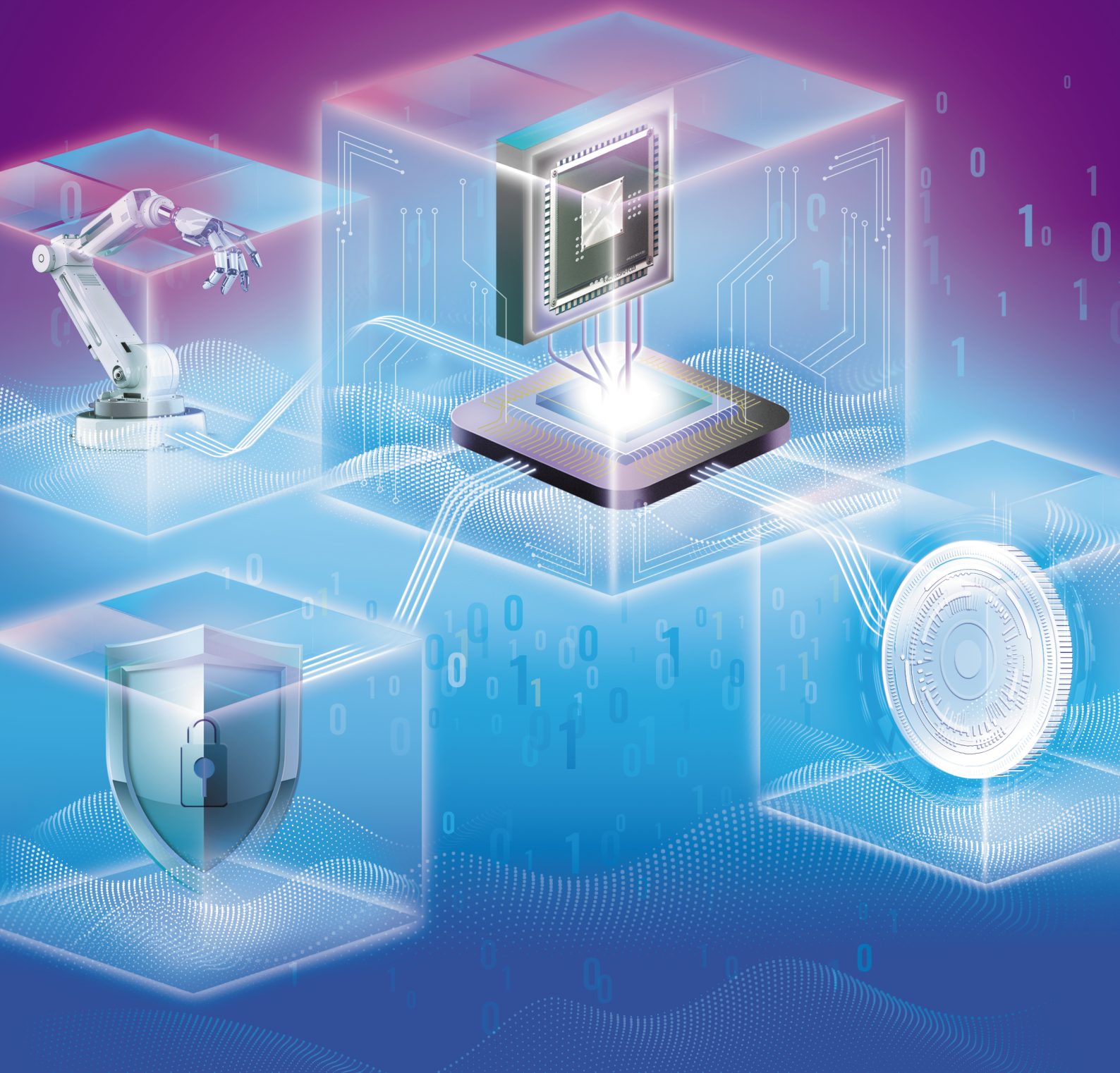




HONG KONG MONETARY AUTHORITY
香港金融管理局

ANNUAL REPORT 2025



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 (HKSAR) of the People's Republic of China 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.

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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*.



*Guide to Hong Kong Monetary,
Banking and Financial Terms*

The *Banking Stability* chapter in this *Annual Report* is the report on the working of the Banking Ordinance and the activities of the office of the Monetary Authority during 2025 submitted by the Monetary Authority to the Financial Secretary in accordance with section 9 of the Banking Ordinance.



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

Highlights of 2025



Economic and Financial Environment

Hong Kong's economic growth accelerated in 2025, driven by strong export expansion and a recovery in domestic demand. The labour market softened, however, as certain sectors continued to experience challenges arising from economic restructuring. With domestic and external price pressures subdued, inflation remained contained. The local stock market underwent a robust rally in 2025, while the housing market stabilised amid eased financial conditions. In 2026, the economy is expected to grow at a moderate pace, with goods exports maintaining their upward momentum amid the ongoing artificial intelligence investment boom, and domestic demand strengthening due to improved private sector sentiment. However, the outlook is subject to uncertainties surrounding the evolving geopolitical tensions, the sustainability of the artificial intelligence investment boom, persistent uncertainty in global trade policies, and the US policy rate path.

The Hong Kong banking sector has continued to demonstrate its resilience despite challenges in the credit risk landscape, supported by strong capital and liquidity buffers. Overall credit risk and asset quality remain manageable.



