	Group		Fund	
	2024	2023	2024	2023
Accrued interest on placements by Fiscal Reserves (Future Fund) <sup>1</sup>	<b>77,376</b>	118,228	<b>77,376</b>	118,228
Accrued interest on placements by a subsidiary	–	–	<b>3,580</b>	2,885
Other interest payable	<b>3,938</b>	4,327	<b>461</b>	522
Unsettled purchases of securities	<b>37,055</b>	46,253	<b>37,055</b>	46,253
Accrued charges and other liabilities	<b>10,785</b>	12,505	<b>7,579</b>	8,860
Insurance contract liabilities	<b>25,046</b>	19,262	–	–
Lease liabilities	<b>805</b>	802	<b>257</b>	226
Tax payable	<b>639</b>	605	–	–
Deferred tax liabilities	<b>535</b>	810	–	–
Provision for expected credit losses on loan commitments	<b>15</b>	30	–	–
<b>TOTAL</b>	<b>156,194</b>	202,822	<b>126,308</b>	176,974

<sup>1</sup> In accordance with the directives made by the Financial Secretary in December 2015 and October 2022, the accrued interest on placements by Future Fund should be rolled over and compounded at the composite rate (note 23) on an annual basis and shall only be paid upon maturity of the placements (i.e. 31 December 2030) unless otherwise directed by the Financial Secretary according to the terms of the placements.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

## 30 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

## (a) Components of cash and cash equivalents

	Group		Fund	
	2024	2023	2024	2023
Cash and money at call	207,009	195,831	202,830	190,478
Placements with banks and other financial institutions	163,162	172,720	121,553	122,720
Treasury bills and commercial papers	11,391	22,700	11,391	22,700
Certificate of deposit	31,386	14,987	31,386	14,987
<b>TOTAL</b>	<b>412,948</b>	<b>406,238</b>	<b>367,160</b>	<b>350,885</b>

## (b) Reconciliation of cash and cash equivalents

	Note	Group		Fund	
		2024	2023	2024	2023
Amounts shown in the balance sheet					
Cash and money at call	7	207,009	195,831	202,830	190,478
Placements with banks and other financial institutions	8	182,251	206,137	130,098	155,125
Treasury bills and commercial papers	9	1,162,500	1,038,346	1,162,500	1,038,346
Certificates of deposit	9	127,885	209,496	127,885	209,496
		1,679,645	1,649,810	1,623,313	1,593,445
Less: Amounts with original maturity beyond 3 months		(1,266,697)	(1,243,572)	(1,256,153)	(1,242,560)
Cash and cash equivalents in the statement of cash flows		412,948	406,238	367,160	350,885

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (c) Reconciliation of liabilities arising from financing activities

The table below shows changes in the liabilities arising from financing activities, which are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Group			Fund
	Bank loans (note 27)	Other debt securities issued (note 28)	Lease liabilities (note 29)	Lease liabilities (note 29)
At 1 January 2023	14,714	131,683	751	284
Changes from financing cash flows				
Repayment of bank loans	(46)	–	–	–
Proceeds from issue of other debt securities	–	98,147	–	–
Redemption of other debt securities issued	–	(69,456)	–	–
Principal portion of lease payments	–	–	(130)	(94)
Non-cash changes				
Increase in lease liabilities relating to new leases	–	–	160	36
Amortisation	35	182	14	3
Exchange differences	656	(44)	21	–
Change in fair value	–	1,851	–	–
Other changes				
Interest portion of lease payments	–	–	(14)	(3)
At 31 December 2023	15,359	162,363	802	226
At 1 January 2024	<b>15,359</b>	<b>162,363</b>	<b>802</b>	<b>226</b>
<b>Changes from financing cash flows</b>				
Bank loans raised	<b>390</b>	–	–	–
Repayment of bank loans	<b>(186)</b>	–	–	–
Proceeds from issue of other debt securities	–	<b>103,114</b>	–	–
Redemption of other debt securities issued	–	<b>(117,659)</b>	–	–
Principal portion of lease payments	–	–	<b>(145)</b>	<b>(104)</b>
<b>Non-cash changes</b>				
Increase in lease liabilities relating to new leases	–	–	<b>157</b>	<b>135</b>
Amortisation	<b>25</b>	<b>340</b>	<b>25</b>	<b>8</b>
Exchange differences	<b>(727)</b>	<b>242</b>	<b>(9)</b>	–
Change in fair value	–	<b>531</b>	–	–
<b>Other changes</b>				
Interest portion of lease payments	–	–	<b>(25)</b>	<b>(8)</b>
At 31 December 2024	<b>14,861</b>	<b>148,931</b>	<b>805</b>	<b>257</b>

The total cash outflows for leases of the Group and the Fund in 2024 were HK\$185 million (2023: HK\$157 million) and HK\$112 million (2023: HK\$97 million) respectively.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 31 OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker. As a central banking institution, the HKMA is responsible for managing the Fund and maintaining the monetary and banking stability of Hong Kong. The Group comprises operating segments as stated in note 2.20.

	Group							
	Currency Board Operations (note (a))		Reserves Management		Financial Stability and Other Activities		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
<b>Income</b>								
Interest and dividend income	98,230	86,626	48,950	48,979	8,736	8,359	155,916	143,964
Investment (losses)/gains	(8,525)	16,533	87,809	78,146	(1,956)	(1,554)	77,328	93,125
Other income	–	–	97	107	824	746	921	853
	89,705	103,159	136,856	127,232	7,604	7,551	234,165	237,942
<b>Expenditure</b>								
Interest expense	53,015	45,718	49,561	55,644	8,340	8,372	110,916	109,734
Other expenses	1,608	1,585	2,010	2,045	5,635	4,766	9,253	8,396
	54,623	47,303	51,571	57,689	13,975	13,138	120,169	118,130
<b>Surplus/(Deficit) before share of (loss)/ profit of associates and joint ventures</b>	35,082	55,856	85,285	69,543	(6,371)	(5,587)	113,996	119,812
Share of (loss)/profit of associates and joint ventures, net of tax	–	–	(892)	(8,031)	70	55	(822)	(7,976)
<b>Surplus/(Deficit) before taxation</b>	35,082	55,856	84,393	61,512	(6,301)	(5,532)	113,174	111,836



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Group									
	Currency Board Operations (note (a))		Reserves Management		Financial Stability and Other Activities		Re-allocation (notes (b) & (c))		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Assets</b>										
Backing Assets										
Investment in designated										
US dollar assets	2,155,871	2,098,273	-	-	-	-	-	-	2,155,871	2,098,273
Interest receivable on designated										
US dollar assets	6,945	6,941	-	-	-	-	-	-	6,945	6,941
Net accounts (payable)/receivable	(18,202)	(5,514)	-	-	-	-	18,202	16,872	-	11,358
Other investments	-	-	2,068,708	2,125,782	247,995	260,359	(200)	(989)	2,316,503	2,385,152
Other assets	-	-	20,471	20,043	9,955	10,667	85,865	-	116,291	30,710
<b>TOTAL ASSETS</b>	<b>2,144,614</b>	<b>2,099,700</b>	<b>2,089,179</b>	<b>2,145,825</b>	<b>257,950</b>	<b>271,026</b>	<b>103,867</b>	<b>15,883</b>	<b>4,595,610</b>	<b>4,532,434</b>
<b>Liabilities</b>										
Monetary Base										
Certificates of Indebtedness	598,944	593,235	-	-	-	-	-	-	598,944	593,235
Government-issued currency notes and coins in circulation	12,994	12,941	-	-	-	-	-	-	12,994	12,941
Balance of the banking system	44,802	44,950	-	-	-	-	-	-	44,802	44,950
Exchange Fund Bills and Notes issued	1,383,858	1,245,451	-	-	-	-	(200)	(989)	1,383,658	1,244,462
Interest payable on Exchange Fund Notes	124	126	-	-	-	-	-	-	124	126
Net accounts (receivable)/payable	(85,692)	241	-	-	-	-	85,865	-	173	241
Placements by banks and other financial institutions	-	-	48,500	77,100	23,612	22,020	-	-	72,112	99,120
Placements by Fiscal Reserves	-	-	669,738	695,426	-	-	-	-	669,738	695,426
Placements by HKSAR Government funds and statutory bodies	-	-	389,024	467,300	2,049	1,356	-	-	391,073	468,656
Bank loans	-	-	14,861	15,359	-	-	-	-	14,861	15,359
Other debt securities issued	-	-	631	644	148,300	161,719	-	-	148,931	162,363
Other liabilities	-	-	99,650	152,857	40,686	38,385	18,202	16,872	158,538	208,114
<b>TOTAL LIABILITIES</b>	<b>1,955,030</b>	<b>1,896,944</b>	<b>1,222,404</b>	<b>1,408,686</b>	<b>214,647</b>	<b>223,480</b>	<b>103,867</b>	<b>15,883</b>	<b>3,495,948</b>	<b>3,544,993</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (a) Currency Board Operations

Starting from 1 October 1998, specific US dollar assets of the Fund have been designated to back the Monetary Base, which comprises Certificates of Indebtedness, government-issued currency notes and coins in circulation, balance of the banking system and EFBN issued. While specific assets of the Fund have been earmarked for backing the Monetary Base, all the Fund's assets are available for the purpose of supporting the Hong Kong dollar exchange rate under the Linked Exchange Rate system.

In accordance with an arrangement approved by the Financial Secretary in January 2000, assets can be transferred between the Backing Portfolio and general reserves when the Backing Ratio reaches either the upper trigger point (112.5%) or the lower trigger point (105%). This arrangement allows transfer of excess assets out of the Backing Portfolio to maximise their earning potential while ensuring that there are sufficient liquid assets in the Backing Portfolio. The Backing Ratio reached the upper trigger point of 112.5% in September 2024 and May 2023. Assets were transferred from the Backing Portfolio to general reserves and the Backing Ratio was brought down to around 110%. The Backing Ratio stood at 109.56% as at 31 December 2024 (2023: 110.73%).

### (b) Re-allocation of assets and liabilities

For the purpose of the Currency Board Operations segment, certain liabilities of the Fund are deducted from the Backing Assets and certain assets are deducted from the Monetary Base in order to allow proper computation of the Backing Ratio. The following items are re-allocation adjustments to reconcile the segmental information to the Group balance sheet:

- (i) the Backing Assets are presented on a net basis in the Currency Board Operations. As at 31 December 2024, deductions from the Backing Assets comprised "other liabilities" of HK\$18,202 million (2023: HK\$16,872 million). The amount refers to accounts payable for unsettled purchases of securities and redemption of Certificates of Indebtedness, which are included in "net accounts (payable)/receivable" to offset corresponding investments in the Backing Assets; and
- (ii) the Monetary Base is also presented on a net basis. As at 31 December 2024, deductions from the Monetary Base comprised "other assets" of HK\$85,865 million (2023: Nil). The amount refers to EFBN issued on tender date but not yet settled, which are included in "net accounts (receivable)/payable" to reduce the Monetary Base.

### (c) Exchange Fund Bills and Notes held

EFBN held by the Financial Stability and Other Activities segment are treated as redemption of EFBN issued in the Currency Board Operations segment.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 32 PLEDGED ASSETS

Assets are pledged as margin for futures contracts, over-the-counter derivative financial instruments and securities lending agreements and as collateral for securing general banking facilities. Securities lent do not include EFBN in issue. There are no financial assets pledged against contingent liabilities.

		Group		Fund	
	Note	2024	2023	2024	2023
Assets pledged					
Cash and money at call		5,967	5,877	5,967	5,877
Financial assets measured at fair value through income and expenditure account		6,099	8,501	6,099	8,501
Equity interests in associates		1,308	1,372	–	–
Equity interests in joint ventures		2,230	2,671	–	–
Investment properties	18	20,762	22,038	–	–
Secured liabilities					
Derivative financial instruments		174	1,747	174	1,747
Bank loans	27	14,861	15,359	–	–
Other debt securities issued		632	644	–	–

During the year, the Group entered into collateralised reverse repurchase agreements, repurchase agreements and securities lending transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Group controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

### 33 COMMITMENTS

#### (a) Capital commitments

Capital expenditure authorised but not provided for in the financial statements at the reporting date is as follows:

	Group		Fund	
	2024	2023	2024	2023
Contracted for	<b>64</b>	80	<b>35</b>	36
Authorised but not yet contracted for	<b>965</b>	1,104	<b>885</b>	993
<b>TOTAL</b>	<b>1,029</b>	1,184	<b>920</b>	1,029

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (b) Credit facility to the International Monetary Fund

The Fund has participated in the New Arrangements to Borrow (NAB), a standby credit facility provided to the International Monetary Fund (IMF) for the purpose of managing instability in the international monetary system. The facility is subject to periodic review and renewal. As at 31 December 2024, the Fund had an undertaking under the NAB to lend foreign currencies to the IMF up to HK\$6,877 million equivalent (2023: HK\$7,136 million equivalent), in the form of a loan bearing prevailing market interest rates. There was no outstanding principal due from the IMF under the NAB (2023: HK\$7 million equivalent) (note 15).

### (c) Credit facility to the Hong Kong Deposit Protection Board

The Fund has provided the Hong Kong Deposit Protection Board (HKDPB) with a standby credit facility of HK\$220 billion (2023: HK\$120 billion) at prevailing market interest rates for meeting the necessary liquidity required for payment of compensation in the event of a bank failure. As at 31 December 2024, there was no outstanding balance due from the HKDPB under this facility (2023: Nil).

### (d) Repurchase agreements with other central banks

The Fund has entered into bilateral repurchase agreements with various central banks in Asia and Australasia amounting up to HK\$44,666 million equivalent (2023: HK\$44,899 million equivalent). The arrangement allows each organisation to enhance the liquidity of its foreign reserve portfolio with minimal additional risk. As at 31 December 2024, there was no outstanding transaction with any central bank under this arrangement (2023: Nil).

### (e) Chiang Mai Initiative Multilateralisation Agreement

The Chiang Mai Initiative Multilateralisation (CMIM) was established under the aegis of the 10 Association of Southeast Asian Nations (ASEAN) member countries together with China, Japan and Korea (ASEAN+3) to provide short-term US dollars through currency swap transactions to participants facing balance-of-payments and liquidity difficulties with a total size of US\$240 billion (2023: US\$240 billion). Hong Kong, through the HKMA, participates in the CMIM and has undertaken to commit up to US\$8.4 billion (2023: US\$8.4 billion) out of the Fund. Hong Kong has the right to request liquidity support up to US\$8.4 billion (2023: US\$8.4 billion) from the CMIM in case of emergency. Up to 31 December 2024, there had been no request to activate the CMIM (2023: Nil).

### (f) Bilateral currency swap agreement

The People's Bank of China and the HKMA announced in July 2022 enhancements to the existing bilateral currency swap agreement. Its size was expanded from RMB500 billion/HK\$590 billion to RMB800 billion/HK\$940 billion. It has become a long-standing arrangement with no need for renewal. The arrangement helps enhance renminbi liquidity in Hong Kong to support the continued development of Hong Kong's offshore renminbi market. As at 31 December 2024, the amount drawn under the arrangement was RMB20 billion (2023: RMB20 billion).

### (g) Investment commitments

The Group's subsidiaries with principal activities of holding investments, including properties, had outstanding investment commitment of HK\$296 billion equivalent as at 31 December 2024 (2023: HK\$300 billion equivalent).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (h) Other commitments

A subsidiary of the Group, The Hong Kong Mortgage Corporation Limited, had outstanding undrawn loan commitments of HK\$476 million as at 31 December 2024 (2023: HK\$1,013 million).

## 34 CONTINGENT LIABILITIES

### (a) Uncalled portion of investment in the Bank for International Settlements

As at 31 December 2024, the Fund had a contingent liability of up to 16.1 million SDRs or HK\$162 million equivalent (2023: 16.1 million SDRs or HK\$169 million equivalent), in respect of the uncalled portion of its 4,285 shares (2023: 4,285 shares) in the Bank for International Settlements (note 10).

SDR is an international reserve asset created by the IMF. Its value is based on a basket of five major currencies comprising US dollar, euro, renminbi, yen and pound sterling. As at 31 December 2024, 1 SDR was valued at US\$1.3018 (2023: US\$1.3440).

### (b) Financial guarantees

Certain subsidiaries of the Fund have provided guarantees in respect of bank loans granted to joint ventures. The maximum liability as at 31 December 2024 was HK\$4,730 million equivalent (2023: HK\$4,750 million equivalent).

