



Chief Executive's Statement

Navigating a year of seismic shifts

2025 is a year that prompted a lot of rethinking of long-held principles and assumptions. The unilateral tariffs imposed by the US shook the post-war trade order and shocked financial markets. We can no longer take for granted the rules-based global trade and investment regimes on which the world and Hong Kong have thrived for many years. Institutions and norms underpinning global macroeconomic and financial stability are increasingly under threat. Meanwhile, the rapid advance of technology, particularly artificial intelligence and tokenisation, challenges us to reimagine how financial transactions and the provision of financial services can be conducted in innovative and more efficient ways. Compounding uncertainty around inflation and interest rates, these forces are profoundly reshaping the global environment, demanding greater resilience and adaptability from economies and institutions worldwide.

At times of seismic shifts, we are fortunate to be able to count on Hong Kong's unique strengths – notably its unrivalled connectivity with the Chinese Mainland and its headstart in fintech – as an anchor of stability. These strengths offer pathways to transform sea changes into growth opportunities. China's steady and robust economy offers increasing opportunities in trade, investment and innovation. Seizing such strategic opportunities, the HKMA accelerated its renminbi (RMB) internationalisation efforts during the year, firmly establishing Hong Kong as the world's primary offshore RMB liquidity centre while actively supporting Mainland enterprises in their drive to "go global". In parallel, our "Fintech 2025" strategy concluded with flying colours, catapulting Hong Kong's fintech standing to the first in the world according to a renowned index. Riding on this success, we unveiled "Fintech 2030" to prepare Hong Kong for the future of finance. In 2025, the Hong Kong economy grew robustly by 3.5%, faster than the preceding year and marking the third consecutive year of expansion. We will continue to build on the city's unique strengths, empowering Hong Kong to withstand global shocks and, more importantly, transform those strengths into opportunities for advancement.

Chief Executive's Statement

Just as a respite in trade conflicts appeared to take hold, new flashpoints surfaced as 2026 began. Conflicts in the Middle East sent energy prices higher and financial markets whipsawing, upending market projections on inflation and interest rates. This underscored the new and more unpredictable reality we have to contend with and showed that we must not be lulled into complacency.

Evolving global trade policies, the viability of the artificial intelligence boom and fiscal sustainability challenges in major advanced economies all added to the uncertain outlook. While these pressures add further strain to an already fragile global economy, they also highlight Hong Kong's role as a trusted and resilient international financial centre (IFC).

In parallel, the National 15th Five-Year Plan has commenced in earnest, putting strengthening the nation's financial markets firmly as a core objective. Ahead lie new missions and opportunities for Hong Kong to contribute to and benefit from national developments. We will closely align with these priorities, leveraging the city's roles as a "super connector" and "super value-adder" in bridging the Chinese Mainland and global financial markets, and driving innovation across emerging domains to support the nation's pursuit of high-quality growth. At the same time, we will continue to uphold our mandate of safeguarding monetary and banking stability in Hong Kong, ensuring that the foundations of our financial system remain strong as we cement the city's status as a leading IFC.

Linked Exchange Rate System: Our cornerstone to monetary stability

The year 2025 stood as a powerful testimony to the resilience of the Linked Exchange Rate System (LERS), anchoring Hong Kong's monetary stability amid an uncertain global macroeconomic environment. The Hong Kong dollar (HKD) moved within the Convertibility Zone, driven by shifting trade policies, market volatility and evolving local fund flows. In early May, the strong-side Convertibility Undertaking (CU) was triggered four times, reflecting sizeable capital inflows fuelled by buoyant capital market activities and spillovers from the sharp appreciation of some Asian currencies against the US dollar (USD). This expanded the Aggregate Balance and

widened considerably the HKD-USD interest rate differentials, incentivising carry trades that subsequently pushed the HKD towards the weak side. Between late June and mid-August, the weak-side CU was triggered 12 times. The smooth glide of the HKD between the strong and the weak side CUs is a textbook case of the LERS working according to its design. Thereafter, the HKD stabilised and traded mainly near the strong side of the zone for the rest of the year.