Monetary Stability

Amid uncertainties surrounding global trade, market volatilities and local fund flow dynamics, the Hong Kong dollar exchange rate saw significant movements within the Convertibility Zone, with the strong-side Convertibility Undertaking triggered four times in early May and the weak-side Convertibility Undertaking triggered 12 times from late June to mid-August. Nevertheless, the Hong Kong dollar exchange and money markets continue to operate in a smooth and orderly manner. This once again demonstrates the strength and resilience of the Linked Exchange Rate System.



Banking Stability

The HKMA continues to work with the banking industry to provide support to local small and medium-sized enterprises, while safeguarding banking stability through risk-based supervision. We provide timely guidance to help banks achieve operational resilience and strengthen their cyber resilience. We also intensify our efforts to promote the responsible adoption of generative artificial intelligence within the industry, while further enhancing our supervisory processes with the aid of advanced technology. Meanwhile, good progress is made in implementing international capital adequacy and disclosure standards locally.

Amid rising financial crime challenges, the HKMA strengthens the banking sector's gatekeeping role in Hong Kong's anti-money laundering (AML) and counter-financing of terrorism regime through a number of initiatives. To combat fraud more effectively, we expand the use of Scameter data and implement legislative changes to allow banks to share information with each other for the detection and prevention of crime. We launch a new programme to help banks accelerate the adoption of artificial intelligence in their transaction monitoring systems. To address areas of elevated money laundering and terrorist financing risk, we issue internationally-benchmarked AML guidance for stablecoin issuers, produce smart tips on the handling of politically exposed persons, and issue guidance for combatting high-end money laundering involving complex and transnational criminal activities.

The HKMA undertakes several initiatives in the year to enhance consumer banking protection. On fraud prevention and detection, we officially launch Money Safe, the Anti-Scam Consumer Protection Charter 3.0, and the Smart Seniors Anti-Scam Ambassador Programme. We also strengthen the requirement for banks to conduct name-matching with customers for real-time fund transfers of a specified amount or above, and consult the industry on a proposal for handling customer claims against losses arising from authorized payment scams. Other notable consumer banking protection initiatives include enhancing the Interbank Debt Relief Plan, overseeing the full implementation of the Credit Data Smart framework, and providing additional guidance to banks on digital asset-related activities. In addition, we enhance the Cross-boundary Wealth Management Connect Pilot Scheme and regularise cross-boundary credit referencing to support business activities between the Chinese Mainland and Hong Kong.

The HKMA further enhances the credibility and operational effectiveness of Hong Kong's resolution regime. We develop valuation policy proposals for timely crisis decision-making, and conduct testing exercises to strengthen the liquidity capabilities of banks in resolution. We also drive banks' development of resolution continuity arrangements, enhance the HKMA's own preparedness in executing resolutions, and lead several cross-border resolution co-operation initiatives.

Highlights of 2025



International Financial Centre

The HKMA works closely with its Mainland and local counterparts to strengthen financial market connectivity between Hong Kong and the Chinese Mainland, while reinforcing the city's status as the leading global offshore renminbi hub. Key initiatives during the year include the launch of cross-boundary bond repurchase and offshore renminbi bond repurchase businesses; the inclusion of Northbound Bond Connect bonds as eligible margin collateral for derivatives transactions at OTC Clearing Hong Kong Limited; the expansion of the investor scope of Southbound Bond Connect; and refinements to Northbound Swap Connect and Wealth Management Connect. We also further enhance offshore renminbi liquidity by introducing the RMB Trade Financing Liquidity Facility, which was subsequently upgraded to the RMB Business Facility.

We have made good progress in reinforcing the competitiveness of Hong Kong's financial ecosystem, especially in areas such as fixed income and currency (FIC), asset and wealth management, and supply chain financing. To position Hong Kong as a global FIC hub, we launch the Roadmap for the Development of FIC Markets together with the Securities and Futures Commission. We also assist the Government in issuing the third tokenised bond – the largest digital bond issuance – as a key effort to promote innovation.

We continue to strengthen Hong Kong's connections with the rest of the world through engagement with the public and private sectors. We step up market outreach to overseas and Mainland stakeholders, including hosting the fourth Global Financial Leaders' Investment Summit and other events, and strengthen our financial ties with the Middle East and ASEAN markets through targeted engagements and collaborative initiatives. As an active member of various international and regional central banking and regulatory forums, the HKMA contributes to global financial stability and financial market developments.

By bringing "Fintech 2025" to fruition, we establish a robust foundation across multiple fintech domains, including data, payment and tokenisation infrastructures. Building on these efforts, we launch Project Cargo^x, which aims to streamline trade finance processes through the use of data; Payment Connect, which enables real-time cross-boundary remittances for Hong Kong and Mainland residents; and Ensemble^{TX}, the pilot phase of Project Ensemble designed to facilitate real-value transactions involving tokenised deposits and digital assets. We also unveil "Fintech 2030", laying out our vision and strategy for driving Hong Kong's fintech development over the next five years.

By facilitating the enactment and implementation of the Stablecoins Ordinance, we help establish a licensing regime for stablecoin issuers in Hong Kong, thereby enhancing the city's regulatory framework for digital assets.