## 35 MATERIAL RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at rates determined by the Monetary Authority taking into account the nature of each transaction on a case-by-case basis.

All the material related party transactions and balances, including commitments, are disclosed in notes 4(b), 4(c), 4(d), 13, 16, 17, 23, 24, 25, 29 and 33(c).

The Exchange Fund Advisory Committee (EFAC) and its Sub-Committees advise the Financial Secretary in his control of the Fund. Members of the EFAC and its Sub-Committees are appointed by the Financial Secretary. Transactions with companies related to members of the EFAC and its Sub-Committees, if any, have been conducted as a normal part of the operation of the Group and on terms consistent with its ongoing operations.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36 FINANCIAL RISK MANAGEMENT

This note presents information about the nature and extent of risks to which the Group is exposed, in particular those arising from financial instruments, and the risk management framework of the Group. The principal financial risks the Group is exposed to are credit risk, market risk and liquidity risk.

#### 36.1 Governance

The Financial Secretary is advised by the EFAC in his control of the Fund. The EFAC is established under section 3(1) of the Exchange Fund Ordinance, which requires the Financial Secretary to consult the Committee in his exercise of control of the Fund. Members of the EFAC are appointed in a personal capacity by the Financial Secretary under the delegated authority of the Chief Executive of the HKSAR for the expertise and experience that they can bring to the Committee. Such expertise and experience include knowledge of monetary, financial, investment management and economic affairs, as well as of accounting, management, business and legal matters.

The EFAC is assisted in its work by five Sub-Committees, which monitor specific areas of the HKMA's work and report and make recommendations to the Financial Secretary through the EFAC.

Among these Sub-Committees, the Investment Sub-Committee (ISC) monitors the HKMA's investment management work and makes recommendations on the investment policy and strategy of the Fund and on risk management and other related matters. Operating within the policies and guidelines endorsed by the EFAC or its delegated authority, the Exchange Fund Investment Office (EFIO) of the HKMA conducts the day-to-day management of the Fund's investment activities, with the Risk and Compliance Department, which is independent of the front office functions of the EFIO, carrying out the risk management activities of the Fund.

#### 36.2 Investment management and control

Investment activities of the Fund are conducted in accordance with the investment benchmark derived from the Fund's investment objectives. The investment benchmark directs the strategic asset allocation of the Fund and is reviewed on a regular basis to ensure that it consistently meets the investment objectives. Changes to the investment benchmark, if required, must be endorsed by the EFAC.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The Fund's target asset and currency mix are as follows:

	2024	2023
<b>Asset type</b>		
Bonds	72%	70%
Equities and related investments	28%	30%
	100%	100%
<b>Currency</b>		
US dollar and Hong Kong dollar	80%	81%
Others <sup>1</sup>	20%	19%
	100%	100%

<sup>1</sup> Other currencies included mainly euro, renminbi, pound sterling and yen.

In addition to the investment benchmark, the EFAC determines the risk tolerance level governing the extent to which the Fund's asset and currency mix may deviate from the investment benchmark, taking into account the risk volatility of and correlation across the asset classes and markets that the Fund is allowed to invest in. Authority to take medium term investment decisions is delegated to senior management of the EFIO.

The Risk and Compliance Department is responsible for risk management and compliance monitoring regarding the investments of the Fund. It monitors the risk exposure of the Fund, checks compliance of investment activities against established guidelines and reports and follows up any identified breaches.

### 36.3 Credit risk

Credit risk is the risk of financial loss when a counterparty or a borrower fails to meet its contractual obligations. The Group's credit risk arises principally from the investments of the Fund and the loan portfolio held by the subsidiaries.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.3.1 *Management of credit risk*

The HKMA maintains effective credit risk management over the investments of the Fund. Based on the delegated authority of the EFAC, the Credit, Rules and Compliance Committee (CRCC) was established within the HKMA with the following responsibilities: (i) to establish and maintain the Credit Exposure Policy to govern the investments of the Fund; (ii) to review the adequacy of the existing credit risk management practices and, where necessary, formulate proposals for amendments; (iii) to conduct analysis of credit risk issues; (iv) to establish and review credit limits for the approved issuers and counterparties; (v) to review and consider proposals of amendments to the Operational Rules for Exchange Fund Investments as appropriate, and make recommendations to the Monetary Authority for endorsement; and (vi) to monitor the compliance of the investments of the Fund with the established policies and limits, and report and follow up any identified breaches. The CRCC is chaired by the Deputy Chief Executive (Monetary) whose responsibilities are independent of the day-to-day investment activities of the Fund, and includes representatives from the EFIO, the Risk and Compliance Department, the Monetary Management Department, and the Research Department of the HKMA.

In light of the rapidly evolving risk environment, the HKMA will remain vigilant in monitoring and managing the Fund's credit risk exposure, and will sustain the impetus for better credit risk management practices to support the investment activities of the Fund.

Credit limits are established in accordance with in-house methodologies as set out in the Operational Rules for Exchange Fund Investments and the Credit Exposure Policy to limit exposures to counterparty, issuer and geographical risks arising from the investments of the Fund.

#### (a) *Counterparty risk*

The Fund selects its counterparties in lending, placement, derivatives and trading transactions prudently and objectively. Since the Fund conducts transactions with a counterparty for a range of financial instruments, credit limits are established to limit the overall exposure to each authorised counterparty based on its credit ratings, financial strength and other relevant information.

Counterparty credit exposures are measured according to the risk nature of financial products involved in the transaction. Counterparty credit exposures of derivatives include an estimate for the potential future credit exposure of the derivative contracts, in addition to their positive mark-to-market replacement value.

#### (b) *Issuer risk*

Issuer risk arises from investments in debt securities. Credit limits for approved issuers are set to control the risk of loss arising from the default of debt securities issuers and to prevent undue risk concentration.

Moreover, to be qualified as an approved investment, a new market or financial instrument must meet the minimum credit, security and liquidity requirements of the Fund.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (c) Geographical risk

Geographical risk is broadly defined to include both the sovereign risk and the transfer risk. Sovereign risk denotes a government's ability and willingness to repay its obligations. Transfer risk is the risk that a borrower may not be able to secure foreign exchange to service its external obligations, for example, due to an action by the government to impose restrictions on the transfer of funds from local debtors to foreign creditors. Under the existing framework, geographical concentration limits are established to control the Fund's overall credit risk exposures to the economies endorsed by the CRCC.

The above credit limits are reviewed regularly. Credit exposure is monitored against these limits on a daily basis. To ensure prompt identification, proper approval and consistent monitoring of credit risk, the Fund has implemented a unified automated credit monitoring system which provides fully-integrated straight-through-processing linking the front, middle and back office functions. The pre-deal checking takes place in the front office prior to the commitment of any transaction to ensure that the intended transaction will not exceed the credit limits. The end-of-day compliance checking further verifies that the Fund complies with the established credit policies and procedures.

Any breaches of credit limits are reported to the CRCC and the ISC, and are followed up by the Risk and Compliance Department in a timely manner. The approval authorities to sanction these breaches are set out in the Credit Exposure Policy.

To manage the exposure to credit risk arising from the loan portfolio and mortgage insurance business, a prudent risk management framework is established to: (i) select Approved Sellers carefully; (ii) adopt prudent mortgage purchasing criteria and insurance eligibility criteria; (iii) conduct effective and in-depth due diligence reviews; (iv) implement robust project structures and financing documentation; (v) perform an ongoing monitoring and reviewing mechanism; and (vi) ensure adequate protection for higher-risk mortgages.

### 36.3.2 Exposure to credit risk

The maximum exposure to credit risk of the financial assets of the Group and the Fund at the reporting date is equal to their carrying amounts. The maximum exposures to credit risk of off-balance sheet exposures are as follows:

	Group		Fund	
	2024	2023	2024	2023
Loan commitments, guarantees and other credit related commitments	343,873	246,280	416,793	317,627

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.3.3 Credit quality and expected credit losses measurement

In general, expected credit losses are calculated using three main parameters, i.e. probability of default, loss given default and exposure at default. The 12-month expected credit losses are calculated by multiplying the 12-month probability of default, loss given default and exposure at default. Lifetime expected credit losses are calculated using the lifetime probability of default instead. The probability of default represents the expected point-in-time probability of a default over either (i) the next 12 months (i.e. 12-month probability of default) or (ii) the remaining lifetime of the financial instrument (i.e. lifetime probability of default), based on conditions existing at the reporting date and forward-looking information that affect credit risk. The exposure at default represents the expected balance at default, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdown of a committed loan. The loss given default represents expected losses on the exposure at default given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

While cash and money at call, loans and loan commitments under 100% SFGS and DLGS, and financial guarantee contracts are subject to the impairment requirements, the Group has estimated that their expected credit losses are minimal and considers that no loss allowance is required. Credit quality and expected credit losses measurement for other financial instruments are analysed below.

#### (a) Placements with banks and other financial institutions

The Group has established an expected credit losses calculation methodology that is based on the probability of default assigned to each counterparty according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information, to determine the amounts of loss allowances.

These financial assets are considered to have a low credit risk. The loss allowances are measured at amounts equal to 12-month expected credit losses.

The credit quality of placements with banks and other financial institutions is analysed below:

	Group		Fund	
	2024	2023	2024	2023
<b>Credit rating<sup>1</sup></b>				
AA- to AA+	83,828	72,453	75,233	63,548
A- to A+	86,225	124,083	54,104	88,035
Lower than A-	12,198	9,601	761	3,542
Gross carrying amount	182,251	206,137	130,098	155,125
Less: allowances for expected credit losses	(8)	(4)	(3)	–
<b>Carrying amount</b>	<b>182,243</b>	206,133	<b>130,095</b>	155,125

<sup>1</sup> This is the lowest of ratings designated by Moody's, Standard & Poor's and Fitch.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The movements in loss allowances for placements with banks and other financial institutions during the year are as follows:

	Group	Fund
At 1 January 2023	5	2
Decrease in loss allowances recognised in the income and expenditure account	(1)	(2)
At 31 December 2023	4	–
<b>At 1 January 2024</b>	<b>4</b>	<b>–</b>
Increase in loss allowances recognised in the income and expenditure account	<b>4</b>	<b>3</b>
<b>At 31 December 2024</b>	<b>8</b>	<b>3</b>

### (b) Debt securities

The Group predominantly invests in liquid OECD member countries' government bonds and other quasi-government debt securities issues. As at 31 December 2024, approximately 53% (2023: 54%) of the debt securities held by the Group were rated "double-A" or above by Moody's, Standard & Poor's or Fitch.

For debt securities measured at amortised cost or fair value through other comprehensive income, the Group has established an expected credit losses calculation methodology that is based on the probability of default assigned to each issuer according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information, to determine the amounts of loss allowances.

These debt securities are considered to have a low credit risk. The loss allowances are measured at amounts equal to 12-month expected credit losses.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The credit quality of debt securities is analysed below:

(i) Debt securities measured at fair value

	Group		Fund	
	2024	2023	2024	2023
<b>Credit rating<sup>1</sup></b>				
<b>Debt securities measured at fair value through income and expenditure account</b>				
AAA	273,964	232,151	273,964	232,151
AA- to AA+	1,213,406	1,266,480	1,213,406	1,266,480
A- to A+	521,361	524,149	521,361	524,149
Lower than A- or un-rated <sup>2</sup>	816,291	775,857	816,281	775,847
<b>TOTAL</b>	<b>2,825,022</b>	2,798,637	<b>2,825,012</b>	2,798,627
<b>Debt securities measured at fair value through other comprehensive income</b>				
AAA	182	–	–	–
AA- to AA+	2,745	1,622	–	–
A- to A+	794	887	–	–
<b>TOTAL</b>	<b>3,721</b>	2,509	–	–

<sup>1</sup> This is the lowest of ratings designated by Moody's, Standard & Poor's and Fitch.

<sup>2</sup> This included mainly debt securities issued by the Bank for International Settlements which are not rated.

(ii) Debt securities measured at amortised cost

	Group	
	2024	2023
<b>Credit rating<sup>1</sup></b>		
AAA	666	396
AA- to AA+	6,790	3,879
A- to A+	7,153	10,304
Lower than A-	502	–
Gross carrying amount	15,111	14,579
Less: allowances for expected credit losses	(5)	(5)
<b>Carrying amount</b>	<b>15,106</b>	14,574

<sup>1</sup> This is the lowest of ratings designated by Moody's, Standard & Poor's and Fitch.

There were no movements in loss allowances for debt securities measured at fair value through other comprehensive income and debt securities measured at amortised cost in 2024 and 2023.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (c) Loan portfolio measured at amortised cost

The Group uses three categories for loans which reflect their credit risk and how the loss allowances are determined for each of those categories. These categories do not apply to loans under 100% SFGS nor DLGS because their expected credit losses are minimal in view of the full guarantee provided by the HKSAR Government.

A summary of the assumptions underpinning the Group's expected credit loss model on loans is as follows:

Category	Group definition of category	Basis for calculation of expected credit losses
Stage 1	Loans that have a low credit risk with borrowers having a strong capacity to meet the contractual obligations at the reporting date or there have not been significant increases in credit risk since initial recognition	12-month expected credit losses
Stage 2	Loans for which there have been significant increases in credit risk since initial recognition, where significant increases in credit risk are presumed when contractual payments are more than 30 days past due	Lifetime expected credit losses – not credit impaired
Stage 3	Loans that have objective evidence of impairment including those that exhibit characteristics of non-repayment or those with contractual payments that are 90 days past due	Lifetime expected credit losses – credit impaired

Loans will be written off when there is no reasonable expectation of recovery on the delinquent interest and/or principal repayments.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In determining the expected credit losses, the Group considers historical credit risk information with reference to external or internal credit ratings and applies forward-looking factors, such as macroeconomic data and credit outlook of the borrowers, to perform multi-scenario analysis.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The credit quality of loan portfolio is analysed below:

	Group – 2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Loan portfolio with external credit rating<sup>1</sup></b>				
BBB- to BBB+	2,642	–	–	2,642
BB- to BB +	3,942	–	–	3,942
Lower than BB-	3,807	152	195	4,154
Gross carrying amount	10,391	152	195	10,738
Less: allowances for expected credit losses	(49)	(9)	(132)	(190)
	10,342	143	63	10,548
<b>Loan portfolio with internal credit rating</b>				
Gross carrying amount	10,167	4	8	10,179
Less: allowances for expected credit losses	(60)	–	(2)	(62)
	10,107	4	6	10,117
<b>TOTAL</b>	<b>20,449</b>	<b>147</b>	<b>69</b>	<b>20,665</b>

	Group – 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Loan portfolio with external credit rating<sup>1</sup></b>				
BBB- to BBB+	2,223	–	–	2,223
BB- to BB+	3,424	–	–	3,424
Lower than BB-	4,585	477	149	5,211
Gross carrying amount	10,232	477	149	10,858
Less: allowances for expected credit losses	(64)	(19)	(117)	(200)
	10,168	458	32	10,658
<b>Loan portfolio with internal credit rating</b>				
Gross carrying amount	10,245	5	7	10,257
Less: allowances for expected credit losses	(25)	–	(1)	(26)
	10,220	5	6	10,231
<b>TOTAL</b>	<b>20,388</b>	<b>463</b>	<b>38</b>	<b>20,889</b>

<sup>1</sup> These are equivalent ratings of Moody's, Standard & Poor's or Fitch provided by an external institution.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The movements in loss allowances for loan portfolio during the year are as follows:

	Group			
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	69	13	87	169
Increase in loss allowances for change in net exposures	32	–	–	32
(Decrease)/Increase in loss allowances for change in credit risk	(10)	4	31	25
Transfers into Stage 2	(2)	2	–	–
At 31 December 2023	89	19	118	226
<b>At 1 January 2024</b>	<b>89</b>	<b>19</b>	<b>118</b>	<b>226</b>
Increase/(Decrease) in loss allowances for change in net exposures	<b>22</b>	<b>(2)</b>	<b>–</b>	<b>20</b>
(Decrease)/Increase in loss allowances for change in credit risk	<b>(6)</b>	<b>(2)</b>	<b>15</b>	<b>7</b>
Transfers into Stage 1	<b>6</b>	<b>(6)</b>	<b>–</b>	<b>–</b>
Transfers into Stage 3	<b>(1)</b>	<b>–</b>	<b>1</b>	<b>–</b>
Exchange differences	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>(1)</b>
<b>At 31 December 2024</b>	<b>109</b>	<b>9</b>	<b>134</b>	<b>252</b>

### (d) Loan commitments

The movements in provision for expected credit losses on loan commitments during the year are as follows:

	Group			
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	21	–	–	21
Increase in provision for expected credit losses recognised in the income and expenditure account	4	5	–	9
Transfers into Stage 2	(1)	1	–	–
At 31 December 2023	24	6	–	30
<b>At 1 January 2024</b>	<b>24</b>	<b>6</b>	<b>–</b>	<b>30</b>
Decrease in provision for expected credit losses recognised in the income and expenditure account	<b>(15)</b>	<b>–</b>	<b>–</b>	<b>(15)</b>
Transfers into Stage 1	<b>6</b>	<b>(6)</b>	<b>–</b>	<b>–</b>
<b>At 31 December 2024</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>15</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.3.4 Concentration of credit risk

The majority of the Group's credit risk exposures are from the holding of highly liquid debt securities issued or guaranteed by OECD member countries' governments and other quasi-government entities. The maximum credit risk exposure by industry group is analysed below:

	Group		Fund	
	2024	2023	2024	2023
Governments and government agencies	<b>1,804,321</b>	1,792,059	<b>1,718,621</b>	1,691,961
Supra-nationals	<b>227,738</b>	216,446	<b>227,157</b>	215,335
States, provinces and public-sector entities	<b>278,641</b>	179,816	<b>355,599</b>	258,315
Financial institutions	<b>567,768</b>	635,150	<b>501,432</b>	567,226
Others <sup>1</sup>	<b>919,650</b>	803,313	<b>1,086,916</b>	970,306
<b>TOTAL</b>	<b>3,798,118</b>	3,626,784	<b>3,889,725</b>	3,703,143

<sup>1</sup> These included debt securities issued by the Bank for International Settlements.