The steadfast resilience of the LERS is not coincidental; it is the result of four decades of highly transparent and disciplined operation under the Currency Board framework, backed by Hong Kong's ample foreign reserves and robust financial system. Public and international confidence in the system remains firmly anchored, bolstered by our timely communications to explain major market movements and dispel misperceptions, as well as by our enhanced surveillance that leverages granular data and artificial intelligence-powered analytics to monitor market risks more effectively.

Banking sector: Maintaining resilience while supporting growth

Hong Kong's banking sector ended 2025 in a strong position, underpinned by ample capital and liquidity buffers despite rising geopolitical and global uncertainties. At the end of the year, the consolidated total capital ratio for local banks was 25.1%, well above the international minimum of 8%. The Liquidity Coverage Ratio for large banks reached 165.6% in the fourth quarter of 2025, also well above the statutory minimum of 100%. Benefiting from lower interest rates in 2025, total loans reversed the contraction seen in previous years to record positive growth of 2.3%, with increases noted across loans for use in and outside Hong Kong as well as for trade finance, signalling a rebound of economic and investment activities. Although the classified loan ratio rose slightly from 1.96% at the end of 2024 to 2.01% at the end of 2025 – close to the long-term average of around 2% – mainly due to downgrades in the classification of exposures to some local property developers and investors, banking sector credit risk remained well contained. Banks have set aside sufficient provisions, ensuring that overall asset quality remains manageable.

Chief Executive's Statement

A strong banking system should also be supportive of the real economy and the wider community. While ensuring proper management of credit risk, banks took a pragmatic stance towards corporate difficulties and extended support to small and medium-sized enterprises (SMEs) which are more susceptible to economic headwinds. Amid global tariff disputes, and building on the "9+5" support measures introduced in 2024, the HKMA and the banking sector rolled out additional sector-specific measures in April 2025 to provide more targeted support for SMEs from various sectors in obtaining bank financing and in their upgrade and transformation. Furthermore, the total amount of dedicated funds set aside by banks for SME lending increased from HK\$370 billion in October 2024 to HK\$420 billion last year, showing the banking sector's sustained commitment to supporting SMEs. By the end of 2025, these measures had benefited SMEs in over 78,000 cases, with a total credit limit exceeding HK\$184 billion. Alongside these support measures, the HKMA co-launched the Intellectual Property (IP) Financing Sandbox with the Commerce and Economic Development Bureau and the Intellectual Property Department, so as to facilitate pilot trials of IP financing for enterprises that are rich in IP assets but lack tangible collateral to obtain bank financing.

In late 2025, banks in Hong Kong also demonstrated their long-standing commitment to the community by acting swiftly in times of need, providing timely and compassionate support for those affected by the tragic Tai Po fire. Within days of the incident, the HKMA mobilised the banking industry to introduce 11 measures for providing immediate financial relief, including a six-month grace period on principal and interest payments for mortgages, personal loans and credit card loans, as well as emergency interest-free or low-interest loans. Additional support measures were introduced in March 2026 for residents displaced by the fire, including a further six-month extension of loan repayment grace periods.

As finance increasingly goes digital, the operational and technology resilience of banks has become as vital as their financial health. In 2025, banks entered the "last mile" of their journey toward full implementation of the operational resilience framework by May 2026. Beyond the policy framework, we supported the industry-led Whole Industry Simulation Exercise, enabling banks to drill their incident response under disruptive scenarios. The 2025 exercise, themed "extreme weather", offered timely and valuable insights for refining resilience blueprints in response to real-life climate disasters.