Reserves Management

Global financial markets experienced significant volatility in the first half of 2025 due to factors such as trade conflicts and geopolitical tensions. The investment environment improved notably in the second half of the year, bolstered by smaller-than-expected impact from trade conflicts, swift advancement of artificial intelligence technology, and policy rate cuts by major central banks. Overall, the global financial markets showed strong resilience in 2025. The Exchange Fund closed the year with an investment income of HK\$337.4 billion, representing an investment return of 8.0%.

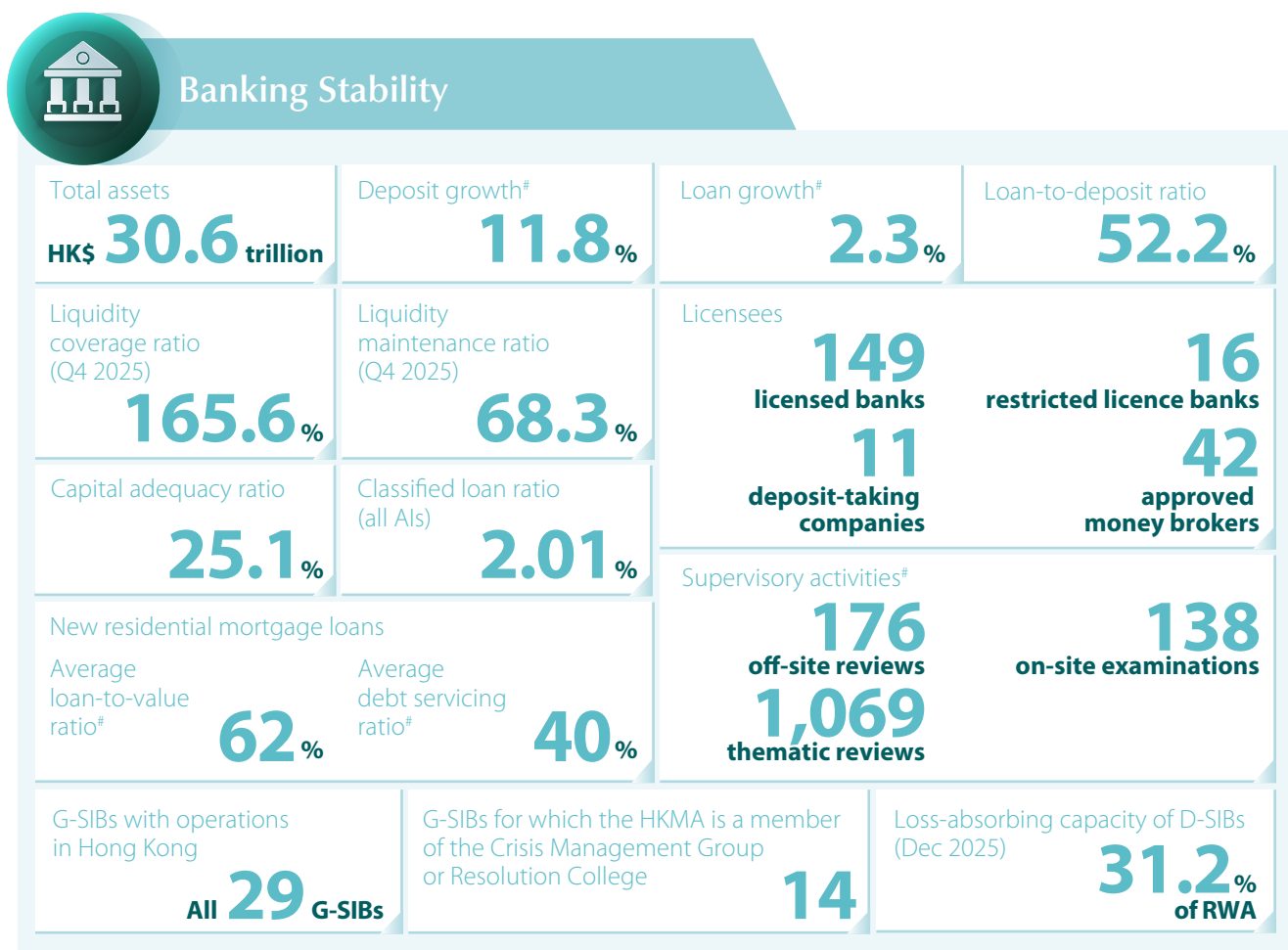
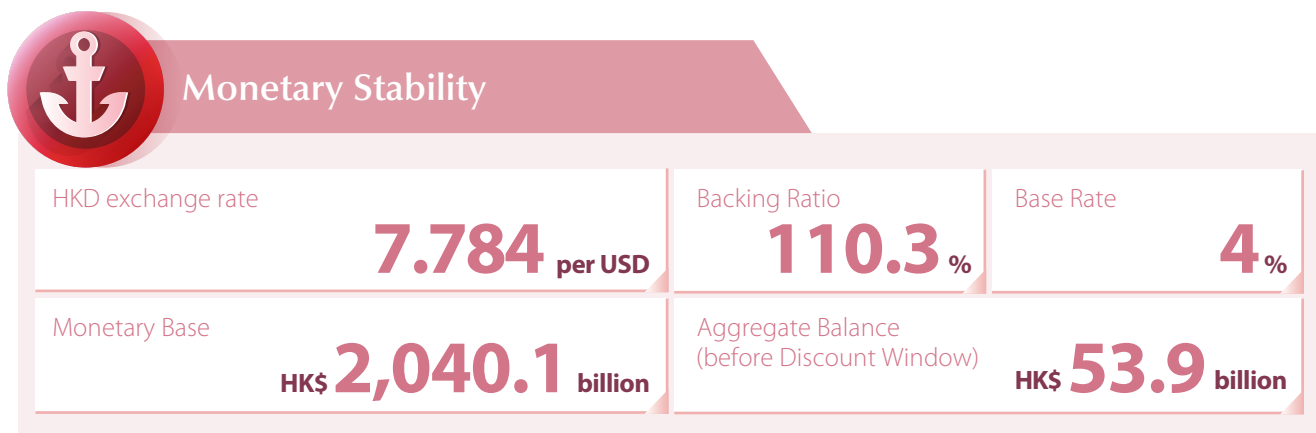