### 36.4 Market risk

Market risk is the risk that changes in market variables such as interest rates, exchange rates and equity prices may affect the fair values or cash flows of investments.

#### 36.4.1 Types of market risk

##### (a) Interest rate risk

Interest rate risk can be classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk since a substantial portion of its investments is in fixed-rate debt securities. These securities are subject to interest rate risk as their fair values will fall when market interest rates increase. Other significant financial assets and financial liabilities with a fixed interest rate, and therefore subject to interest rate risk, include placements with banks and other financial institutions and EFBN issued.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Because the Group has no significant floating-rate investments and liabilities, the Group's future cash flows are not materially affected by potential changes in market interest rates.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A large portion of the Group's foreign currency assets is held in US dollars with the remaining mainly in other major international currencies. When the exchange rates of the relevant foreign currencies against the Hong Kong dollar fluctuate, the value of these foreign currency assets expressed in Hong Kong dollar will vary accordingly.

Due to the linked exchange rate of the US dollar relative to the Hong Kong dollar, the Group's currency risk principally arises from its assets and liabilities denominated in foreign currencies other than the US dollar.

### (c) Equity price risk

Equity price risk is the risk of loss arising from changes in prices or valuation. The Group's equity and related investments are subject to price risk since the value of these investments will decline if market prices or valuation fall.

The majority of the equity securities held by the Group are constituent stocks of major stock market indexes and companies with large market capitalisation.

#### 36.4.2 *Management of market risk*

The market risk of the Fund as a whole is regularly measured and monitored to prevent excessive risk exposure. The investment benchmark and tracking error limit of the Fund govern the asset allocation strategies. These, together with the volatility of asset markets, will affect the Fund's market risk exposure. The Fund uses derivative financial instruments to manage its exposures to market risk and facilitate the implementation of investment strategies. The market risk of the Fund is mainly measured and monitored using a Value-at-Risk (VaR) methodology.

VaR is calculated using the parametric approach based on a 95% confidence level and one-month time horizon. The result represents the maximum expected loss of the Fund over a one-month period under normal market conditions, with a 5% chance that the actual loss may exceed the calculated VaR. The Fund's absolute VaR and the relative VaR (i.e. the VaR of the Fund relative to its investment benchmark), expressed in dollar amounts, are measured by the Risk and Compliance Department and reported to management, the ISC and the EFAC on a regular basis.

The relative VaR of the Fund is also used to calculate the actual tracking error of the Fund against its investment benchmark. This is regularly monitored against the tracking error limit endorsed by the EFAC to ensure that the market risk exposure of the Fund is within its limit. The tracking error of a portfolio indicates how well the portfolio tracks its investment benchmark. The smaller the tracking error, the closer the portfolio tracks its benchmark. The tracking error limit is established to prevent the Fund from taking unduly large market risk with respect to its investment benchmark. The actual tracking error of the Fund is regularly reported to the ISC and the EFAC, and any breach of the limit is followed up in a timely manner.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

VaR is a widely accepted measure of market risk within the financial services industry. It provides users with a single amount to measure market risk and takes into account multiple risks. VaR should however be assessed in the context of some of its inherent limitations. The calculation of VaR involves a number of assumptions that may or may not be valid in a real life scenario, in particular in extreme market conditions. The calculation of VaR assumes that future events can be predicted by historical data, and that changes in risk factors follow a normal distribution. The end-of-day basis does not reflect intraday exposures. In addition, the confidence level on which calculation of VaR is based needs to be taken into account as it indicates the possibility that a larger loss could be realised.

To compensate for some of the limitations of VaR, the HKMA also conducts stress tests to estimate the potential losses under extremely adverse market conditions. This serves to identify the major attributes of market risk under extreme market conditions, and helps to prevent the Fund from being exposed to excessive market risk. The results of the stress tests are also reported to the ISC and the EFAC on a regular basis.

To manage the interest rate risk arising from the fixed-rate debt securities issued by the Group to fund the purchase of portfolios of loans, a major portion of the risk is hedged using fair value hedges in the form of interest rate swaps by swapping into floating-rate funding to better match the floating-rate assets.

The Fund's investment in less liquid assets (i.e. private equity and real estate) is grouped under the Long-Term Growth Portfolio. The investment risks of the less liquid assets are managed at the aggregate level through such measures as asset class approval, allocation limit and aggregate general partner exposure. The target asset allocation of the Long-Term Growth Portfolio is determined concurrently with that of other asset classes, subject to prudent risk management principles and portfolio diversification strategy.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.4.3 Exposure to market risk

#### (a) Interest rate risk

The interest rate gap position in respect of the Group's major interest-bearing assets and liabilities, including the net repricing effect of interest rate derivatives is shown below. The assets and liabilities are stated at carrying amounts at the reporting date and categorised by the earlier of contractual repricing dates or maturity dates.

	Group – 2024							Non-interest-bearing financial instruments
	Repricing period of interest-bearing financial instruments							
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	Total	
Assets								
Cash and money at call	206,102	–	–	–	–	–	206,102	907
Placements with banks and other financial institutions	143,828	36,472	1,922	–	–	–	182,222	21
Financial assets measured at fair value through income and expenditure account	464,164	490,785	691,880	715,417	321,530	121,944	2,805,720	1,096,923
Financial assets measured at fair value through other comprehensive income	272	233	592	2,527	97	–	3,721	1,436
Debt securities measured at amortised cost	505	1,286	2,170	8,698	2,447	–	15,106	–
Loan portfolio	91,335	3,887	7,858	33	872	2,060	106,045	–
Interest-bearing assets	906,206	532,663	704,422	726,675	324,946	124,004	3,318,916	
Liabilities								
Placements by banks and other financial institutions	56,437	15,675	–	–	–	–	72,112	–
Placements by Fiscal Reserves with interest payable at market-based rates <sup>1</sup>	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates <sup>1</sup>	2,049	–	–	–	–	–	2,049	–
Exchange Fund Bills and Notes issued	335,147	696,960	342,134	9,417	–	–	1,383,658	–
Bank loans	5,145	3,753	–	5,963	–	–	14,861	–
Other debt securities issued	4,210	25,292	34,291	78,594	4,366	2,178	148,931	–
Interest-bearing liabilities	402,992	741,680	376,425	93,974	4,366	2,178	1,621,615	
Net interest-bearing assets/(liabilities)	503,214	(209,017)	327,997	632,701	320,580	121,826	1,697,301	
Interest rate derivatives								
(net position, notional amounts)	(3,835)	(19,247)	7,425	10,802	3,174	844	(837)	
Interest rate sensitivity gap	499,379	(228,264)	335,422	643,503	323,754	122,670	1,696,464	

<sup>1</sup> Placements by Fiscal Reserves, HKSAR Government funds and statutory bodies with interest payable at a fixed rate or a composite rate determined annually are excluded because their interest rates are not determined on the basis of market interest rates (notes 23 and 24). As at 31 December 2024, such placements amounted to HK\$1,058,758 million.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Group – 2023							Non-interest-bearing financial instruments
	Repricing period of interest-bearing financial instruments						Total	
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years		
<b>Assets</b>								
Cash and money at call	194,494	–	–	–	–	–	194,494	1,337
Placements with banks and other financial institutions	145,530	44,650	15,933	–	–	–	206,113	20
Financial assets measured at fair value through income and expenditure account	458,133	443,109	850,278	591,622	331,848	104,783	2,779,773	1,105,524
Financial assets measured at fair value through other comprehensive income	–	94	86	2,054	275	–	2,509	1,364
Debt securities measured at amortised cost	78	652	5,166	5,504	3,174	–	14,574	–
Loan portfolio	104,823	4,341	8,637	11	760	1,586	120,158	
<b>Interest-bearing assets</b>	903,058	492,846	880,100	599,191	336,057	106,369	3,317,621	
<b>Liabilities</b>								
Placements by banks and other financial institutions	90,120	9,000	–	–	–	–	99,120	–
Placements by Fiscal Reserves with interest payable at market-based rates <sup>1</sup>	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates <sup>1</sup>	1,356	–	–	–	–	–	1,356	–
Exchange Fund Bills and Notes issued	392,186	584,786	256,849	9,473	1,168	–	1,244,462	–
Bank loans	5,408	3,632	466	5,853	–	–	15,359	–
Other debt securities issued	2,833	50,262	55,784	49,803	1,503	2,178	162,363	–
<b>Interest-bearing liabilities</b>	491,907	647,680	313,099	65,129	2,671	2,178	1,522,664	
<b>Net interest-bearing assets/(liabilities)</b>	411,151	(154,834)	567,001	534,062	333,386	104,191	1,794,957	
<b>Interest rate derivatives</b>								
<b>(net position, notional amounts)</b>	3,616	(23,837)	4,254	11,217	(141)	3,237	(1,654)	
<b>Interest rate sensitivity gap</b>	414,767	(178,671)	571,255	545,279	333,245	107,428	1,793,303	

<sup>1</sup> Placements by Fiscal Reserves, HKSAR Government funds and statutory bodies with interest payable at a fixed rate or a composite rate determined annually are excluded because their interest rates are not determined on the basis of market interest rates (notes 23 and 24). As at 31 December 2023, such placements amounted to HK\$1,162,722 million.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2024							Non-interest-bearing financial instruments
	Repricing period of interest-bearing financial instruments							
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	Total	
<b>Assets</b>								
Cash and money at call	202,616	–	–	–	–	–	202,616	214
Placements with banks and other financial institutions	119,997	8,544	1,554	–	–	–	130,095	–
Financial assets measured at fair value through income and expenditure account	464,164	490,785	691,880	715,417	321,530	121,944	2,805,720	593,243
<b>Interest-bearing assets</b>	<b>786,777</b>	<b>499,329</b>	<b>693,434</b>	<b>715,417</b>	<b>321,530</b>	<b>121,944</b>	<b>3,138,431</b>	
<b>Liabilities</b>								
Placements by banks and other financial institutions	56,437	15,675	–	–	–	–	72,112	–
Placements by Fiscal Reserves with interest payable at market-based rates <sup>1</sup>	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates <sup>1</sup>	2,049	–	–	–	–	–	2,049	–
Exchange Fund Bills and Notes issued	335,147	696,960	342,134	9,417	–	–	1,383,658	–
<b>Interest-bearing liabilities</b>	<b>393,637</b>	<b>712,635</b>	<b>342,134</b>	<b>9,417</b>	<b>–</b>	<b>–</b>	<b>1,457,823</b>	
<b>Net interest-bearing assets/(liabilities)</b>	<b>393,140</b>	<b>(213,306)</b>	<b>351,300</b>	<b>706,000</b>	<b>321,530</b>	<b>121,944</b>	<b>1,680,608</b>	
<b>Interest rate derivatives</b>								
(net position, notional amounts)	1,475	(7,574)	650	3,568	1,037	844	–	
<b>Interest rate sensitivity gap</b>	<b>394,615</b>	<b>(220,880)</b>	<b>351,950</b>	<b>709,568</b>	<b>322,567</b>	<b>122,788</b>	<b>1,680,608</b>	

<sup>1</sup> Placements by Fiscal Reserves, HKSAR Government funds and statutory bodies, and subsidiaries with interest payable at a fixed rate or a composite rate determined annually are excluded because their interest rates are not determined on the basis of market interest rates (notes 23, 24 and 25). As at 31 December 2024, such placements amounted to HK\$1,104,423 million.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2023							Non- interest- bearing financial instruments
	Repricing period of interest-bearing financial instruments							
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	Total	
<b>Assets</b>								
Cash and money at call	190,236	–	–	–	–	–	190,236	242
Placements with banks and other financial institutions	130,138	9,370	15,617	–	–	–	155,125	–
Financial assets measured at fair value through income and expenditure account	458,133	443,109	850,278	591,622	331,848	104,783	2,779,773	629,144
<b>Interest-bearing assets</b>	778,507	452,479	865,895	591,622	331,848	104,783	3,125,134	
<b>Liabilities</b>								
Placements by banks and other financial institutions	90,120	9,000	–	–	–	–	99,120	–
Placements by Fiscal Reserves with interest payable at market-based rates <sup>1</sup>	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates <sup>1</sup>	1,356	–	–	–	–	–	1,356	–
Exchange Fund Bills and Notes issued	392,186	584,786	256,849	9,473	1,168	–	1,244,462	–
<b>Interest-bearing liabilities</b>	483,666	593,786	256,849	9,473	1,168	–	1,344,942	
<b>Net interest-bearing assets/(liabilities)</b>	294,841	(141,307)	609,046	582,149	330,680	104,783	1,780,192	
<b>Interest rate derivatives (net position, notional amounts)</b>	5,387	(11,868)	1,471	1,715	58	3,237	–	
<b>Interest rate sensitivity gap</b>	300,228	(153,175)	610,517	583,864	330,738	108,020	1,780,192	

<sup>1</sup> Placements by Fiscal Reserves, HKSAR Government funds and statutory bodies, and subsidiaries with interest payable at a fixed rate or a composite rate determined annually are excluded because their interest rates are not determined on the basis of market interest rates (notes 23, 24 and 25). As at 31 December 2023, such placements amounted to HK\$1,193,908 million.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### (b) Currency risk

The currency exposure of the Group is summarised below:

	Group			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Hong Kong dollar	381,058	2,756,984	297,892	2,790,726
US dollar	3,543,205	681,005	3,580,742	685,344
Others <sup>1</sup>	3,924,263	3,437,989	3,878,634	3,476,070
	671,347	57,959	653,800	68,923
<b>TOTAL</b>	<b>4,595,610</b>	<b>3,495,948</b>	4,532,434	3,544,993

	Fund			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Hong Kong dollar	260,243	2,672,276	151,193	2,692,210
US dollar	3,230,422	652,068	3,296,713	652,754
Others <sup>1</sup>	3,490,665	3,324,344	3,447,906	3,344,964
	590,310	21,694	568,585	24,545
<b>TOTAL</b>	<b>4,080,975</b>	<b>3,346,038</b>	4,016,491	3,369,509

<sup>1</sup> Other currencies included mainly euro, renminbi, pound sterling and yen.

### (c) Equity price risk

As at 31 December 2024 and 2023, the majority of equity investments were reported as “financial assets measured at fair value through income and expenditure account” as shown in note 9.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.4.4 Sensitivity analysis

The VaR positions of the Fund as at 31 December and during the year, based on a 95% confidence level and one-month time horizon, are as follows:

	Fund	
	2024	2023
<b>Value-at-Risk</b>		
At 31 December <sup>1</sup>	<b>46,197</b>	55,919
During the year		
Average	<b>51,229</b>	55,314
Maximum	<b>55,377</b>	67,737
Minimum	<b>46,197</b>	47,517

<sup>1</sup> The amount represented 1.1% of the Fund's investments which were subject to VaR measurement as at 31 December 2024 (2023: 1.4%).

### 36.5 Liquidity risk

Liquidity risk refers to the risk that the Group may not have sufficient funds available to meet its liabilities as they fall due. In addition, the Group may not be able to liquidate its financial assets at a price close to fair value within a short period of time.