Within the broader resilience agenda, cyber and third-party risk management are two key pillars in the face of advancing technology and geopolitical uncertainties. Over the past year, Hong Kong banks have made sustained improvements in their cybersecurity posture. Notably, almost all retail banks have now fully implemented a Secure Tertiary Data Backup, enabling prompt recovery of critical data even if both production and primary backup systems are compromised. At the same time, banks have demonstrated their ability to progressively adopt cloud technologies in a safe and responsible manner, effectively managing the associated third-party risks. Beyond the banking sector and at the cross-sectoral level, 2025 also saw the first production run of a Cyber Map in collaboration with other domestic financial authorities, providing new visibility into concentration and network risks across the financial system.

Resilience is not only about systems and technology but also about protecting the public against fraud and scams, which remains one of the most pressing challenges in an increasingly digital world. The prevalence of fraud cases continued globally in 2025, necessitating a comprehensive ecosystem-based response from banks' own control environment to their interface with each other, and with customers.

Chief Executive's Statement

We secured amendments to the Banking Ordinance last year, allowing banks to share account information for crime prevention – a major step forward in disrupting criminal networks. At the same time, banks have uplifted their deepfake detection capabilities to counter evolving digital fraud tactics. At the cross-sectoral level, the Anti-Scam Consumer Protection Charter 3.0 was launched to extend the collaborative framework to include technology companies and telecommunications firms in combating financial fraud and scams. On the customer front, all retail banks fully rolled out the Money Safe service, offering an extra layer of protection by enabling customers to designate a portion of their deposits that can only be withdrawn with in-person verification. Equally important is public education to equip customers with the knowledge and vigilance needed to fight against scams. Together, these initiatives form a comprehensive ecosystem response, helping us achieve the first decline in fraud cases last year, after a continuous increase since 2019.

In addition to the fight against scams, we have stepped up efforts to strengthen consumer protection across multiple fronts, ranging from promoting elderly-friendly banking services to issuing further guidance to banks on digital asset activities. Underpinning all consumer protection measures is the conduct and integrity of banking practitioners, which is fundamental to safeguarding consumers. In this regard, a major milestone was the launch of Phase 2 of the Mandatory Reference Checking Scheme, expanding coverage to a much larger portion of the banking workforce to help ensure “bad apples” cannot easily roll from one bank to another, and thereby enhancing public confidence in the banking industry.

On top of our supervisory work, we have made significant strides in promoting fintech adoption and supporting responsible innovation. Realising the “All banks gone fintech” goal in 2025, we are now further deepening our efforts to advance responsible innovation with artificial intelligence and distributed ledger technology (DLT), two key drivers of digitalisation. This has been pursued through two innovative supervisory arrangements, namely the Generative Artificial Intelligence (GenAI) Sandbox and the Supervisory Incubator for DLT. These platforms provide banks with a risk-controlled environment for testing innovative ideas, supported by targeted supervisory feedback. To date, the GenAI Sandbox has facilitated pilots for over 40 use cases, primarily focused on enhancing risk management, strengthening anti-fraud capabilities, and improving customer experience, while the DLT Incubator has successfully supported the production deployment of new tokenised deposit solutions offered by seven banks. To address the critical challenge of artificial intelligence explainability, we embarked on a joint research programme, Project Noor, in collaboration with the Bank for International Settlements (BIS) Innovation Hub Hong Kong Centre, the UK Financial Conduct Authority, and the Saudi Central Bank. Its goal is to develop a bespoke artificial intelligence auditing prototype to enhance transparency and accountability in artificial intelligence-powered banking operations.

Within the HKMA, we further strengthened our supervisory processes by augmenting our Suptech capabilities, ranging from building an end-to-end digital supervisory platform and rolling out advanced analytics solutions, which enhance forward-looking capability, to piloting the use of GenAI in supervisory assessments.

Taken together, these forward-looking initiatives are essential to ensuring that the banking industry, alongside the HKMA, embraces technology innovations to reap their full benefits, while adequately addressing the underlying risks.

Chief Executive's Statement

Hong Kong as an IFC: Strengthening premier financial centre status

Despite the headwinds in 2025, Hong Kong further enhanced its position as a leading global financial centre by leveraging its unique access to Mainland-related opportunities and its strengths in fintech innovation. Through targeted initiatives, the city also advanced its leadership in green and sustainable finance, with key progress detailed in the *Sustainability Report 2025*.