Corporate Functions

The HKMA actively promotes public understanding of its policies and operations to reinforce trust and confidence in the financial system. At the same time, the HKMA strives to cultivate an agile and professional workforce, maintain rigorous financial discipline, upgrade its digital capabilities, and ensure proper governance at the corporate level.

Highlights of 2025

Key Figures for 2025



Notes:

Unless specified, figures are at the end of 2025.

[#] Figures for the year of 2025 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

Highlights of 2025



International Financial Centre

<p>RMB deposits (including outstanding CDs)</p> <p>1 largest offshore RMB liquidity pool</p> <p>RMB 1,096.8 billion</p>	<p>Outstanding RMB loans</p> <p>RMB 935.0 billion (+29%)</p>	<p>Offshore RMB bond issuance[#]</p> <p>RMB 1,100.9 billion</p>
<p>Hong Kong's share of offshore RMB Swift payments globally[#]</p> <p>1 in the world</p> <p>> 70%</p>	<p>RMB RTGS average daily turnover[#]</p> <p>RMB 2.5 trillion</p>	<p>Average daily turnover under Northbound Bond Connect[#]</p> <p>RMB 39.0 billion</p>
<p>Asian international bond issuance[#]</p> <p>1 largest arranging hub</p> <p>US\$ 133.3 billion equivalent</p>	<p>HKD RTGS average daily turnover[#]</p> <p>HK\$ 1.4 trillion (+25%)</p>	<p>CMU assets under custody</p> <p>HK\$ 5.2 trillion equivalent (+9%)</p>
<p>Asian international green and sustainable bond issuance[#]</p> <p>1 largest arranging hub</p> <p>US\$ 37.7 billion equivalent</p>	<p>FPS registrations</p> <p>18.9 million (+20%)</p>	<p>Average daily real-time HKD transactions of FPS[#]</p> <p>2.04 million (+24%)</p>
<p>Limited partnership funds</p> <p>1,446 (+37%)</p>	<p>SVF accounts</p> <p>86.4 million (+8%)</p>	<p>Value of SVF transactions^{#,1}</p> <p>HK\$ 1,115.5 billion (+19%)</p>



Reserves Management

<p>EF investment income[#]</p> <p>HK\$ 337.4 billion</p>	<p>EF investment return[#]</p> <p>8.0%</p>	<p>EF compounded annual investment return (since 1994)</p> <p>4.6%</p> <p>(>2% increase in HK composite CPI over the same period)</p>
<p>EF assets</p> <p>HK\$ 4,161.2 billion</p>	<p>Market value of LTGP investments</p> <p>HK\$ 578.4 billion</p>	<p>LTGP annualised internal rate of return (since 2009)</p> <p>10.9%</p>

¹ Starting from the first quarter of 2025, the HKMA began to publish "withdrawal" transaction data to provide more information regarding SVF transactions. Transaction data for 2024 have been adjusted accordingly to facilitate comparison.

Calendar of Events 2025



Banking

8 Jan

The HKMA launches the Supervisory Incubator for Distributed Ledger Technology (DLT) to facilitate banks in responsibly rolling out DLT-based products and services.

18 Feb

The HKMA issues a circular requiring banks to conduct mandatory name matching for real-time fund transfers of HK\$1,000 or above made via the Faster Payment System (FPS) using bank account numbers as identifiers, tightening a previous requirement.

13 Mar

The HKMA and the Insurance Authority (IA) issue a joint circular on applying the insurance regulatory framework to the sale of indexed universal life insurance products to professional investors, aiming to ensure policyholder protection and fair treatment of customers while facilitating market development.

1 Apr

The HKMA and the Global Coalition to Fight Financial Crime co-host the APAC Fighting Financial Crime Conference, themed *Fighting Financial Crime in a More Complex World*. The Conference gathers leading global and regional anti-money laundering and counter-financing of terrorism (AML/CFT) experts to share insights on strengthening efforts to combat fraud and financial crime.



7 Apr

The HKMA issues a circular to banks setting out the standards expected of authorized institutions (AIs) when providing staking services for virtual assets as part of custodial services to customers.

8 Apr

The HKMA, together with the banking sector, introduces sector-specific support measures to further assist small and medium-sized enterprises (SMEs) from various industries in obtaining bank financing and in their upgrade and transformation. The measures include, among others, flexible extensions to trade facilities for SMEs in the import and export and manufacturing sectors facing short-term cashflow pressure due to global trade frictions.



Calendar of Events 2025



Banking

10 Apr

The HKMA, the Hong Kong Police Force and the Hong Kong Association of Banks (HKAB) jointly announce a series of new measures to prevent, detect and disrupt financial crime, including fraud and associated mule account networks. These measures include, among others, expanding the use of Scameter data by retail banks and stored value facility licensees, as well as sharing industry best practices for identifying potential scam victims.