#### 36.5.1 Management of liquidity risk

To ensure sufficient liquidity to meet liabilities and the ability to raise funds to meet exceptional needs, the Group invests primarily in liquid financial markets and instruments that are readily saleable to meet liquidity needs. There are internal investment restrictions to prevent undue concentrations in individual debt securities issues, debt securities issuers, and groups of closely related debt securities issuers. There are also limitations on the maximum proportion of assets that can be placed in fixed term deposits and less liquid assets, and requirements regarding the ability to convert foreign currency assets into cash. In addition, prudent liquidity control measures are imposed on the Fund's investments in less liquid credit assets such as asset-backed securities. All these restrictions and limits are designed to promote the liquidity of assets and consequently minimise the liquidity risk. The liquidity risk for the Fund's investment is monitored on an aggregate basis through appropriate portfolio mix with sufficient liquid assets to offset investments of less liquid assets. Compliance with these limits is monitored by the Risk and Compliance Department and any breaches are reported to the ISC and are promptly followed up.



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.5.2 Exposure to liquidity risk

The remaining contractual maturities at the reporting date of major financial liabilities, commitments and derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the Group can be required to pay, are shown below:

	Group – 2024						Total
	Remaining maturity						
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	
<b>Non-derivative cash outflows</b>							
Certificates of Indebtedness	598,944	–	–	–	–	–	598,944
Government-issued currency notes and coins in circulation	12,994	–	–	–	–	–	12,994
Balance of the banking system	44,802	–	–	–	–	–	44,802
Placements by banks and other financial institutions	56,791	15,798	–	–	–	–	72,589
Placements by Fiscal Reserves	423,976	–	–	–	245,762	–	669,738
Placements by HKSAR Government funds and statutory bodies	268,522	4,520	27,700	80,243	10,088	–	391,073
Exchange Fund Bills and Notes issued	335,474	701,425	347,236	9,933	–	–	1,394,068
Bank loans	67	517	1,764	13,523	–	–	15,871
Other debt securities issued	4,111	25,336	38,539	87,211	5,253	3,073	163,523
Lease liabilities	12	32	141	314	48	1,837	2,384
Other liabilities (excluding lease liabilities)	45,472	686	50	88	77,385	6	123,687
Loan commitments, guarantees and other credit related commitments	343,873	–	–	–	–	–	343,873
<b>TOTAL</b>	<b>2,135,038</b>	<b>748,314</b>	<b>415,430</b>	<b>191,312</b>	<b>338,536</b>	<b>4,916</b>	<b>3,833,546</b>
<b>Derivative cash outflows/(inflows)</b>							
Derivative financial instruments settled:							
– on net basis	571	30	(6)	328	119	18	1,060
– on gross basis							
Total outflows	3,616	10,249	14,359	39,082	4,442	–	71,748
Total inflows	(3,368)	(10,120)	(14,221)	(39,022)	(4,324)	–	(71,055)
<b>TOTAL</b>	<b>819</b>	<b>159</b>	<b>132</b>	<b>388</b>	<b>237</b>	<b>18</b>	<b>1,753</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Group – 2023						Total
	Remaining maturity						
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	
<b>Non-derivative cash outflows</b>							
Certificates of Indebtedness	593,235	–	–	–	–	–	593,235
Government-issued currency notes and coins in circulation	12,941	–	–	–	–	–	12,941
Balance of the banking system	44,950	–	–	–	–	–	44,950
Placements by banks and other financial institutions	90,672	9,084	–	–	–	–	99,756
Placements by Fiscal Reserves	396,018	–	–	–	299,408	–	695,426
Placements by HKSAR Government funds and statutory bodies	332,793	5,800	15,600	109,366	5,097	–	468,656
Exchange Fund Bills and Notes issued	393,015	589,412	261,616	10,059	1,221	–	1,255,323
Bank loans	62	64	3,026	13,384	–	–	16,536
Other debt securities issued	1,961	48,718	60,960	56,248	2,082	3,140	173,109
Lease liabilities	10	23	119	312	72	1,888	2,424
Other liabilities (excluding lease liabilities)	34,219	23,951	85	6	118,228	5	176,494
Loan commitments, guarantees and other credit related commitments	246,280	–	–	–	–	–	246,280
<b>TOTAL</b>	2,146,156	677,052	341,406	189,375	426,108	5,033	3,785,130
<b>Derivative cash outflows/(inflows)</b>							
Derivative financial instruments settled:							
– on net basis	416	76	(290)	160	114	59	535
– on gross basis							
Total outflows	75,321	103,743	11,778	36,875	2,871	–	230,588
Total inflows	(74,361)	(102,401)	(11,433)	(36,451)	(2,884)	–	(227,530)
<b>TOTAL</b>	1,376	1,418	55	584	101	59	3,593

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2024						Total
	Remaining maturity						
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	
<b>Non-derivative cash outflows</b>							
Certificates of Indebtedness	598,944	–	–	–	–	–	598,944
Government-issued currency notes and coins in circulation	12,994	–	–	–	–	–	12,994
Balance of the banking system	44,802	–	–	–	–	–	44,802
Placements by banks and other financial institutions	56,791	15,798	–	–	–	–	72,589
Placements by Fiscal Reserves	423,976	–	–	–	245,762	–	669,738
Placements by HKSAR Government funds and statutory bodies	268,522	4,520	27,700	80,243	10,088	–	391,073
Placements by subsidiaries	3,125	–	3,000	11,832	27,708	–	45,665
Exchange Fund Bills and Notes issued	335,474	701,425	347,236	9,933	–	–	1,394,068
Lease liabilities	7	20	93	149	–	–	269
Other liabilities (excluding lease liabilities)	45,196	459	–	2,411	77,376	–	125,442
Credit related commitments	416,793	–	–	–	–	–	416,793
<b>TOTAL</b>	<b>2,206,624</b>	<b>722,222</b>	<b>378,029</b>	<b>104,568</b>	<b>360,934</b>	<b>–</b>	<b>3,772,377</b>
<b>Derivative cash outflows/(inflows)</b>							
Derivative financial instruments settled:							
– on net basis	378	26	63	122	100	18	707
– on gross basis							
Total outflows	1,001	891	–	–	–	–	1,892
Total inflows	(966)	(879)	–	–	–	–	(1,845)
<b>TOTAL</b>	<b>413</b>	<b>38</b>	<b>63</b>	<b>122</b>	<b>100</b>	<b>18</b>	<b>754</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2023						
	Remaining maturity						Total
	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	10 years or less but over 5 years	Over 10 years	
<b>Non-derivative cash outflows</b>							
Certificates of Indebtedness	593,235	–	–	–	–	–	593,235
Government-issued currency notes and coins in circulation	12,941	–	–	–	–	–	12,941
Balance of the banking system	44,950	–	–	–	–	–	44,950
Placements by banks and other financial institutions	90,672	9,084	–	–	–	–	99,756
Placements by Fiscal Reserves	396,018	–	–	–	299,408	–	695,426
Placements by HKSAR Government funds and statutory bodies	332,793	5,800	15,600	109,366	5,097	–	468,656
Placements by subsidiaries	2,446	–	4,900	10,650	13,190	–	31,186
Exchange Fund Bills and Notes issued	393,015	589,412	261,616	10,059	1,221	–	1,255,323
Lease liabilities	8	16	77	130	–	–	231
Other liabilities (excluding lease liabilities)	31,950	23,933	37	1,933	118,228	–	176,081
Credit related commitments	317,627	–	–	–	–	–	317,627
<b>TOTAL</b>	2,215,655	628,245	282,230	132,138	437,144	–	3,695,412
<b>Derivative cash outflows/(inflows)</b>							
Derivative financial instruments settled:							
– on net basis	256	67	96	103	79	59	660
– on gross basis							
Total outflows	74,341	73,023	387	–	–	–	147,751
Total inflows	(73,469)	(72,100)	(384)	–	–	–	(145,953)
<b>TOTAL</b>	1,128	990	99	103	79	59	2,458

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 36.6 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in all aspects of the Group's operations covering all business segments.

The Group's objective is to cost-effectively manage operational risk to prevent financial losses or damage to the Group's reputation.

The primary responsibility for the development and implementation of controls to address operational risk rests with line management, with oversight by an internal high-level Risk Committee. The Committee is chaired by the Chief Executive of the HKMA with the Deputy Chief Executives as members. The Risk Committee provides direction and guidance for line management in managing operational risk.

Operational risk management is supported by a formal risk assessment process. This is conducted annually and supplemented with quarterly updates. It requires each division to assess and rank the potential impact and likelihood of occurrence of financial and operational risks. It also requires divisions to review the procedures and controls in place for addressing the identified risks. This risk and control self-assessment is reviewed by the Internal Audit Division of the HKMA to ensure consistency and reasonableness before submission to the Risk Committee, which has the responsibility for ensuring that the identified risks are properly addressed. Results of this risk assessment are also taken into account, in conjunction with other risk factors, for the development of an annual Internal Audit work plan. According to the methodology approved by the EFAC Audit Sub-Committee (ASC), the Internal Audit Division will audit the risk areas at various frequencies depending on the levels of risks and the results of past audits. It reports its findings regularly to the ASC and the Chief Executive of the HKMA and follows up on outstanding issues to ensure that they are resolved in a proper manner.

Operational risk is also inherent in the investment activities and processes of the EFIO. To enhance its operational risk oversight, the Risk and Compliance Department formalised its operational risk management framework for the EFIO. The key elements of the framework include identification and monitoring of key risk indicators; reporting to the senior management of the HKMA on the operational risk profile of the EFIO; handling of operational risk incidents; and issuing monthly operational risk reports to relevant senior executives.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 37 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### 37.1 Fair value of financial instruments measured at fair value

##### 37.1.1 Fair value hierarchy

The carrying values of financial instruments measured at fair value at the reporting date across the three levels of the fair value hierarchy are shown below:

	Group – 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at fair value through income and expenditure account				
Treasury bills and commercial papers	105,055	1,057,445	–	1,162,500
Certificates of deposit	–	127,885	–	127,885
Other debt securities	1,482,318	52,319	–	1,534,637
Equity securities	441,833	87,570	57,990	587,393
Investment funds	–	–	490,228	490,228
	2,029,206	1,325,219	548,218	3,902,643
Financial assets measured at fair value through other comprehensive income				
Debt securities	3,605	116	–	3,721
Equity securities	–	–	1,436	1,436
	3,605	116	1,436	5,157
Derivative financial instruments	266	4,454	–	4,720
Loan portfolio	–	–	2,597	2,597
<b>TOTAL</b>	<b>2,033,077</b>	<b>1,329,789</b>	<b>552,251</b>	<b>3,915,117</b>
<b>Liabilities</b>				
Exchange Fund Bills and Notes issued	–	1,383,658	–	1,383,658
Derivative financial instruments	378	2,263	–	2,641
<b>TOTAL</b>	<b>378</b>	<b>1,385,921</b>	<b>–</b>	<b>1,386,299</b>



## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Group – 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at fair value through income and expenditure account				
Treasury bills and commercial papers	21,015	1,017,331	–	1,038,346
Certificates of deposit	–	209,496	–	209,496
Other debt securities	1,486,264	64,531	–	1,550,795
Equity securities	475,513	84,855	66,404	626,772
Investment funds	–	–	459,888	459,888
	1,982,792	1,376,213	526,292	3,885,297
Financial assets measured at fair value through other comprehensive income				
Debt securities	2,509	–	–	2,509
Equity securities	–	–	1,364	1,364
	2,509	–	1,364	3,873
Derivative financial instruments	165	2,677	–	2,842
Loan portfolio	–	–	1,907	1,907
<b>TOTAL</b>	1,985,466	1,378,890	529,563	3,893,919
<b>Liabilities</b>				
Exchange Fund Bills and Notes issued	–	1,244,462	–	1,244,462
Derivative financial instruments	256	5,403	–	5,659
<b>TOTAL</b>	256	1,249,865	–	1,250,121

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at fair value through income and expenditure account				
Treasury bills and commercial papers	105,055	1,057,445	–	1,162,500
Certificates of deposit	–	127,885	–	127,885
Other debt securities	1,482,308	52,319	–	1,534,627
Equity securities	437,784	87,570	48,597	573,951
	2,025,147	1,325,219	48,597	3,398,963
Financial assets measured at fair value through other comprehensive income				
Equity securities	–	–	1,436	1,436
Derivative financial instruments	266	3,429	–	3,695
<b>TOTAL</b>	<b>2,025,413</b>	<b>1,328,648</b>	<b>50,033</b>	<b>3,404,094</b>
<b>Liabilities</b>				
Exchange Fund Bills and Notes issued	–	1,383,658	–	1,383,658
Derivative financial instruments	378	366	–	744
<b>TOTAL</b>	<b>378</b>	<b>1,384,024</b>	<b>–</b>	<b>1,384,402</b>

	Fund – 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at fair value through income and expenditure account				
Treasury bills and commercial papers	21,015	1,017,331	–	1,038,346
Certificates of deposit	–	209,496	–	209,496
Other debt securities	1,486,254	64,531	–	1,550,785
Equity securities	475,513	84,855	49,922	610,290
	1,982,782	1,376,213	49,922	3,408,917
Financial assets measured at fair value through other comprehensive income				
Equity securities	–	–	1,364	1,364
Derivative financial instruments	165	1,300	–	1,465
<b>TOTAL</b>	<b>1,982,947</b>	<b>1,377,513</b>	<b>51,286</b>	<b>3,411,746</b>
<b>Liabilities</b>				
Exchange Fund Bills and Notes issued	–	1,244,462	–	1,244,462
Derivative financial instruments	256	2,303	–	2,559
<b>TOTAL</b>	<b>256</b>	<b>1,246,765</b>	<b>–</b>	<b>1,247,021</b>

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur. During the year, there were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy (2023: Nil).

An analysis of the movement between opening and closing balances of Level 3 financial assets, measured at fair value using a valuation technique with significant unobservable inputs, is shown below:

	2024			
	Group		Fund	
	Measured at fair value through income and expenditure account	Measured at fair value through other comprehensive income	Measured at fair value through income and expenditure account	Measured at fair value through other comprehensive income
At 1 January 2024	528,199	1,364	49,922	1,364
Net gains recognised in the income and expenditure account	3,735	–	6,092	–
Net gains recognised in other comprehensive income	–	72	–	72
Purchases	69,940	–	3,100	–
Sales	(42,931)	–	(8,723)	–
Exchange differences	(37)	–	–	–
Transfers into Level 3	631	–	631	–
Transfers out of Level 3	(8,722)	–	(2,425)	–
At 31 December 2024	550,815	1,436	48,597	1,436
Net gains recognised in the income and expenditure account relating to revaluation of those assets held at the reporting date	5,170	–	6,022	–

	2023			
	Group		Fund	
	Measured at fair value through income and expenditure account	Measured at fair value through other comprehensive income	Measured at fair value through income and expenditure account	Measured at fair value through other comprehensive income
At 1 January 2023	487,656	1,264	51,904	1,264
Net gains recognised in the income and expenditure account	11,160	–	3,756	–
Net gains recognised in other comprehensive income	–	100	–	100
Purchases	60,008	–	5,038	–
Sales	(29,480)	–	(9,545)	–
Exchange differences	86	–	–	–
Transfers into Level 3	829	–	829	–
Transfers out of Level 3	(2,060)	–	(2,060)	–
At 31 December 2023	528,199	1,364	49,922	1,364
Net gains recognised in the income and expenditure account relating to revaluation of those assets held at the reporting date	10,565	–	3,159	–

In 2024 and 2023, certain financial instruments were transferred from Level 3 to Level 1, or between Level 2 and Level 3 of the fair value hierarchy, reflecting changes in transparency of observable market data for these instruments.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 37.1.2 Valuation techniques and key inputs

The fair value of financial instruments classified under Level 1 is based on quoted market prices in active markets for identical assets or liabilities at the reporting date.

In the absence of quoted market prices in active markets, the fair value of financial instruments classified under Level 2 is estimated using present value or other valuation techniques, with inputs based on market conditions existing at the reporting date. Specific valuation techniques and key inputs used to value these financial instruments include:

- (a) quoted market price or broker quotes for similar instruments;
- (b) derivative financial instruments are priced using models with observable market inputs including interest rate swap and foreign exchange contracts; and
- (c) commercial papers and debt securities are priced using discounted cash flow techniques with observable yield curves.