Hong Kong as a super-connector: Advancing RMB internationalisation, deepening capital markets connectivity and supporting “Go Global” efforts of Mainland enterprises

Against the new global landscape, RMB internationalisation gained further strategic significance and momentum. Hong Kong strengthened its position as the world's go-to platform for all offshore RMB business needs. Notably, offshore bank lending surged 29% year on year to a record RMB935 billion. With unwavering support from the People's Bank of China, we achieved another key milestone last year – the launch of the RMB Business Facility (RBF). Designed specifically for market development purposes, the RBF offers banks stable, cost-effective RMB funding to expand RMB trade financing, as well as capex and working capital loans to their corporate clients, driving the wider use of RMB in real economic activities. Importantly, banks are also permitted to on-lend RBF funds to their overseas intra-group banking entities for extending RMB financing to corporate clients globally. The importance of this step should not be underestimated. The RBF makes use of Hong Kong as the onshore-offshore channel to radiate RMB liquidity from Hong Kong to global markets, positioning the city as the primary global offshore RMB liquidity provider and reinforcing its strategic role in advancing RMB internationalisation. Buoyed by strong demand, the size of the RBF was doubled to RMB200 billion in early 2026.

Complementing this, we intensified outreach to key regions such as those within the Association of Southeast Asian Nations (ASEAN) and the Middle East to promote the greater use of RMB in cross-border trade and investment. Efforts also continued to broaden the array of offshore RMB product offerings and strengthen supporting market infrastructure in Hong Kong to further solidify the city's offshore RMB ecosystem.

Beyond being the leading offshore RMB hub, Hong Kong serves as a vital bridge between the Chinese Mainland and global markets. This role was further strengthened last year by various enhancements made to the Connect schemes. One key achievement was to invigorate the large pool of RMB asset holdings to further amplify RMB-related financing and investment activities. The launch of offshore and cross-boundary repurchase (repo) businesses facilitates the use of onshore bonds by international investors as collateral for repo transactions in the offshore and onshore markets. This transforms RMB bond investments from mainly a buy-and-hold proposition into collateral that can provide funding to support further activities. It has the potential of vastly increasing RMB funding liquidity and driving further demand for RMB bonds through the Northbound Bond Connect. Efforts were also made to broaden the investor scope of Southbound Bond Connect, expand the product scope, daily quota and list of dealers of Swap Connect, as well as introduce facilitative measures to Wealth Management Connect to support more effective sales and promotion. Collectively, these initiatives helped deepen mutual market access and reinforce Hong Kong's role in intermediating two-way capital flows between the Chinese Mainland and global markets.

Hong Kong's role as a vital bridge does not stop at financial market connectivity but extends into the real economy. As Mainland enterprises accelerate their drive to “go global” amid shifts in the global supply chain, Hong Kong serves as their trusted platform for international expansion and cross-border investment. Seizing this momentum, we are intensifying our outreach efforts to encourage more of these Mainland enterprises to establish corporate treasury centres in Hong Kong to manage intra-group liquidity as they expand globally. We are also actively reviewing and strengthening the tailored tax regime.

Chief Executive's Statement

Geoeconomic fragmentation in the wake of recent trade conflicts is remapping global supply chains. This underscores the need for Hong Kong to proactively reposition itself in the new landscape to ensure its long-term success in financing and arranging cross-border trade. We are collaborating closely with other Government agencies to amend legislation to grant electronic trade documents the same legal standing as their physical counterparts, and we have introduced Project Cargo^x to drive the digitalisation of supply chain finance (more on this below). We are also working with the banking and business communities to explore opportunities in emerging markets, galvanising industry capabilities to help develop the “go global” platform.