14 Apr

The HKMA and the Consumer Council jointly launch a series of VR¹ simulation games designed to promote responsible credit card usage and raise awareness of fraud prevention among students with special educational needs and senior citizens.



14 Apr

The HKMA issues a circular to AIs introducing enhanced e-banking security measures under the “E-Banking Security ABC” family. These measures include promoting greater use of in-App authentication in place of SMS One-Time-Passwords (**A**uthenticate in App), enabling the voluntary deactivation of risky Internet banking functions (**B**ye to unused functions), and encouraging more effective use of the Suspicious Account Alert mechanism (**C**ancel suspicious payments). The family is subsequently expanded to “E-Banking Security ABCD” in August to include measures to enhance banks’ deepfake detection capabilities (**D**eepfake detection).

28 Apr

The HKMA and Hong Kong Cyberport Management Company Limited (Cyberport) launch the second cohort of the Generative Artificial Intelligence (GenAI) Sandbox initiative, providing a risk-controlled environment for banks to develop and test innovative solutions using artificial intelligence.

29 May

The HKMA and the School of Business and Management of the Hong Kong University of Science and Technology sign a Memorandum of Understanding (MoU) to strengthen collaboration in applied cybersecurity research tailored to the needs of Hong Kong’s financial sector.

4 Jun

The Legislative Council passes the Banking (Amendment) Bill 2025 to facilitate the sharing of account information among banks under specified conditions, enhancing the efficiency of detecting and preventing crime in Hong Kong.

Calendar of Events 2025



Banking

12 Jun

To facilitate Hong Kong banks in providing services under the Cross-boundary Wealth Management Connect Southbound Scheme, the HKMA issues a circular introducing arrangements for online three-party dialogues at the Mainland partner bank branches. During these three-party dialogues, representatives from Hong Kong banks can introduce eligible wealth management products under the Southbound Scheme to Mainland customers after obtaining their one-off written consent.

23 Jun

The HKMA and HKAB launch the Smart Seniors Anti-Scam Ambassador Programme to enhance the elderly's awareness of scams. The HKMA debuts two promotional videos themed after vintage Cantonese movies, featuring "Three Anti-Scam Tactics — Keep Calm, Give Nothing, Verify and Seek Help".



9 Jul

The HKMA, the Securities and Futures Commission (SFC), the IA and the Mandatory Provident Fund Schemes Authority (MPFA) jointly launch the Anti-Scam Consumer Protection Charter 3.0, establishing a collaborative framework among financial regulators, technology companies and telecommunications firms in combatting financial fraud and scams.



11 Jul

The Banking (Capital) (Amendment) Rules 2025, the Banking (Disclosure) (Amendment) Rules 2025 and the Banking (Exposure Limits) (Amendment) Rules 2025 are gazetted to implement the new Basel standard on the prudential treatment of banks' cryptoasset exposures. These rules take effect on 1 January 2026.

16 Jul

The HKMA publishes the results of the Tech Maturity Stock-take. The results reveal that 95% of banks, including all retail banks, have adopted fintech across their end-to-end operations.

24 Jul

The HKMA issues a circular to endorse the refined *Guidelines on the Mandatory Reference Checking Scheme* issued by banking industry associations and the implementation of Phase 2 of the scheme in September to address the "rolling bad apples"² phenomenon in the banking sector. Phase 2 covers a wider scope of bank staff, including those licensed or registered to carry on securities, insurance or Mandatory Provident Fund regulated activities.

² "Rolling bad apples" refers to situations in which individuals who have engaged in misconduct at one institution can still obtain employment elsewhere without disclosing their earlier misconduct to the new employer.

Calendar of Events 2025



Banking

18 Aug

The HKMA, in collaboration with the Bank for International Settlements (BIS) Innovation Hub Hong Kong Centre, the Financial Conduct Authority of the United Kingdom and the Saudi Central Bank, launches Project Noor, which aims to develop a toolkit for the banking sector to evaluate artificial intelligence models, thereby supporting banks and regulators in managing risks associated with the use of artificial intelligence.

17 Sep

The HKMA and the Monetary Authority of Singapore enter into an MoU to strengthen supervisory co-operation and information sharing.

17 Sep

The Government announces a two-year extension of the application period for the 80% Guarantee Product under the SME Financing Guarantee Scheme (SFGS). At the same time, the total loan guarantee commitment under the SFGS is further increased by HK\$20 billion to HK\$310 billion, and the principal moratorium arrangement for all SFGS products is extended for one year.

19 Sep

The HKMA and the IA issue a joint circular setting out the naming requirements for insurance products with savings features to ensure that such products are presented clearly and accurately to prospective policyholders.

26 Sep

The HKMA launches an industry consultation on a proposed framework for handling customer claims related to losses arising from authorized payment scams.

29 Sep

The HKMA and the SFC implement enhancements to the Hong Kong over-the-counter derivatives regulatory reporting regime to align with the latest developments in international standards.

30 Sep

The HKMA and the SFC jointly issue a supplemental circular that, among other things, allows intermediaries to provide staking services to their customers and to use the off-platform virtual asset trading services of SFC-licensed platforms.

9 Oct

The HKMA convenes an industry dialogue on bank account opening and maintenance, bringing together about 60 representatives from 28 banks to promote knowledge exchange and collaboration among the banking industry, with a view to enhancing access to bank account services.