For unlisted investment funds and certain equity securities which are classified under Level 3, their fair values are estimated by making reference to valuation reports provided by external investment managers. It is not practicable to quote a range of key unobservable inputs.

For certain unlisted equity securities valued by the Group, which are classified under Level 3, their fair values are derived from Comparable Company Valuation Model, which derives the valuation of investments based on factors including their earnings/book value, price multiples of comparable public companies and a discount factor for a lack of liquidity. Significant unobservable inputs used under this valuation method include price multiples of similar companies and liquidity discount:

Significant unobservable inputs	Quantitative amount	
	2024	2023
Price multiples of similar companies	1.7 – 39.4	1.1 – 24.1
Liquidity discount	20%	20%

The shareholding in the Bank for International Settlements (note 10) is classified under Level 3. Its fair value is estimated based on the Group's interest in the net asset value of the Bank at the reporting date, discounted at 30% to reflect the discount rate used by the Bank for share repurchases.

Loan portfolio measured at fair value through income and expenditure account is classified under Level 3 with fair value determined by using an internal model based on income approach by discounting future cash flows which are dependent on the expected terms of the loans, annuity payout, premium and interest income, loan repayment and the value of collaterals (for example, the residential properties or insurance policies securing the loans).

If the fair values of these investments had increased/decreased by 10%, it would have resulted in an increase/a decrease in the Group's surplus for the year of HK\$55,082 million (2023: HK\$52,820 million) and in other comprehensive income of HK\$144 million (2023: HK\$136 million).

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 37.2 Fair value of debt securities not measured at fair value

The fair values of debt securities measured at amortised cost and other debt securities issued that were not measured at fair value are shown below:

		Group – 2024			
		Carrying value	Fair value		
	Note		Level 1	Level 2	Total
<b>Financial assets</b>					
Debt securities measured at amortised cost	12	15,106	11,615	3,205	14,820
<b>Financial liabilities</b>					
Other debt securities issued	28	148,931	–	148,696	148,696

		Group – 2023			
		Carrying value	Fair value		
	Note		Level 1	Level 2	Total
<b>Financial assets</b>					
Debt securities measured at amortised cost	12	14,574	10,494	3,768	14,262
<b>Financial liabilities</b>					
Other debt securities issued	28	162,363	–	162,224	162,224

In the absence of quoted market prices in active markets, the fair values of debt securities classified under Level 2 are estimated using present value or other valuation techniques, with inputs based on market conditions existing at the reporting date. The valuation technique for other debt securities issued is the use of discounted cash flow model based on a current yield curve appropriate for their remaining term to maturity.

All other financial instruments of the Group and the Fund are measured at fair value or carried at amounts not materially different from their fair values as at 31 December 2024 and 2023.

## Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

### 38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. The new standards include:

	Effective for accounting periods beginning on or after
HKFRS 18 “Presentation and Disclosure in Financial Statements”	1 January 2027

The Group is in the process of assessing the possible impact on its financial statements in the period of initial application of HKFRS 18.

#### HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18, which replaces HKAS 1 “Presentation of Financial Statements”, introduces new requirements for presentation of specified categories and subtotals in the income and expenditure account, aggregation and disaggregation of information, as well as disclosures related to management-defined performance measures. The Group is yet to assess the full impact of the standard on its financial statements. The new standard is effective for annual periods beginning on or after 1 January 2027 and will be applied retrospectively with restatement of comparatives unless impracticable. At this stage, the Group does not intend to adopt the standard before its effective date.

### 39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Financial Secretary on the advice of the Exchange Fund Advisory Committee on 3 April 2025.



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# Annex Authorized Institutions and Local Representative Offices

at 31.12.2024

## Licensed Banks

### Incorporated in Hong Kong

Airstar Bank Limited	DBS BANK (HONG KONG) LIMITED	Nanyang Commercial Bank, Limited
Ant Bank (Hong Kong) Limited	FUBON BANK (HONG KONG) LIMITED	OCBC Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited	Fusion Bank Limited	PAO Bank Limited
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	Bank of Dongguan International Limited #	(formerly known as Ping An
Bank of East Asia, Limited (The)	(formerly known as GUANYIN	OneConnect Bank
China CITIC Bank International Limited	INTERNATIONAL LIMITED #)	(Hong Kong) Limited)
China Construction Bank (Asia) Corporation Limited	Hang Seng Bank, Limited	PUBLIC BANK (HONG KONG) LIMITED
Chiyu Banking Corporation Limited	Hongkong and Shanghai Banking Corporation Limited (The)	Shanghai Commercial Bank Limited
Chong Hing Bank Limited	Industrial and Commercial Bank of China (Asia) Limited	Standard Chartered Bank (Hong Kong) Limited
CITIBANK (HONG KONG) LIMITED	Livi Bank Limited	Tai Sang Bank Limited
CMB WING LUNG BANK LIMITED	Morgan Stanley Bank Asia Limited	Tai Yau Bank, Limited
DAH SING BANK, LIMITED	Mox Bank Limited	Welab Bank Limited
		ZA Bank Limited

### Incorporated outside Hong Kong

AGRICULTURAL BANK OF CHINA LIMITED	Banque Pictet & Cie SA	CHINA GUANGFA BANK CO., LTD.
Australia and New Zealand Banking Group Limited	Barclays Bank PLC	China Merchants Bank Co., Ltd.
Banco Bilbao Vizcaya Argentaria S.A.	BDO UNIBANK, INC.	CHINA MINSHENG BANKING CORP., LTD.
Banco Santander, S.A.	also known as:	China Zheshang Bank Co., Ltd.
Bangkok Bank Public Company Limited	BDO	Chugoku Bank, Ltd. (The)
Bank J. Safra Sarasin AG	BDO Unibank	CIMB Bank Berhad
also known as:	Banco De Oro	Citibank, N.A.
Banque J. Safra Sarasin SA	Banco De Oro Unibank	Commonwealth Bank of Australia
Banca J. Safra Sarasin SA	BDO Banco De Oro	Coöperatieve Rabobank U.A.
Bank J. Safra Sarasin Ltd	BNP PARIBAS	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK
Bank Julius Baer & Co. Ltd.	CA Indosuez (Switzerland) SA	CREDIT INDUSTRIEL ET COMMERCIAL
Bank of America, National Association	Canadian Imperial Bank of Commerce	CTBC Bank Co., Ltd
Bank of China Limited	CATHAY BANK	DBS BANK LTD.
Bank of Communications Co., Ltd.	CATHAY UNITED BANK COMPANY, LIMITED	Deutsche Bank Aktiengesellschaft
BANK OF DONGGUAN CO., LTD.	Chang Hwa Commercial Bank, Ltd.	DZ BANK AG Deutsche
Bank of India	Chiba Bank, Ltd. (The)	Zentral-Genossenschaftsbank, Frankfurt am Main
Bank of Montreal	CHINA BOHAI BANK CO., LTD.	
BANK OF NEW YORK MELLON (THE)	CHINA CITIC BANK CORPORATION LIMITED	
Bank of Nova Scotia (The)	China Construction Bank Corporation	
BANK OF SINGAPORE LIMITED	China Development Bank	
BANK OF TAIWAN	China Everbright Bank Co., Ltd.	
BANK SINOPAC		

### Deletion in 2024

Credit Suisse AG

# Addition in 2024

## Annex Authorized Institutions and Local Representative Offices at 31.12.2024 (continued)

E.Sun Commercial Bank, Ltd.	MALAYAN BANKING BERHAD	Sumitomo Mitsui Trust Bank, Limited
EAST WEST BANK	Mashreq Bank - Public Shareholding Company	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
EFG Bank AG	also known as Mashreqbank psc	TAISHIN INTERNATIONAL BANK CO., LTD
also known as:	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	Taiwan Business Bank, Ltd.
EFG Bank SA	MELLI BANK PLC	Taiwan Cooperative Bank, Ltd.
EFG Bank Ltd	Mitsubishi UFJ Trust and Banking Corporation	Taiwan Shin Kong Commercial Bank Co., Ltd.
ERSTE GROUP BANK AG	Mizuho Bank, Ltd.	Toronto-Dominion Bank
FAR EASTERN INTERNATIONAL BANK	MUFG Bank, Ltd.	UBS AG
First Abu Dhabi Bank PJSC	National Bank of Pakistan	UCO Bank
First Commercial Bank, Ltd.	NATIXIS	UniCredit Bank GmbH
HDFC BANK LIMITED	NongHyup Bank	(formerly known as UniCredit Bank AG)
HONG LEONG BANK BERHAD	O-Bank Co., Ltd.	UNION BANCAIRE PRIVÉE, UBP SA
HSBC Bank plc	Oversea-Chinese Banking Corporation Limited	also known as UNITED PRIVATE BANK, UBP LTD
HSBC Bank USA, National Association	Philippine National Bank	United Overseas Bank Ltd.
Hua Nan Commercial Bank, Ltd.	Ping An Bank Co., Ltd.	Wells Fargo Bank, National Association
HUA XIA BANK CO., Limited	PT. Bank Negara Indonesia (Persero) Tbk.	Woori Bank
ICICI BANK LIMITED	Qatar National Bank (Q.P.S.C.)	Yuanta Commercial Bank Co., Ltd
Indian Overseas Bank	Royal Bank of Canada	
Industrial and Commercial Bank of China Limited	Shanghai Commercial & Savings Bank, Ltd. (The)	
Industrial Bank Co., Ltd.	Shanghai Pudong Development Bank Co., Ltd.	
Industrial Bank of Korea	Shiga Bank, Ltd. (The)	
ING Bank N.V.	Shinhan Bank	
INTESA SANPAOLO SPA	Shizuoka Bank, Ltd. (The)	
JPMorgan Chase Bank, National Association	Skandinaviska Enskilda Banken AB	
KBC Bank N.V.	Societe Generale	
KEB Hana Bank	Standard Chartered Bank	
KGI Bank Co., Ltd.*	State Bank of India	
Kookmin Bank	State Street Bank and Trust Company	
Land Bank of Taiwan Co., Ltd.	Sumitomo Mitsui Banking Corporation	
LGT Bank AG		
also known as:		
LGT Bank Ltd.		
LGT Bank SA		

### Deletion in 2024

Hachijuni Bank, Ltd. (The)  
National Australia Bank Limited

\* Addition in 2024

## Annex Authorized Institutions and Local Representative Offices at 31.12.2024 (continued)

### Restricted Licence Banks

#### Incorporated in Hong Kong

ALLIED BANKING CORPORATION  
(HONG KONG) LIMITED  
Bank of China International Limited  
Bank of Shanghai (Hong Kong) Limited  
Citicorp International Limited  
Goldman Sachs Asia Bank Limited

Habib Bank Zurich (Hong Kong) Limited  
J.P. MORGAN SECURITIES (ASIA PACIFIC)  
LIMITED  
KDB Asia Limited  
ORIX ASIA LIMITED

#### Deletion in 2024

Banc of America Securities Asia Limited

#### Incorporated outside Hong Kong

ACCESS BANK UK LIMITED (THE)  
EUROCLEAR BANK  
Korea Development Bank (The)  
PT. BANK MANDIRI (PERSERO) Tbk  
Siam Commercial Bank Public Company  
Limited (The)

Thanakharn Kasikorn Thai Chamkat  
(Mahachon)  
also known as KASIKORNBANK PUBLIC  
COMPANY LIMITED

### Deposit-taking Companies

#### Incorporated in Hong Kong

BCOM Finance (Hong Kong) Limited  
BPI WEALTH HONG KONG LIMITED  
(formerly known as BPI International  
Finance Limited)  
Chau's Brothers Finance Company  
Limited  
Chong Hing Finance Limited

Corporate Finance (D.T.C.) Limited  
FUBON CREDIT (HONG KONG) LIMITED  
KEB Hana Global Finance Limited  
KEXIM ASIA LIMITED  
PUBLIC FINANCE LIMITED  
Vietnam Finance Company Limited  
WOORI GLOBAL MARKETS ASIA LIMITED

#### Deletion in 2024

Commonwealth Finance Corporation  
Limited

#### Incorporated outside Hong Kong

NIL

## Annex Authorized Institutions and Local Representative Offices at 31.12.2024 (continued)

### Local Representative Offices

ABC BANKING CORPORATION LTD	Habib Bank A.G. Zurich	<b>Deletion in 2024</b>
Ashikaga Bank, Ltd. (The)	Manulife Bank of Canada	Iyo Bank, Ltd. (The)
BANCO BPM SOCIETA' PER AZIONI	Metropolitan Bank and Trust Company	VP Bank Ltd
Banco Bradesco S.A.	National Bank of Canada	also known as:
Banco Security	Nishi-Nippon City Bank, Ltd. (The)	VP Bank AG
BANK OF BEIJING CO., LTD.	Oita Bank, Ltd. (The)	VP Bank SA
Bank of Fukuoka, Ltd. (The)	P.T. Bank Central Asia	
Bank of Kyoto, Ltd. (The)	P.T. Bank Rakyat Indonesia (Persero)	
Bank of Yokohama, Ltd. (The)	Resona Bank, Limited	
Banque Cantonale de Genève	Shinkin Central Bank	
Banque Transatlantique S.A.	Shoko Chukin Bank, Ltd. (The)	
BENDURA BANK AG	Swissquote Bank SA	
CAIXABANK S.A.	also known as:	
CLEARSTREAM BANKING S.A.	Swissquote Bank AG	
Dukascopy Bank SA	Swissquote Bank Inc.	
Export-Import Bank of China (The)	Swissquote Bank Ltd	
also known as China Exim Bank	Yamaguchi Bank, Ltd. (The)	

## Table A Five-year Financial Summary

(HK\$ billion)	2020	2021	2022	2023	2024
<b>For the year</b>					
Total income	255.3	198.6	(202.2)	237.9	<b>234.2</b>
Total expenditure	101.8	122.4	69.3	118.1	<b>120.2</b>
<i>Of which include interest expense on placements by Fiscal Reserves, HKSAR Government funds and statutory bodies</i>	81.3	109.9	48.1	52.1	<b>45.1</b>
Surplus/(Deficit)	150.3	79.6	(276.9)	112.2	<b>113.4</b>
<b>At year end</b>					
Total assets	4,811.0	5,060.3	4,475.2	4,532.4	<b>4,595.6</b>
Total liabilities	3,737.5	3,908.5	3,601.0	3,545.0	<b>3,495.9</b>
<i>Of which include:</i>					
<i>Certificates of Indebtedness</i>	556.2	592.4	606.0	593.2	<b>598.9</b>
<i>Balance of the banking system</i>	457.5	377.5	96.3	45.0	<b>44.8</b>
<i>Exchange Fund Bills and Notes issued</i>	1,068.9	1,148.6	1,200.3	1,244.5	<b>1,383.7</b>
<i>Placements by Fiscal Reserves, HKSAR Government funds and statutory bodies</i>	1,224.3	1,367.6	1,214.2	1,164.1	<b>1,060.8</b>
Accumulated surplus	1,070.8	1,150.0	875.4	987.9	<b>1,101.2</b>