Hong Kong's fintech journey: From vision to global leadership

Through dedicated forward planning and a series of strategic initiatives, we have positioned Hong Kong at the forefront of the global fintech landscape. This journey was embodied in our five-year “Fintech 2025” strategy, which concluded last year with encouraging outcomes across multiple fronts: digital banks recording strong business growth; traditional institutions embracing extensive fintech adoption; and Central Bank Digital Currency projects like mBridge and the e-HKD Pilot Programme yielding tangible results.

The accelerated tokenisation of real-world assets, combined with efficient blockchain-based settlements, could fundamentally redefine financial systems and financial transactions. To propel Hong Kong's tokenisation ecosystem forward, we launched Ensemble^{TX}, the pilot phase of Project Ensemble. This initiative enables interbank settlement of real-value tokenised asset transactions using tokenised deposits via the HKD Real Time Gross Settlement (RTGS) system, representing a significant leap from conceptual testing to live, real-value transactions. Our next goal is to enable round-the-clock settlement in tokenised central bank money. More broadly, Project Ensemble has helped incubate one of the world's largest tokenised deposit bank communities, further strengthening Hong Kong's position as a global leader in tokenisation.

Parallel to these technological leaps, Hong Kong became one of the world's first jurisdictions to enact legislation regulating the issue of stablecoins. The Stablecoins Ordinance establishes a comprehensive licensing regime for fiat-referenced stablecoin issuers. The framework embodies robust safeguards for investor protection, financial stability, and anti-money laundering compliance, with the aim of supporting the responsible and sustainable development of the stablecoin industry. Licence applications have already commenced, with the first batch of two licensed issuers announced in April 2026.

Another major 2025 priority was fortifying our financial infrastructure to ensure it remains future-proof and capable of powering the thriving digital economy. Commercial Data Interchange (CDI) was developed as a secure, interoperable next-generation data infrastructure linking banks with multiple data providers. Empirical study has shown that CDI has made an economically significant impact in reducing SMEs' borrowing costs. To promote wider application of CDI in lending, we made further enhancements in 2025 including linking CDI with the Land Registry via the Government's Consented Data Exchange Gateway to automate land searches and expedite mortgage approvals; and launching Project Cargo^x in collaboration with the Transport and Logistics Bureau, the Commerce and Economic Development Bureau and the Airport Authority to integrate trade and cargo data to support banks' trade finance assessments.

In a bid to better serve Hong Kong and Mainland residents travelling across the boundary to live and work, we collaborated with the People's Bank of China to launch Payment Connect. This links Hong Kong's Faster Payment System (FPS) with the Mainland's Internet Banking Payment System (IBPS), enabling real-time and secure cross-boundary small value payments for residents. We are now working with our Mainland counterparts and banks to further enrich the features and use cases of Payment Connect.

Further strengthening our foundations, we advanced multi-year upgrades to our traditional debt infrastructure, the Central Moneymarkets Unit (CMU), enhancing its functionality and forging new international linkages to facilitate rising cross-border bond investments. We also welcomed Hong Kong Exchanges and Clearing Limited (HKEX) as a strategic investor to transform the infrastructure into a comprehensive multi-asset custodial platform supporting both equities and debt securities.

Chief Executive's Statement

Leveraging this powerful momentum, we unveiled our "Fintech 2030" strategy as a blueprint for the next five years. Anchored by four strategic pillars, collectively known as "DART": Data and payment, Artificial Intelligence, Resilience, and Tokenisation, the strategy comprises some 40 targeted initiatives aimed at keeping Hong Kong at the forefront of digital finance and reinforcing its position as a robust, resilient and future-ready fintech hub.

Building a strong platform, expanding global outreach

Throughout the year, we continued to fortify Hong Kong's financial platform. A landmark achievement was our joint launch with the Securities and Futures Commission of the Roadmap for the Development of Fixed Income and Currency (FIC) Markets. This is a strategic blueprint that charts the course for further growing Hong Kong's FIC markets, with targeted initiatives to boost primary issuance, deepen secondary market liquidity, expand offshore RMB business, and build next-generation infrastructure. We also spearheaded bond market innovation by assisting the Government in executing its third tokenised bond issuance. This was the world's largest digital bond offering, and also the first to integrate tokenised central bank money in the form of e-CNY and e-HKD into the settlement process.