Calendar of Events 2025



Banking

10 Oct

The HKMA issues two circulars to AIs, providing guiding principles to support the industry in expanding the use of cross-boundary credit referencing following the regularisation of the initiative, and sharing good practices for utilising the Shenzhen-Hong Kong cross-boundary data validation platform.

31 Oct

The HKMA and Cyberport co-host the GenAI Symposium, gathering over 500 practitioners from the banking, insurance and technology sectors. At the Symposium, the HKMA presents the *Report on the First Cohort of GenAI Sandbox* and summarises key findings from the initiative.



19 Nov

The HKMA issues a circular sharing key observations and good practices from a review of AIs' and their subsidiaries' premium financing activities, and clarifying the expected standards for the offering of premium financing facilities.

21 Nov

The HKMA issues a circular to banks regarding the Interbank Debt Relief Plan, setting out enhancements for assisting personal customers experiencing genuine difficulty in repaying consumer loans to multiple financial institutions.

28 Nov & 4 Dec

The HKMA and HKAB introduce a total of 11 measures to provide immediate relief and ongoing support to residents affected by the Tai Po fire incident, as well as to construction workers, cleaners and security guards who were injured or passed away in the incident, and their families.

18–19 Dec

The HKMA and the Financial Services and the Treasury Bureau co-host the sixth AML/CFT tripartite meeting, with participation from around 70 representatives of judicial, law enforcement, and supervisory agencies from the Chinese Mainland, Macao and Hong Kong.

22 Dec

The Commerce and Economic Development Bureau, the Intellectual Property Department and the HKMA launch the Intellectual Property (IP) Financing Sandbox to assist pilot sectors, such as the technology sector, in leveraging IP assets for financing with the support of banking, insurance, valuation, legal and other professions. The Sandbox provides a collaborative and risk-controlled environment for stakeholders to test the full lifecycle of IP financing.

31 Dec

All retail banks in Hong Kong, including digital banks, have fully launched the Money Safe service for individual customers.

Calendar of Events 2025



International Financial Centre

13 Jan

The HKMA and the People's Bank of China (PBoC) announce new policy measures to deepen financial market connectivity between Hong Kong and the Chinese Mainland, and to consolidate Hong Kong's status as the global offshore renminbi business hub.

These measures include: (i) introduction of the HKMA RMB Trade Financing Liquidity Facility to provide a stable source of renminbi funds to support the banking industry in offering renminbi trade finance services to corporate clients; (ii) further enhancement and expansion of Bond Connect (Southbound); (iii) development of offshore renminbi repurchase (repo) business using Northbound Bond Connect bonds as collateral; (iv) inclusion of Northbound Bond Connect bonds as eligible margin collateral for derivatives transactions at OTC Clearing Hong Kong Limited; (v) facilitation of cross-boundary payments; and (vi) expansion of Mainland account opening by attestation services for Hong Kong residents.

14–15 Jan

The Hong Kong Institute for Monetary and Financial Research (HKIMR)³ hosts a joint conference with the European Central Bank and the Bank of Finland Institute for Emerging Economies on *Europe, Asia and the Changing Global Economy*, attracting more than 120 participants from central banks, academia and international financial institutions.

21 Jan

The HKMA and the Monetary Authority of Macao launch a direct linkage between the Central Moneymarkets Unit (CMU) of Hong Kong and the Central Securities Depository of Macao, enabling investors from both places to participate in each other's bond markets with greater ease and efficiency.

4 Mar

CMU OmniClear Limited⁴ and Hong Kong Exchanges and Clearing Limited (HKEX) sign an MoU to deepen collaboration in enhancing the post-trade securities infrastructure of Hong Kong's capital markets and supporting the long-term development of the city's fixed-income and currencies ecosystem.



³ The HKIMR is a subsidiary and the research arm of the Hong Kong Academy of Finance (AoF). The AoF was set up with full collaboration amongst the HKMA, the SFC, the IA and the MPFA to bring together the strengths of the academia, the industry, professionals and the regulatory community to develop financial leadership and promote research collaboration.

⁴ CMU OmniClear Limited, a subsidiary of the Exchange Fund, carries out the operations and business development activities of the CMU on behalf of the HKMA.

Calendar of Events 2025



International Financial Centre

28 Mar

The HKMA and the Bangko Sentral ng Pilipinas hold a bilateral meeting to exchange views and strengthen co-operation in various central banking areas.

9–10 Apr

The HKIMR releases an applied research report titled *Financial Services in the Era of Generative AI: Facilitating Responsible Adoption*, and jointly organises the International Conference on GenAI with the Centre for Economic Policy Research.

23 Apr

The Shenzhen-Hong Kong cross-boundary data validation platform is linked up with Commercial Data Interchange (CDI), providing CDI member banks with more convenient access to the platform's services.

28 Apr

The HKMA launches Project Cargo^x and establishes an Expert Panel to enhance the digital ecosystem for trade finance by harnessing the power of cargo and trade data. The Expert Panel comprises industry experts and key stakeholders from cargo and trade data providers, trade associations, banks, credit reference agencies and government agencies.



15 May

The PBoC, the HKMA and the SFC announce the expansion of the product types under Swap Connect to include interest rate swap contracts with tenors up to 30 years, as well as interest rate swap contracts that use the Loan Prime Rate as the reference rate. These measures aim to provide international institutional investors with greater flexibility to hedge interest rate risks associated with their onshore bond investments.