# Table B Major Economic Indicators

	2020	2021	2022	2023	2024
<b>I. Gross Domestic Product</b>					
Real GDP growth (%)	(6.5)	6.5	(3.7)	3.2	<b>2.5</b> <sup>(a)</sup>
Nominal GDP growth (%)	(5.9)	7.2	(2.1)	6.2	<b>6.5</b> <sup>(a)</sup>
Real growth of major expenditure components of GDP (%)					
– Private consumption expenditure	(10.6)	5.6	(2.2)	6.8	<b>(0.6)</b> <sup>(a)</sup>
– Government consumption expenditure	7.9	5.9	8.0	(3.9)	<b>1.0</b> <sup>(a)</sup>
– Gross domestic fixed capital formation	(11.1)	8.3	(7.4)	11.4	<b>2.4</b> <sup>(a)</sup>
of which					
– Building and construction	(9.1)	(0.5)	7.4	9.1	<b>3.1</b> <sup>(a)</sup>
– Machinery, equipment and intellectual property products	(16.0)	15.2	(18.9)	19.5	<b>(0.8)</b> <sup>(a)</sup>
– Exports <sup>(b)</sup>	(6.7)	17.0	(12.5)	(6.5)	<b>4.7</b> <sup>(a)</sup>
– Imports <sup>(b)</sup>	(6.9)	15.8	(12.2)	(5.2)	<b>3.5</b> <sup>(a)</sup>
GDP at current market prices (US\$ billion)	344.9	368.9	358.7	381.1	<b>407.1</b> <sup>(a)</sup>
Per capita GDP at current market prices (US\$)	46,110	49,768	48,825	50,566	<b>54,110</b> <sup>(a)</sup>
<b>II. External Trade (HK\$ billion)<sup>(b)</sup></b>					
Trade in goods <sup>(c)</sup>					
– Exports of goods	4,198.3	5,236.0	4,812.5	4,512.4	<b>4,924.8</b> <sup>(a)</sup>
– Imports of goods	4,239.7	5,211.3	4,853.0	4,638.7	<b>4,940.2</b> <sup>(a)</sup>
– Balance of trade in goods	(41.3)	24.7	(40.5)	(126.3)	<b>(15.4)</b> <sup>(a)</sup>
Trade in services					
– Exports of services	519.2	615.1	650.5	762.2	<b>848.7</b> <sup>(a)</sup>
– Imports of services	426.3	480.0	495.2	618.4	<b>704.4</b> <sup>(a)</sup>
– Balance of trade in services	92.9	135.0	155.4	143.8	<b>144.2</b> <sup>(a)</sup>
<b>III. Fiscal Expenditure and Revenue (HK\$ million, fiscal year)</b>					
Total government expenditure <sup>(d)</sup>	816,075	693,339	810,477	722,101	<b>776,814</b> <sup>(a)</sup>
Total government revenue <sup>(e)</sup>	583,534	722,700	688,139	621,896	<b>689,578</b> <sup>(a)</sup>
Consolidated surplus/(deficit)	(232,541)	29,361	(122,338)	(100,205)	<b>(87,236)</b> <sup>(a)</sup>
Reserve balance as at end of fiscal year <sup>(f)</sup>	927,767	957,128	834,790	734,585	<b>647,349</b> <sup>(a)</sup>
<b>IV. Prices (annual change,%)</b>					
Consumer Price Index (A)	(0.6)	2.9	2.2	2.3	<b>2.1</b>
Composite Consumer Price Index	0.3	1.6	1.9	2.1	<b>1.7</b>
Trade Unit Value Indices					
– Domestic exports	0.3	4.9	2.7	1.5	<b>2.6</b>
– Re-exports	(0.6)	5.4	7.9	4.4	<b>3.6</b>
– Imports	(0.7)	5.5	8.1	3.9	<b>3.2</b>
Property Price Indices					
– Residential flats	(0.5)	3.0	(5.9)	(8.7)	<b>(11.5)</b> <sup>(a)</sup>
– Office premises	(13.7)	7.2	(1.3)	(5.5)	<b>(20.3)</b> <sup>(a)</sup>
– Retail premises	(5.6)	4.7	(3.7)	(6.6)	<b>(13.4)</b> <sup>(a)</sup>
– Flatted factory premises	(7.0)	6.4	0.1	(4.3)	<b>(14.8)</b> <sup>(a)</sup>



Table B Major Economic Indicators (continued)

	2020	2021	2022	2023	2024
<b>V. Labour</b>					
Labour force (annual change,%)	(1.7)	(1.2)	(2.4)	1.2	<b>(0.4)</b>
Employment (annual change,%)	(4.7)	(0.6)	(1.6)	2.7	<b>(0.4)</b>
Unemployment rate (annual average,%)	5.8	5.2	4.3	2.9	<b>3.0</b>
Underemployment rate (annual average,%)	3.3	2.6	2.3	1.1	<b>1.2</b>
Employment ('000)	3,691	3,670	3,613	3,710	<b>3,694</b>
<b>VI. Money Supply (HK\$ billion)</b>					
HK\$ money supply					
– M1	1,972.7	2,078.9	1,708.4	1,533.3	<b>1,552.9</b>
– M2 <sup>(g)</sup>	7,922.1	8,044.0	8,096.5	8,250.1	<b>8,474.5</b>
– M3 <sup>(g)</sup>	7,937.0	8,057.4	8,109.0	8,262.8	<b>8,490.5</b>
Total money supply					
– M1	3,231.9	3,490.9	2,769.3	2,598.2	<b>2,748.5</b>
– M2	15,606.6	16,272.6	16,536.6	17,195.3	<b>18,458.4</b>
– M3	15,644.0	16,310.9	16,569.4	17,234.1	<b>18,501.6</b>
<b>VII. Interest Rates (end of period,%)</b>					
Three-month interbank rate <sup>(h)</sup>	0.35	0.26	4.99	5.15	<b>4.37</b>
Savings deposit	0.00	0.00	0.55	0.79	<b>0.22</b>
One-month time deposit	0.02	0.02	0.23	0.57	<b>0.32</b>
Banks' 'Best lending rate'	5.00	5.00	5.63	5.88	<b>5.25</b>
Banks' 'Composite rate'	0.28	0.21	2.11	2.94	<b>2.24</b>
<b>VIII. Exchange Rates (end of period)</b>					
US\$/HK\$	7.753	7.798	7.808	7.811	<b>7.764</b>
Trade-weighted Effective Exchange Rate Index (Jan 2010=100)	95.3	95.3	102.0	103.5	<b>107.8</b>
<b>IX. Foreign Currency Reserve Assets (US\$ billion) <sup>(i)</sup></b>	491.9	496.9	424.1	425.7	<b>421.5 <sup>(a)</sup></b>
<b>X. Stock Market (end of period figures)</b>					
Hang Seng Index	27,231	23,398	19,781	17,047	<b>20,060</b>
Average price/earnings ratio	17.6	15.1	10.3	10.3	<b>12.3</b>
Market capitalisation (HK\$ billion)	47,392.2	42,272.8	35,581.7	30,985.5	<b>35,265.0</b>

(a) The estimates are preliminary.

(b) Compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting.

(c) Includes non-monetary gold.

(d) Includes repayment of government bonds.

(e) Includes proceeds from issuance of government bonds.

(f) Includes changes in provision for loss in investments with the Exchange Fund.

(g) Adjusted to include foreign currency swap deposits.

(h) Refers to three-month Hong Kong Dollar Interest Settlement Rates.

(i) Excludes unsettled forward transactions but includes gold.

Table C Performance Ratios of the Banking Sector<sup>(a)</sup>

	All Authorized Institutions					Retail Banks				
	2020 %	2021 %	2022 %	2023 %	2024 %	2020 %	2021 %	2022 %	2023 %	2024 %
<b>Asset Quality<sup>(b)</sup></b>										
As % of total credit exposures <sup>(c)</sup>										
Total outstanding provisions/impairment allowances	0.62	0.60	0.76	0.81	0.85	0.51	0.51	0.69	0.78	0.83
Classified <sup>(d)</sup> exposures:										
– Gross	0.66	0.66	0.98	1.10	1.40	0.57	0.59	0.96	1.15	1.53
– Net of specific provisions/individual impairment allowances	0.37	0.38	0.56	0.58	0.86	0.34	0.35	0.57	0.62	0.98
– Net of all provisions/impairment allowances	0.04	0.07	0.22	0.29	0.54	0.07	0.08	0.27	0.37	0.69
As % of total loans <sup>(e)</sup>										
Total outstanding provisions/impairment allowances	0.87	0.85	1.10	1.17	1.23	0.77	0.77	1.05	1.18	1.24
Classified <sup>(d)</sup> loans:										
– Gross	0.90	0.89	1.40	1.57	1.96	0.82	0.85	1.42	1.68	2.18
– Net of specific provisions/individual impairment allowances	0.50	0.50	0.81	0.83	1.21	0.45	0.49	0.83	0.90	1.38
– Net of all provisions/impairment allowances	0.03	0.04	0.30	0.39	0.73	0.05	0.07	0.37	0.50	0.93
Overdue > 3 months and rescheduled loans	0.57	0.56	0.85	1.24	1.55	0.49	0.50	0.79	1.30	1.69
<b>Profitability</b>										
Return on assets (operating profit)	0.65	0.62	0.66	0.92	0.97	0.77	0.59	0.67	1.06	1.11
Return on assets (post-tax profit)	0.58	0.55	0.55	0.77	0.82	0.69	0.53	0.57	0.88	0.93
Net interest margin	0.97	0.86	1.10	1.37	1.26	1.18	0.98	1.31	1.67	1.52
Cost-to-income ratio	50.7	55.3	50.6	43.8	43.9	47.0	54.7	48.0	38.9	39.2
Loan impairment charges to total assets	0.14	0.07	0.17	0.22	0.19	0.12	0.08	0.20	0.26	0.22
<b>Liquidity</b>										
Loan-to-deposit ratio (all currencies)	72.3	71.7	68.5	62.8	57.0	59.6	60.8	59.6	56.7	52.5
Loan-to-deposit <sup>(f)</sup> ratio (Hong Kong dollar)	83.5	86.7	88.4	84.2	77.1	75.9	79.0	80.1	78.1	71.4
						Surveyed Institutions				
						2020 %	2021 %	2022 %	2023 %	2024 %
<b>Asset Quality</b>										
Delinquency ratio of residential mortgage loans						0.04	0.04	0.06	0.08	0.11
Credit card receivables										
– Delinquency ratio						0.27	0.20	0.23	0.30	0.35
– Charge-off ratio						2.18	1.75	1.49	1.74	2.18
						Locally Incorporated Licensed Banks				
						2020 %	2021 %	2022 %	2023 %	2024 %
<b>Profitability</b>										
Operating profit to shareholders' funds						7.7	6.0	7.0	10.5	11.1
Post-tax profit to shareholders' funds						6.9	5.4	5.9	8.8	9.3
<b>Capital Adequacy</b>										
Equity to assets ratio <sup>(b)</sup>						9.3	8.9	8.7	8.9	8.7
						All Locally Incorporated Authorized Institutions				
						2020 %	2021 %	2022 %	2023 %	2024 %
<b>Capital Adequacy<sup>(g)</sup></b>										
Common Equity Tier 1 capital ratio						16.7	16.2	16.2	17.2	17.9
Tier 1 capital ratio						18.7	18.2	18.1	18.9	19.9
Total capital ratio						20.7	20.2	20.1	21.1	21.8

(a) Figures are related to Hong Kong offices only unless otherwise stated.

(b) Figures are related to Hong Kong offices. For locally incorporated authorized institutions, figures include their branches outside Hong Kong.

(c) Credit exposures include loans and advances, acceptances and bills of exchange held, investment debt securities issued by others, accrued interest, and commitments and contingent liabilities to or on behalf of non-banks.

(d) Denotes loans or exposures graded as "substandard", "doubtful" or "loss" in the HKMA's Loan Classification System.

(e) Figures are related to Hong Kong offices. For locally incorporated authorized institutions, figures include their branches and major subsidiaries outside Hong Kong.

(f) Includes swap deposits.

(g) The ratios are on a consolidated basis.

## Table D Authorized Institutions: Incorporation and Parentage

	2020	2021	2022	2023	2024
<b>Licensed Banks</b>					
(i) Incorporated in Hong Kong	31	31	31	31	<b>32</b>
(ii) Incorporated outside Hong Kong	130	129	124	120	<b>118</b>
<b>Total</b>	<b>161</b>	<b>160</b>	<b>155</b>	<b>151</b>	<b>150</b>
<b>Restricted Licence Banks</b>					
(i) Subsidiaries of licensed banks:					
(a) incorporated in Hong Kong	1	—	—	—	<b>—</b>
(b) incorporated outside Hong Kong	4	4	3	4	<b>3</b>
(ii) Subsidiaries or branches of banks incorporated outside Hong Kong which are not licensed banks in Hong Kong	7	8	8	8	<b>8</b>
(iii) Bank related	3	2	2	2	<b>2</b>
(iv) Others	2	2	2	2	<b>2</b>
<b>Total</b>	<b>17</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>15</b>
<b>Deposit-taking Companies</b>					
(i) Subsidiaries of licensed banks:					
(a) incorporated in Hong Kong	3	3	3	3	<b>3</b>
(b) incorporated outside Hong Kong	3	3	3	3	<b>3</b>
(ii) Subsidiaries of banks incorporated outside Hong Kong which are not licensed banks in Hong Kong	3	3	3	3	<b>3</b>
(iii) Bank related	—	—	—	—	<b>—</b>
(iv) Others	3	3	3	3	<b>2</b>
<b>Total</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>11</b>
<b>All Authorized Institutions</b>	<b>190</b>	<b>188</b>	<b>182</b>	<b>179</b>	<b>176</b>
<b>Local Representative Offices</b>	<b>43</b>	<b>39</b>	<b>37</b>	<b>31</b>	<b>29</b>

**Table E Authorized Institutions:  
Region/Economy of Beneficial Ownership**

Region/Economy	Licensed Banks					Restricted Licence Banks					Deposit-taking Companies				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
<b>Asia &amp; Pacific</b>															
Hong Kong, China	9	9	9	9	9	–	–	–	–	–	1	1	1	1	1
Australia	5	5	4	3	2	–	–	–	–	–	–	–	–	–	–
Mainland China	32	32	32	33	34	2	2	2	2	2	2	2	2	2	2
India	10	9	7	6	6	–	–	–	–	–	1	1	1	1	–
Indonesia	1	1	1	1	1	1	1	1	1	1	–	–	–	–	–
Japan	10	10	10	10	9	2	1	1	1	1	–	–	–	–	–
Malaysia	4	4	4	4	4	–	–	–	–	–	1	1	1	1	1
Pakistan	1	1	1	1	1	1	1	1	1	1	–	–	–	–	–
Philippines	2	2	2	2	2	1	1	1	1	1	2	2	2	2	2
Republic of Korea	5	6	6	6	6	1	2	2	2	2	3	3	3	3	3
Singapore	6	6	6	6	6	–	–	–	–	–	–	–	–	–	–
Taiwan, China	20	20	20	20	21	–	–	–	–	–	1	1	1	1	1
Thailand	1	1	1	1	1	2	2	2	2	2	–	–	–	–	–
Vietnam	–	–	–	–	–	–	–	–	–	–	1	1	1	1	1
<b>Sub-Total</b>	106	106	103	102	102	10	10	10	10	10	12	12	12	12	11
<b>Europe</b>															
Austria	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Belgium	1	1	1	1	1	1	1	1	1	1	–	–	–	–	–
France	7	7	6	6	6	–	–	–	–	–	–	–	–	–	–
Germany	3	3	3	2	2	–	–	–	–	–	–	–	–	–	–
Italy	2	2	2	2	2	–	–	–	–	–	–	–	–	–	–
Liechtenstein	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Netherlands	3	3	3	2	2	–	–	–	–	–	–	–	–	–	–
Spain	2	2	2	2	2	–	–	–	–	–	–	–	–	–	–
Sweden	2	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Switzerland	7	7	6	6	5	–	–	–	–	–	–	–	–	–	–
United Kingdom	6	6	6	5	5	–	–	–	–	–	–	–	–	–	–
<b>Sub-Total</b>	35	34	32	29	28	1	1	1	1	1	0	0	0	0	0
<b>Middle East</b>															
Iran	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Qatar	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
United Arab Emirates	2	2	2	2	2	–	–	–	–	–	–	–	–	–	–
<b>Sub-Total</b>	4	4	4	4	4	0	0	0	0	0	0	0	0	0	0
<b>North America</b>															
Canada	5	5	5	5	5	2	1	0	0	0	–	–	–	–	–
United States	10	10	10	10	10	4	4	4	4	3	–	–	–	–	–
<b>Sub-Total</b>	15	15	15	15	15	6	5	4	4	3	0	0	0	0	0
Brazil	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Nigeria	–	–	–	–	–	–	–	–	1	1	–	–	–	–	–
<b>Sub-Total</b>	1	1	1	1	1	0	0	0	1	1	0	0	0	0	0
<b>Grand Total</b>	161	160	155	151	150	17	16	15	16	15	12	12	12	12	11

Table F Presence of World’s Largest 500 Banks in Hong Kong

Positions at 31.12.2024	Number of Banks Incorporated					Licensed Banks <sup>(c)</sup>					Restricted Licence Banks <sup>(c)</sup>					Deposit-Taking Companies <sup>(c)</sup>					Local Representative Offices					
	outside Hong Kong <sup>(b)</sup>																									
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	
World Ranking <sup>(a)</sup>																										
1-20	19	19	19	19	19	30	30	29	29	29	4	4	4	4	3	–	1	1	1	1	1	–	–	–	–	–
21-50	28	28	28	26	26	30	29	28	29	29	3	2	1	1	1	1	–	–	–	–	2	2	3	1	1	
51-100	30	31	30	28	26	27	28	29	25	24	1	1	1	1	1	2	2	2	2	2	5	5	3	5	4	
101-200	36	36	33	30	28	23	24	23	22	19	4	4	4	4	4	2	2	2	2	2	11	10	8	6	7	
201-500	35	34	36	37	35	20	23	23	24	26	1	1	1	2	1	2	2	2	2	2	12	8	10	9	7	
Sub-total	148	148	146	140	134	130	134	132	129	127	13	12	11	12	10	7	7	7	7	7	30	25	24	21	19	
Others	30	25	20	17	19	31	26	23	22	23	4	4	4	4	5	5	5	5	5	4	13	14	13	10	10	
Total	178	173	166	157	153	161	160	155	151	150	17	16	15	16	15	12	12	12	12	11	43	39	37	31	29	

(a) Top 500 banks/banking groups in the world ranked by total assets. Figures are extracted from The Banker, July 2024 issue.