Armed with various new initiatives, we continued our outreach to promote Hong Kong's IFC status and capture emerging market opportunities. We successfully hosted the Global Financial Leaders' Investment Summit for the fourth consecutive year while strengthening ties with traditional developed markets as well as the Middle East. Simultaneously, we stepped up engagement with ASEAN markets to capitalise on the rapid growth of the China-ASEAN economic corridor. Across international and regional central banking platforms, we continued to participate actively in projecting Hong Kong's thought leadership in key global financial issues, contributing to global standards formulation and amplifying the city's voice on the world stage.

The Exchange Fund: Staying prudent and driving sustainable long-term growth

Steering the Exchange Fund through 2025 required a careful balance of prudence and agility. The first half of the year was marked by intense market volatility, driven primarily by trade conflicts. In the second half, conditions improved notably, supported by a milder-than-expected impact from trade disputes, strong investment momentum in artificial intelligence, and policy rate cuts by major central banks. Overall, global financial markets displayed remarkable resilience, with many markets and asset classes closing the year on a strong note.

Against this backdrop, the Exchange Fund achieved a record investment income of HK\$337.4 billion in 2025, representing an 8.0% return. Our Investment Portfolio gained 12.4%, while our Backing Portfolio rose 5.2%. Our Long-Term Growth Portfolio (LTGP) has yielded an annualised return of 10.9% since its inception in 2009. But we should put these favourable results in an appropriate context. All core asset classes – bond holdings, equity holdings and the LTGP – delivered positive returns, which was exceptional and rare.

The exceptional confluence of multiple favourable factors that propelled markets in 2025 is unlikely to persist. Entering 2026, the outbreak of severe geopolitical conflicts in the Middle East, the retreat of certain artificial intelligence stocks from high levels and a sell-off in some artificial intelligence disrupted industries, together with fresh uncertainty over inflation and monetary policies, have all heightened global market turbulence. Our strategy remains firmly anchored on preserving capital first while pursuing sustainable long-term growth. We will continue to manage the Exchange Fund with prudence and flexibility, implement appropriate defensive measures, maintain broad investment diversification, and uphold a high degree of liquidity.

Chief Executive's Statement

Adapting to and thriving in the new world

The past year has tested Hong Kong's financial systems and its position as an IFC in unprecedented ways. But this is just a beginning of a profoundly different world. In times of uncertainty, we often look to history for guidance. History has repeatedly shown that the true strength of a financial centre is measured not by its success in calm waters, but by its ability to navigate storms and adapt to shifting terrains. Since the HKMA's inception, Hong Kong has confronted the 1998 Asian Financial Crisis, the 2003 SARS outbreak, the 2008 Global Financial Crisis, and the recent pandemic. In addition to cementing its strengths in banking and capital markets, the city has reinvented itself as the offshore RMB hub and as one of the world's centres for financial innovation.

The world of finance is changing before our eyes, shaped by geopolitics, technology and the growing internationalisation of the RMB. If anything, the various forces propelling the change will accelerate in 2026. To ensure Hong Kong remains at the centre of the action, the HKMA's team will maintain its relentless focus on its core mandate of safeguarding Hong Kong's monetary and banking stability, and its steadfast vigilance in these testing times. Stability, however, is only half of the equation. We are also determined to press forward with our developmental agenda – strengthening Hong Kong's status as a premier IFC through deeper global connectivity and technological innovation. In particular, new technologies such as tokenisation and artificial intelligence are poised to fundamentally reshape the financial landscape. The HKMA is uniquely placed to lead this transformation by combining its regulatory strength with openness to innovation, ensuring Hong Kong's financial system remains robust, credible, and future-ready. With vigilance on the one hand and ambition on the other, we are going to embrace 2026 with confidence and determination.



Eddie Yue

Chief Executive

30 April 2026