Calendar of Events 2025



International Financial Centre

21 May

The Legislative Council passes the Stablecoins Bill to establish a licensing regime for fiat-referenced stablecoins issuers in Hong Kong, further enhancing the city's regulatory framework for digital asset activities. The Ordinance comes into effect on 1 August.

22 May

The HKMA announces the successful connection between CDI and the Land Registry through the Government's Consented Data Exchange Gateway, enabling banks participating in CDI to automate their land search processes.

4 Jun

The Government issues around HK\$27 billion worth of green bonds and infrastructure bonds denominated in Hong Kong dollars, renminbi, US dollars and euros under the Government Sustainable Bond Programme and the Infrastructure Bond Programme.

In particular, the Government offers the 30-year Hong Kong dollar infrastructure bond for the first time, marking the longest tenor Hong Kong dollar bond offered by the Government to date.

22 Jun

The HKMA and the PBoC launch Payment Connect, linking the FPS in Hong Kong with the Internet Banking Payment System in the Chinese Mainland, enabling secure, efficient and convenient real-time cross-boundary remittances for residents in both places.



8 Jul

The investor scope under Southbound Bond Connect is expanded to include four types of non-bank financial institutions – securities firms, fund companies, insurance companies and wealth management companies.

Calendar of Events 2025



International Financial Centre

28 Jul

The HKMA and HKAB co-organise the Data Summit 2025, themed *Empowering business and trade through advanced data infrastructure*. The Summit gathers around 800 senior executives and industry professionals from around 100 public and private organisations, including government departments, banks, data specialists and partners of CDI, to explore how the CDI data infrastructure can enhance trade finance processes and facilitate SME lending.



19–22 Aug

The HKMA, the ASEAN+3 Macroeconomic Research Office (AMRO), the Asian Development Bank Institute, and the South East Asian Central Banks (SEACEN) Research and Training Centre (Centre)⁵ host the third Financial Leadership Training Program in Hong Kong. Over 40 senior representatives from central banks, ministries of finance and related government agencies in the ASEAN+3⁶ and SEACEN economies, as well as from international organisations, participate in the program.



25 Aug

The HKMA launches enhancement arrangements for the offshore renminbi repo business, including supporting the rehypothecation of bond collateral during the repo period, as well as cross-currency repos involving Hong Kong dollars, US dollars and euros, to better address the liquidity management needs of Northbound Bond Connect investors.

8 Sep

The HKMA launches a public consultation on the Phase 2A prototype of the Hong Kong Taxonomy for Sustainable Finance. Compared to Phase 1, the Phase 2A prototype expands coverage to additional sectors and activities, integrates transition elements, and introduces a new category on climate change adaptation.

5 The SEACEN Centre is a regional research and training hub for central banks and monetary authorities in Asia-Pacific, comprising 19 full members together with a number of associate and observer members.

6 The ASEAN+3 comprises the 11 Association of Southeast Asian Nations (ASEAN) member countries (Brunei, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam), together with the People's Republic of China (including the HKSAR), Japan and the Republic of Korea.

Calendar of Events 2025



International Financial Centre

8–12 Sep

The HKMA co-ordinates the second Hong Kong Green Week, the city's flagship sustainability event, attracting more than 14,500 participants from over 75 jurisdictions worldwide.

The HKMA and the Hong Kong Institute of Bankers also co-host the closing event, *2025 Green Fintech Symposium*, and announce the results of the *2025 Green Fintech Competition*, which has attracted over 140 entries featuring innovative green fintech solutions.



25 Sep

The HKMA and the SFC co-host the Hong Kong Fixed Income and Currency (FIC) Forum 2025, bringing together senior officials from Hong Kong and the Chinese Mainland, regulators, and leaders of major financial institutions to share insights on promoting the development of Hong Kong's bond market.

On the same day, the two regulators announce Hong Kong's Roadmap for the Development of Fixed Income and Currency Markets to position the city strategically as a global FIC hub.



26 Sep

The HKMA announces the introduction of the RMB Business Facility as an upgrade to the RMB Trade Financing Liquidity Facility. The new facility features a broadened range of eligible end users and an extended scope of eligible renminbi financing activities, aimed at supporting the wider use of renminbi in the real economy and channelling offshore renminbi funding from Hong Kong to other jurisdictions. The HKMA also introduces enhancements to the RMB Liquidity Facility, including the reallocation of intraday and overnight funds for T+0 settlement, as well as the introduction of two-week and one-month repos for T+1 settlement to support banks' growing demand for renminbi liquidity amid continued active renminbi activities.

Calendar of Events 2025



International Financial Centre

26 Sep

The cross-boundary bond repo business is launched, enabling overseas institutional investors participating in the onshore bond market, including those through Northbound Bond Connect, to engage in onshore repo business using their onshore bonds as collateral, and remit the renminbi liquidity obtained for offshore use.

30 Sep

The BIS publishes the results of its Triennial Central Bank Survey of Foreign Exchange and Over-the-counter Derivatives Markets Turnover. The survey shows that Hong Kong remains the world's fourth largest global foreign exchange centre and the top offshore renminbi business hub.

14–15 Oct

The HKIMR hosts the 15th Annual International Conference on the Chinese Economy, themed *Macroeconomic Management and Structural Transformation*, bringing together over 140 participants from central banks, the private and public sectors, and academia.