(b) The sum of the number of licensed banks, restricted licence banks, deposit-taking companies and local representative offices exceeds the number of banks incorporated outside Hong Kong with presence in Hong Kong due to the multiple presence of some of the banks incorporated outside Hong Kong.

(c) Consist of branches and subsidiaries of banks incorporated outside Hong Kong.

Table G Balance Sheet: All Authorized Institutions and Retail Banks

## All Authorized Institutions

(HK\$ billion)	2020			2021			2022			2023			2024		
	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total
<b>Assets</b>															
Loans to customers	6,107	4,392	10,499	6,426	4,467	10,893	6,603	3,968	10,571	6,421	3,771	10,191	6,046	3,862	9,908
– Inside Hong Kong <sup>(a)</sup>	5,262	2,095	7,357	5,537	2,175	7,712	5,719	1,991	7,710	5,702	1,925	7,628	5,513	1,977	7,490
– Outside Hong Kong <sup>(b)</sup>	845	2,297	3,142	889	2,292	3,181	884	1,977	2,861	718	1,845	2,563	533	1,886	2,418
Interbank lending	528	5,149	5,678	486	5,040	5,526	516	5,134	5,649	568	5,327	5,895	661	5,317	5,977
– Inside Hong Kong	290	590	880	246	585	832	238	510	747	267	531	798	333	509	842
– Outside Hong Kong	238	4,560	4,798	240	4,455	4,694	278	4,624	4,902	301	4,796	5,097	327	4,808	5,135
Negotiable certificates of deposit (NCDs)	171	343	514	123	336	459	136	398	534	162	448	610	162	618	780
Negotiable debt instruments, other than NCDs	1,306	4,076	5,383	1,452	4,279	5,731	1,598	4,080	5,678	1,725	4,442	6,168	1,787	5,206	6,993
Other assets	1,453	2,338	3,792	1,189	2,569	3,758	1,287	3,312	4,599	1,195	3,224	4,419	1,485	3,314	4,798
<b>Total assets</b>	<b>9,566</b>	<b>16,299</b>	<b>25,865</b>	<b>9,676</b>	<b>16,691</b>	<b>26,367</b>	<b>10,139</b>	<b>16,892</b>	<b>27,031</b>	<b>10,071</b>	<b>17,212</b>	<b>27,283</b>	<b>10,141</b>	<b>18,317</b>	<b>28,458</b>
<b>Liabilities</b>															
Deposits from customers <sup>(c)</sup>	7,311	7,202	14,514	7,414	7,772	15,186	7,468	7,971	15,440	7,624	8,598	16,222	7,839	9,534	17,373
Interbank borrowing	851	4,748	5,599	771	4,688	5,459	792	3,944	4,736	778	3,574	4,351	686	3,033	3,719
– Inside Hong Kong	464	605	1,069	373	628	1,002	397	557	955	411	568	979	328	529	857
– Outside Hong Kong	387	4,142	4,530	398	4,059	4,457	394	3,387	3,781	366	3,006	3,372	359	2,504	2,863
Negotiable certificates of deposit	229	655	884	176	597	773	177	619	796	123	503	626	125	575	700
Other liabilities	2,114	2,755	4,869	2,059	2,890	4,949	2,457	3,603	6,060	2,483	3,601	6,084	2,948	3,718	6,666
<b>Total liabilities</b>	<b>10,505</b>	<b>15,359</b>	<b>25,865</b>	<b>10,420</b>	<b>15,947</b>	<b>26,367</b>	<b>10,894</b>	<b>16,137</b>	<b>27,031</b>	<b>11,008</b>	<b>16,275</b>	<b>27,283</b>	<b>11,599</b>	<b>16,859</b>	<b>28,458</b>

## Retail banks

(HK\$ billion)	2020			2021			2022			2023			2024		
	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total
<b>Assets</b>															
Loans to customers	5,005	2,106	7,111	5,282	2,250	7,532	5,401	2,040	7,441	5,301	1,965	7,266	5,004	2,130	7,134
– Inside Hong Kong <sup>(a)</sup>	4,457	1,151	5,608	4,711	1,242	5,953	4,845	1,095	5,941	4,872	1,052	5,924	4,694	1,143	5,836
– Outside Hong Kong <sup>(b)</sup>	549	955	1,504	572	1,008	1,579	556	945	1,500	429	912	1,342	310	988	1,298
Interbank lending	316	2,237	2,553	265	2,204	2,469	325	2,267	2,592	364	2,397	2,761	458	2,343	2,801
– Inside Hong Kong	219	374	593	176	343	519	195	269	465	220	304	525	291	307	599
– Outside Hong Kong	97	1,863	1,960	88	1,861	1,950	130	1,997	2,127	144	2,093	2,237	167	2,035	2,202
Negotiable certificates of deposit (NCDs)	130	124	254	110	136	246	108	133	241	82	162	244	80	295	375
Negotiable debt instruments, other than NCDs	1,082	2,805	3,888	1,188	3,012	4,199	1,343	2,901	4,244	1,444	3,234	4,678	1,559	3,835	5,395
Other assets	1,166	1,699	2,865	951	2,088	3,039	992	2,623	3,614	952	2,645	3,597	1,222	2,647	3,869
<b>Total assets</b>	<b>7,700</b>	<b>8,971</b>	<b>16,671</b>	<b>7,795</b>	<b>9,689</b>	<b>17,485</b>	<b>8,168</b>	<b>9,964</b>	<b>18,132</b>	<b>8,143</b>	<b>10,402</b>	<b>18,546</b>	<b>8,324</b>	<b>11,251</b>	<b>19,574</b>
<b>Liabilities</b>															
Deposits from customers <sup>(c)</sup>	6,595	5,329	11,924	6,688	5,709	12,397	6,741	5,754	12,495	6,790	6,016	12,807	7,009	6,567	13,577
Interbank borrowing	373	857	1,230	323	1,014	1,338	334	746	1,079	293	829	1,122	170	648	818
– Inside Hong Kong	245	230	475	191	270	461	210	211	421	199	219	419	71	173	243
– Outside Hong Kong	128	626	754	132	744	876	123	535	658	94	610	704	100	475	575
Negotiable certificates of deposit	94	80	174	77	86	164	92	65	157	18	53	71	14	55	69
Other liabilities	1,711	1,632	3,343	1,705	1,882	3,586	1,995	2,405	4,400	2,024	2,522	4,545	2,504	2,608	5,111
<b>Total liabilities</b>	<b>8,774</b>	<b>7,897</b>	<b>16,671</b>	<b>8,793</b>	<b>8,691</b>	<b>17,485</b>	<b>9,161</b>	<b>8,971</b>	<b>18,132</b>	<b>9,126</b>	<b>9,420</b>	<b>18,546</b>	<b>9,697</b>	<b>9,878</b>	<b>19,574</b>

(a) Defined as loans for use in Hong Kong plus trade finance.

(b) Includes "others" (i.e. unallocated).

(c) Hong Kong dollar customer deposits include swap deposits.

Figures may not add up to total because of rounding.

**Table H Major Balance Sheet Items by Region/Economy of Beneficial Ownership of Authorized Institutions**

(HK\$ billion)		Mainland China	Japan	US	Europe	Others	Total
<b>Total Assets</b>	2023	9,947	1,085	1,415	3,698	11,139	27,283
	<b>2024</b>	<b>10,535</b>	<b>1,016</b>	<b>1,406</b>	<b>3,875</b>	<b>11,626</b>	<b>28,458</b>
<b>Deposits from Customers</b>	2023	6,079	364	847	2,198	6,734	16,222
	<b>2024</b>	<b>6,547</b>	<b>402</b>	<b>895</b>	<b>2,387</b>	<b>7,141</b>	<b>17,373</b>
<b>Loans to Customers</b>	2023	4,390	376	302	1,175	3,948	10,191
	<b>2024</b>	<b>4,330</b>	<b>309</b>	<b>322</b>	<b>1,102</b>	<b>3,846</b>	<b>9,908</b>
<b>Loans to Customers Inside Hong Kong <sup>(a)</sup></b>	2023	3,186	243	237	739	3,223	7,628
	<b>2024</b>	<b>3,208</b>	<b>197</b>	<b>246</b>	<b>698</b>	<b>3,141</b>	<b>7,490</b>
<b>Loans to Customers Outside Hong Kong <sup>(b)</sup></b>	2023	1,204	134	65	436	725	2,563
	<b>2024</b>	<b>1,121</b>	<b>112</b>	<b>76</b>	<b>404</b>	<b>704</b>	<b>2,418</b>

(a) Defined as loans for use in Hong Kong plus trade finance.

(b) Includes "others" (i.e. unallocated).

Figures may not add up to total because of rounding.



# Table I Flow of Funds for All Authorized Institutions and Retail Banks

## All Authorized Institutions

Increase/(Decrease) in (HK\$ billion)	2023			2024		
	HK\$	F/CY	Total	HK\$	F/CY	Total
<b>Assets</b>						
Loans to customers	(182)	(198)	(380)	(374)	92	(283)
– Inside Hong Kong <sup>(a)</sup>	(17)	(66)	(82)	(189)	51	(138)
– Outside Hong Kong <sup>(b)</sup>	(165)	(132)	(298)	(185)	40	(145)
Interbank lending	52	193	245	93	(10)	82
– Inside Hong Kong	29	21	51	66	(22)	44
– Outside Hong Kong	23	172	195	26	12	38
All other assets	62	324	386	351	1,024	1,375
<b>Total assets</b>	(68)	319	252	69	1,105	1,175
<b>Liabilities</b>						
Deposits from customers <sup>(c)</sup>	156	627	782	215	935	1,151
Interbank borrowing	(14)	(370)	(384)	(91)	(541)	(632)
– Inside Hong Kong	14	11	25	(84)	(39)	(123)
– Outside Hong Kong	(28)	(381)	(409)	(8)	(501)	(509)
All other liabilities	(28)	(118)	(146)	467	189	656
<b>Total liabilities</b>	113	138	252	591	584	1,175
<b>Net Interbank Borrowing/(Lending)</b>	(66)	(563)	(630)	(184)	(530)	(714)
<b>Net Customer Lending/(Borrowing)</b>	(338)	(825)	(1,162)	(590)	(844)	(1,434)

## Retail Banks

Increase/(Decrease) in (HK\$ billion)	2023			2024		
	HK\$	F/CY	Total	HK\$	F/CY	Total
<b>Assets</b>						
Loans to customers	(100)	(75)	(176)	(297)	166	(132)
– Inside Hong Kong <sup>(a)</sup>	26	(43)	(17)	(178)	90	(88)
– Outside Hong Kong <sup>(b)</sup>	(126)	(32)	(159)	(119)	75	(44)
Interbank lending	39	130	170	94	(54)	39
– Inside Hong Kong	25	35	60	71	3	74
– Outside Hong Kong	14	95	109	23	(57)	(34)
All other assets	36	384	419	384	737	1,121
<b>Total assets</b>	(25)	438	413	180	849	1,029
<b>Liabilities</b>						
Deposits from customers <sup>(c)</sup>	50	262	312	219	551	770
Interbank borrowing	(41)	83	43	(123)	(181)	(304)
– Inside Hong Kong	(11)	9	(3)	(129)	(47)	(176)
– Outside Hong Kong	(30)	75	45	6	(134)	(129)
All other liabilities	(45)	104	59	475	88	563
<b>Total liabilities</b>	(36)	449	413	571	458	1,029
<b>Net Interbank Borrowing/(Lending)</b>	(80)	(47)	(127)	(217)	(127)	(343)
<b>Net Customer Lending/(Borrowing)</b>	(150)	(337)	(487)	(516)	(385)	(901)

(a) Defined as loans for use in Hong Kong plus trade finance.

(b) Includes "others" (i.e. unallocated).

(c) Hong Kong dollar customer deposits include swap deposits.

Figures may not add up to total because of rounding.

# Table J Loans to and Deposits from Customers by Category of Authorized Institutions

(HK\$ billion)	Loans to Customers				Deposits from Customers <sup>(a)</sup>			
	HK\$	F/CY	Total	%	HK\$	F/CY	Total	%
<b>2020</b>								
Licensed banks	6,084	4,352	10,436	99	7,298	7,183	14,481	100
Restricted licence banks	17	35	52	–	8	19	27	–
Deposit-taking companies	6	5	10	–	5	1	6	–
<b>Total</b>	<b>6,107</b>	<b>4,392</b>	<b>10,499</b>	<b>100</b>	<b>7,311</b>	<b>7,202</b>	<b>14,514</b>	<b>100</b>
<b>2021</b>								
Licensed banks	6,402	4,426	10,829	99	7,401	7,754	15,155	100
Restricted licence banks	18	35	53	–	9	17	26	–
Deposit-taking companies	6	6	12	–	5	–	5	–
<b>Total</b>	<b>6,426</b>	<b>4,467</b>	<b>10,893</b>	<b>100</b>	<b>7,414</b>	<b>7,772</b>	<b>15,186</b>	<b>100</b>
<b>2022</b>								
Licensed banks	6,579	3,927	10,506	99	7,457	7,957	15,415	100
Restricted licence banks	19	35	54	1	6	14	20	–
Deposit-taking companies	5	6	11	–	4	–	5	–
<b>Total</b>	<b>6,603</b>	<b>3,968</b>	<b>10,571</b>	<b>100</b>	<b>7,468</b>	<b>7,971</b>	<b>15,440</b>	<b>100</b>
<b>2023</b>								
Licensed banks	6,394	3,725	10,118	99	7,613	8,579	16,192	100
Restricted licence banks	22	40	62	1	6	19	25	–
Deposit-taking companies	5	6	11	–	5	–	5	–
<b>Total</b>	<b>6,421</b>	<b>3,771</b>	<b>10,191</b>	<b>100</b>	<b>7,624</b>	<b>8,598</b>	<b>16,222</b>	<b>100</b>
<b>2024</b>								
<b>Licensed banks</b>	<b>6,020</b>	<b>3,813</b>	<b>9,833</b>	<b>99</b>	<b>7,827</b>	<b>9,515</b>	<b>17,342</b>	<b>100</b>
<b>Restricted licence banks</b>	<b>21</b>	<b>41</b>	<b>62</b>	<b>1</b>	<b>7</b>	<b>19</b>	<b>26</b>	<b>–</b>
<b>Deposit-taking companies</b>	<b>5</b>	<b>8</b>	<b>13</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>5</b>	<b>–</b>
<b>Total</b>	<b>6,046</b>	<b>3,862</b>	<b>9,908</b>	<b>100</b>	<b>7,839</b>	<b>9,534</b>	<b>17,373</b>	<b>100</b>

(a) Hong Kong dollar customer deposits include swap deposits.

The sign “–” denotes a figure of less than 0.5.

Figures may not add up to total because of rounding.

**Table K Loans to Customers inside Hong Kong by Economic Sector****All Authorized Institutions**

Sector (HK\$ billion)	2020		2021		2022		2023		2024	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Hong Kong's visible trade	425	6	485	6	420	5	365	5	381	5
Manufacturing	306	4	313	4	313	4	299	4	295	4
Transport and transport equipment	350	5	330	4	292	4	268	4	294	4
Building, construction and property development, and investment	1,618	22	1,710	22	1,712	22	1,679	22	1,552	21
Wholesale and retail trade	349	5	325	4	312	4	301	4	293	4
Financial concerns (other than authorized institutions)	918	12	908	12	923	12	899	12	840	11
Individuals:										
– to purchase flats in the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme	94	1	106	1	106	1	126	2	133	2
– to purchase other residential property	1,580	21	1,735	22	1,808	23	1,854	24	1,874	25
– other purposes	777	11	830	11	792	10	800	10	789	11
Others	939	13	970	13	1,033	13	1,038	14	1,039	14
<b>Total <sup>(a)</sup></b>	<b>7,357</b>	<b>100</b>	<b>7,712</b>	<b>100</b>	<b>7,710</b>	<b>100</b>	<b>7,628</b>	<b>100</b>	<b>7,490</b>	<b>100</b>

**Retail Banks**

Sector (HK\$ billion)	2020		2021		2022		2023		2024	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Hong Kong's visible trade	296	5	336	6	280	5	252	4	272	5
Manufacturing	206	4	192	3	201	3	202	3	193	3
Transport and transport equipment	237	4	224	4	204	3	194	3	211	4
Building, construction and property development, and investment	1,216	22	1,282	22	1,291	22	1,270	21	1,153	20
Wholesale and retail trade	227	4	220	4	209	4	204	3	208	4
Financial concerns (other than authorized institutions)	488	9	488	8	443	7	424	7	419	7
Individuals:										
– to purchase flats in the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme	94	2	106	2	106	2	126	2	133	2
– to purchase other residential property	1,578	28	1,732	29	1,806	30	1,851	31	1,871	32
– other purposes	610	11	665	11	675	11	692	12	684	12
Others	656	12	706	12	725	12	709	12	693	12
<b>Total <sup>(a)</sup></b>	<b>5,608</b>	<b>100</b>	<b>5,953</b>	<b>100</b>	<b>5,941</b>	<b>100</b>	<b>5,924</b>	<b>100</b>	<b>5,836</b>	<b>100</b>

(a) Defined as loans for use in Hong Kong plus trade finance.  
Figures may not add up to total because of rounding.

# Table L Deposits from Customers

(HK\$ billion)	All Authorized Institutions				Retail Banks			
	Demand	Savings	Time	Total	Demand	Savings	Time	Total
<b>Hong Kong Dollar <sup>(a)</sup></b>								
2020	1,432	3,373	2,507	7,311	1,302	3,302	1,991	6,595
2021	1,504	3,577	2,333	7,414	1,352	3,496	1,839	6,688
2022	1,128	2,708	3,632	7,468	1,029	2,652	3,059	6,741
2023	958	2,317	4,349	7,624	870	2,275	3,645	6,790
<b>2024</b>	<b>968</b>	<b>2,428</b>	<b>4,443</b>	<b>7,839</b>	<b>882</b>	<b>2,387</b>	<b>3,740</b>	<b>7,009</b>
<b>Foreign Currency</b>								
2020	1,259	2,967	2,976	7,202	820	2,631	1,877	5,329
2021	1,412	3,251	3,109	7,772	894	2,848	1,968	5,709
2022	1,061	2,696	4,215	7,971	756	2,340	2,658	5,754
2023	1,065	2,454	5,079	8,598	735	2,121	3,160	6,016
<b>2024</b>	<b>1,196</b>	<b>2,615</b>	<b>5,723</b>	<b>9,534</b>	<b>827</b>	<b>2,199</b>	<b>3,541</b>	<b>6,567</b>
<b>Total</b>								
2020	2,691	6,340	5,483	14,514	2,122	5,934	3,868	11,924
2021	2,916	6,828	5,443	15,186	2,246	6,344	3,807	12,397
2022	2,189	5,404	7,847	15,440	1,785	4,993	5,717	12,495
2023	2,023	4,771	9,428	16,222	1,605	4,396	6,805	12,807
<b>2024</b>	<b>2,163</b>	<b>5,043</b>	<b>10,166</b>	<b>17,373</b>	<b>1,709</b>	<b>4,586</b>	<b>7,281</b>	<b>13,577</b>

(a) Hong Kong dollar customer deposits include swap deposits.  
 Figures may not add up to total because of rounding.

**Table M Geographical Breakdown of Net External Claims/(Liabilities) of All Authorized Institutions**

Region/Economy <sup>(a)</sup> (HK\$ billion)	2023			2024		
	Net Claims on/(Liabilities to) Banks Outside Hong Kong	Net Claims on/(Liabilities to) Non-Bank Customers Outside Hong Kong	Total Net Claims/ (Liabilities)	Net Claims on/(Liabilities to) Banks Outside Hong Kong	Net Claims on/(Liabilities to) Non-Bank Customers Outside Hong Kong	Total Net Claims/ (Liabilities)
United States of America	510	1,023	1,533	472	1,571	2,042
Japan	304	759	1,063	459	780	1,239
United Kingdom <sup>(b)</sup>	141	97	238	292	201	493
Australia	220	116	336	303	132	435
Republic of Korea	195	131	326	237	159	396
France	128	68	195	129	103	232
United Arab Emirates	133	29	162	157	30	187
Switzerland	109	4	113	168	11	179
Canada	115	78	193	83	92	175
Germany	74	62	136	84	90	174
Qatar	81	29	110	135	35	170
Singapore	89	(84)	6	207	(66)	141
India	13	64	77	51	70	121
Luxembourg	102	19	121	86	27	112
Malaysia	55	(7)	48	79	(4)	75
Thailand	62	(12)	50	69	(14)	55
Saudi Arabia	10	52	61	13	42	55
Ireland	0	31	31	(1)	53	51
Brazil	19	3	22	40	7	46
Indonesia	11	26	36	9	33	42
West Indies UK <sup>(c)</sup>	0	66	67	1	25	26
<i>British Virgin Islands</i>	–	–	–	1	30	31
<i>Montserrat</i>	–	–	–	0	0	0
<i>Antigua and Barbuda</i>	–	–	–	0	(0)	(0)
<i>St. Christopher/St. Kitts – Nevis</i>	–	–	–	0	(0)	(0)
<i>Anguilla</i>	–	–	–	0	(4)	(4)
Liechtenstein	21	(1)	21	23	(1)	23
Sweden	1	15	16	2	15	17
Egypt	12	3	15	11	6	17
Chile	4	9	13	10	7	17
Bahrain	7	2	10	10	2	12
Venezuela	12	(0)	12	12	(0)	11
Peru	4	2	6	4	5	10
Panama	5	1	6	7	1	8
Cambodia	8	4	13	5	3	8
South Africa	6	(1)	5	8	(1)	8
New Zealand	13	18	31	(13)	21	8
Vietnam	(24)	19	(5)	(13)	21	7
Philippines	(3)	(10)	(13)	16	(9)	7
Netherlands	(36)	61	25	(51)	57	6
Bangladesh	8	1	9	4	1	5
Turkey	1	(2)	(0)	4	1	5
Austria	1	1	3	3	1	4
Côte d'Ivoire	0	6	6	(0)	4	4
Jersey	(0)	3	3	(0)	4	4
Bahamas	1	3	3	1	3	3
Finland	1	2	3	1	2	3
Poland	(0)	1	1	0	2	3
Laos	(2)	0	(1)	2	(1)	2
Lebanon	0	2	2	0	2	2
Hungary	(0)	(0)	(1)	1	1	2
Isle of Man	0	1	1	0	1	1

Table M Geographical Breakdown of Net External Claims/(Liabilities) of All Authorized Institutions (continued)

Region/Economy <sup>(a)</sup> (HK\$ billion)	2023			2024		
	Net Claims on/(Liabilities to) Banks Outside Hong Kong	Net Claims on/(Liabilities to) Non-Bank Customers Outside Hong Kong	Total Net Claims/ (Liabilities)	Net Claims on/(Liabilities to) Banks Outside Hong Kong	Net Claims on/(Liabilities to) Non-Bank Customers Outside Hong Kong	Total Net Claims/ (Liabilities)
Argentina	(0)	1	0	(1)	2	1
Jamaica	0	1	1	0	1	1
Colombia	0	(0)	0	(0)	1	1
Guernsey	(0)	(1)	(1)	0	1	1
Slovak Republic	0	(0)	(0)	1	(0)	1
Curacao	0	(0)	(0)	0	1	1
Denmark	1	(0)	0	1	(0)	1
Liberia	0	(0)	(0)	0	1	1
Greece	0	(1)	(1)	(0)	1	1
Portugal	1	(1)	0	1	(1)	0
Israel	0	(1)	(0)	0	(1)	(0)
Mongolia	(1)	0	(1)	(1)	1	(1)
Suriname	(0)	(0)	(0)	(0)	(1)	(1)
Mauritius	(5)	(1)	(7)	(4)	3	(1)
Fiji	(0)	(0)	(1)	(1)	(0)	(1)
Malta	(0)	(0)	(0)	0	(1)	(1)
Algeria	(1)	(1)	(1)	(1)	(0)	(1)
Oman	(1)	0	(1)	(2)	0	(2)
Pakistan	(0)	(2)	(2)	0	(2)	(2)
Brunei Darussalam	(0)	(0)	(1)	(2)	(0)	(2)
Cyprus	(0)	(2)	(2)	0	(2)	(2)
Kenya	(0)	(0)	(0)	(1)	(2)	(2)
Sri Lanka	(2)	3	1	(4)	1	(3)
Barbados	0	(2)	(2)	0	(3)	(3)
Kuwait	(11)	(12)	(24)	(4)	(2)	(6)
Belgium	0	4	4	(7)	0	(7)
Myanmar	(2)	(3)	(5)	(4)	(3)	(7)
Kazakhstan	2	(15)	(14)	1	(9)	(8)
Norway	(0)	2	2	(11)	2	(9)
Nepal	(10)	(1)	(11)	(9)	(0)	(9)
Nigeria	(11)	(3)	(14)	(10)	(3)	(13)
Spain	(24)	(0)	(25)	(17)	1	(16)
Russia	(18)	(7)	(25)	(8)	(10)	(18)
Mexico	0	(11)	(10)	0	(24)	(23)
Cayman Islands	1	15	16	10	(36)	(26)
Samoa	0	(36)	(36)	0	(31)	(31)
Italy	(39)	(2)	(41)	(52)	1	(51)
Macao, China	(7)	(42)	(49)	(52)	(36)	(88)
Taiwan, China	42	(412)	(370)	131	(393)	(262)
Mainland China	43	(457)	(414)	21	(763)	(742)
Others	(10)	(41)	(50)	(6)	(36)	(42)
<b>International organisations</b>	0	200	200	0	298	298
<b>Overall Total</b>	2,356	1,870	4,226	3,088	2,481	5,570

(a) For positions from December 2024 onwards, the external liabilities and claims data are collected following the Bank for International Settlements (BIS)' *Guidelines for Reporting the BIS International Banking Statistics* issued in July 2019 (BIS Guidelines). The data are analysed according to the residence of counterparty. Some positions have been reclassified and are not directly comparable with positions before December 2024.

(b) Excluding figures for Guernsey, Isle of Man and Jersey since March 2004

(c) West Indies UK has been separated into Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis since December 2024. The 2024 figure for West Indies UK is calculated as the sum of the separated territories. A breakdown of the separated territories for 2023 is not available.

Figures may not add up to total because of rounding.

## Abbreviations

AI	– Authorized institution	Government	– The Government of the Hong Kong Special Administrative Region of the People's Republic of China
AMBs	– Approved money brokers	GSC	– Governance Sub-Committee
AML/CFT	– Anti-money laundering and counter-financing of terrorism	G-SIB	– Global systemically important bank
AoF	– Hong Kong Academy of Finance	HKAB	– The Hong Kong Association of Banks
ASEAN	– Association of Southeast Asian Nations	HKCBA	– Chinese Banking Association of Hong Kong
ATM	– Automated Teller Machine	HKD	– Hong Kong dollar
bankCBCM	– Cross-Border Crisis Management Group for banks	HKDPB	– Hong Kong Deposit Protection Board
Basel Committee	– Basel Committee on Banking Supervision	HKIB	– Hong Kong Institute of Bankers
BCAR	– Banking (Capital) (Amendment) Rules 2023	HKIMR	– Hong Kong Institute for Monetary and Financial Research
BIS	– Bank for International Settlements	HKMA	– Hong Kong Monetary Authority
BO	– Banking Ordinance	HKMC	– The Hong Kong Mortgage Corporation Limited
BP	– Backing Portfolio	HKSAR	– Hong Kong Special Administrative Region
CBDC	– Central Bank Digital Currency	HKTR	– Hong Kong Trade Repository
CBUAE	– Central Bank of the United Arab Emirates	IA	– Insurance Authority
CCP Expanded Group	– Expanded Group on alternative financial resources for the resolution of central counterparties	IMF	– International Monetary Fund
CDEG	– Consented Data Exchange Gateway	IP	– Investment Portfolio
CDI	– Commercial Data Interchange	IT	– Information technology
CHATS	– Clearing House Automated Transfer System	LEERS	– Linked Exchange Rate System
CLS	– Continuous Linked Settlement	LTGP	– Long-Term Growth Portfolio
CMCs	– Crisis Management Colleges	mBridge	– Multiple Central Bank Digital Currency Bridge
CMG	– Crisis Management Group	MoU	– Memorandum of Understanding
CMOF	– Ministry of Finance of the People's Republic of China	MPF	– Mandatory provident fund
CMU	– Central Moneymarkets Unit	MPFA	– Mandatory Provident Fund Schemes Authority
CMU OmniClear	– CMU OmniClear Limited	MS	– Money Safe
COVID-19	– Coronavirus disease 2019	MVP	– Minimum Viable Product
CRA	– Credit reference agency	NDRC	– National Development and Reform Commission
Cross-boundary WMC	– Cross-boundary Wealth Management Connect	OCIR	– Operational continuity in resolution
CSD	– Central securities depository	OTC	– Over-the-counter
CSS	– Clearing and settlement system	PBoC	– People's Bank of China
CTC	– Corporate Treasury Centre	PFMI	– Principles for Financial Market Infrastructures
CU	– Convertibility Undertaking	PLP	– Primary Liquidity Provider
DB	– Digital bank	Police	– Hong Kong Police Force
DFSA	– Dubai Financial Services Authority	PPPs	– Public-private partnerships
DLT	– Distributed ledger technology	PSSVFO	– Payment Systems and Stored Value Facilities Ordinance
DPO	– Digital Policy Office	PvP	– Payment-versus-payment
DPS	– Deposit Protection Scheme	PWMA	– Private Wealth Management Association
D-SIB	– Domestic systemically important bank	Regtech	– Regulatory technology
e-CNY	– Digital renminbi	ReSG	– Resolution Steering Group
EFAC	– Exchange Fund Advisory Committee	RIs	– Registered institutions
EFBNs	– Exchange Fund Bills and Notes	RMB	– Renminbi
e-HKD	– Central Bank Digital Currency for the use by individuals and corporates in Hong Kong	RPSs	– Retail payment systems
EMEAP	– Executives' Meeting of East Asia-Pacific Central Banks	RTGS	– Real Time Gross Settlement
EMEs	– Emerging market economies	SAMA	– Saudi Central Bank
FATF	– Financial Action Task Force	SFC	– Securities and Futures Commission
FFO	– Fintech Facilitation Office	SFGS	– SME Financing Guarantee Scheme
fintech	– Financial technology	SFO	– Securities and Futures Ordinance
FIRO	– Financial Institutions (Resolution) Ordinance	SGR	– Study Group on Resolution
FMI	– Financial market infrastructure	SMEs	– Small and medium-sized enterprises
FPS	– Faster Payment System	SPM	– Supervisory Policy Manual
FSB	– Financial Stability Board	Stay Rules	– Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights — Banking Sector) Rules
G20	– Group of Twenty	SVF	– Stored value facility
GBA	– Guangdong-Hong Kong-Macao Greater Bay Area	Swap Connect	– Mutual access between interest rate swap markets in Hong Kong and the Mainland
GDP	– Gross domestic product	Swift	– Society for Worldwide Interbank Financial Telecommunication
GenAI	– Generative artificial intelligence	USD	– US dollar



## Reference Resources

The HKMA *Annual Report* is usually published in April each year. A number of other HKMA publications provide explanatory and background information on the HKMA's policies and functions. These include:

### **Sustainability Report**

(usually published in April each year)

### **Half-Yearly Monetary and Financial Stability Report**

(usually published in March and September each year)

### **Quarterly Bulletin**

(usually published in March, June, September and December each year)

### **Monthly Statistical Bulletin**

(published in two batches on the third and sixth business days of each month)

Most HKMA publications are available for downloading free of charge from the HKMA website ([www.hkma.gov.hk](http://www.hkma.gov.hk)).

The main texts of the regular briefings by the HKMA to the Legislative Council Panel on Financial Affairs are available online (<https://www.hkma.gov.hk/eng/data-publications-and-research/legislative-council-issues/>).

The HKMA website contains detailed and extensive information on the whole range of the HKMA's work. This information includes press releases, statistics, speeches, guidelines and circulars, research reports, and features on topical issues.



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