28 Oct

The HKMA publishes the *e-HKD Pilot Programme Phase 2 Report*, presenting key findings and learnings from 11 groups of industry pilot under Phase 2 of the e-HKD Pilot Programme. The report also sets out the HKMA's latest policy stance regarding the e-HKD⁷.

3 Nov

The HKMA co-organises the Hong Kong FinTech Week 2025, the 10th edition of Hong Kong's flagship fintech event, in collaboration with Invest Hong Kong (InvestHK).

The HKMA also unveils "Fintech 2030", a forward-looking strategy aimed at transforming Hong Kong into a robust, resilient and future-ready fintech hub. "Fintech 2030" focuses on four strategic pillars: (i) Data and Payment; (ii) Artificial Intelligence; (iii) Resilience; and (iv) Tokenisation.



Calendar of Events 2025



International Financial Centre

3–5 Nov

The HKMA hosts the fourth Global Financial Leaders' Investment Summit, bringing together approximately 300 global financial leaders, including more than 100 group chairmen or CEOs from the world's leading financial institutions to exchange insights on key issues shaping the global economy and financial markets.



11 Nov

The Government issues around HK\$10 billion worth of digital green bonds, denominated in Hong Kong dollars, renminbi, US dollars and euros, under the Government Sustainable Bond Programme.

The issuance represents the world's first digital bond offering to integrate tokenised central bank money in the form of e-CNY⁸ and e-HKD into the settlement process, and marks the largest digital bond issuance.

12 Nov

The HKMA announces that HKEX will become a strategic shareholder of CMU OmniClear Holdings Limited⁹ to support CMU's transformation into a multi-asset-class platform that provides investors with one-stop access to equity and debt securities.



⁸ e-CNY is the digital fiat currency provided by the PBoC.

⁹ CMU OmniClear Holdings Limited is the parent company of CMU OmniClear Limited.

Calendar of Events 2025



International Financial Centre

13 Nov

Building on the successful outcomes of the Ensemble Sandbox experimentation, the HKMA launches Ensemble™, the pilot phase of Project Ensemble, to enable real-value transactions involving tokenised deposits and digital assets within a controlled environment.

25 Nov

The Hong Kong Mortgage Corporation Limited announces the successful issuance of its multi-currency public benchmark bonds totalling HK\$25.3 billion, marking its largest-ever public bond offering.

25–27 Nov

AMRO, the HKMA and the BIS co-organise the fourth ASEAN+3 Economic Cooperation and Financial Stability Forum in Hong Kong to promote the exchange of knowledge and ideas on economic co-operation and financial stability across regional and global platforms.

The HKMA also hosts the ASEAN+3 Finance and Central Bank Deputies' Meeting in Hong Kong for the first time, gathering senior officials at the vice minister of finance and central bank deputy governor level from 15 regional jurisdictions for policy dialogues.



26 Nov

The Dubai Financial Services Authority (DFSA) and the HKMA co-host the second edition of the DFSA-HKMA Joint Climate Finance Conference in Dubai, the United Arab Emirates, bringing together around 250 participants across both regions.

The HKMA and the DFSA also release a joint research report, *Scaling Sustainable Debt in Emerging Markets*¹⁰, which explores how to unlock the potential of sustainable debt to advance sustainable development in emerging markets.



Calendar of Events 2025



Reserves Management

26 Jun

The HKMA and the Asian Infrastructure Investment Bank (AIIB) sign a partnership agreement to mutually invest in a pool of venture capital funds that prioritise investments in emerging Asia. The partnership marks a new milestone in deepening ties and collaboration between the HKMA and the AIIB.



Corporate Functions

12 Mar

The HKMA launches a cross-media anti-scam campaign “Click the Links, Fall for Scams!” to raise public awareness about fraud and scams, featuring a cartoon character known as the “Despicable Banana”.





Priorities for 2026 and Beyond

Overview

The HKMA is committed to ensuring the stable and effective functioning of Hong Kong's financial system. We will closely monitor developments in the external environment, stay vigilant to emerging risks, and respond swiftly and decisively to any threats to the stability and integrity of Hong Kong's financial system. At the same time, we will continue to push forward with initiatives and innovations to reinforce Hong Kong's status as a leading international financial centre. In our role as manager of the Exchange Fund, we will maintain our prudent and flexible investment approach, pursue investment diversification, preserve a high degree of liquidity, and ensure appropriate defensive measures are in place.

Stability and integrity of the financial system

Staying vigilant against potential risks

Moving into 2026, geopolitical conflicts in the Middle East have led to a spike in energy prices, presenting upside risk to inflation and leading to uncertainty in the future path of the US policy rate should the conflicts persist. Despite these challenges, Hong Kong's financial system is well-positioned to withstand possible adverse shocks given its underlying resilience and the buffers that have been built up over the years.

We will continue to monitor risks and vulnerabilities in both the domestic and external environments closely, and deploy appropriate measures where necessary to maintain Hong Kong's monetary and financial stability. As part of this role, we will conduct research on key issues affecting the Hong Kong economy, assessing potential impacts and associated risks.

Maintaining banking stability

The uncertain macroeconomic environment and advances in technology will continue to pose challenges to the banking sector, although they will also bring new opportunities. The HKMA will work to further enhance the resilience of banks through ongoing efforts to strengthen its regulatory frameworks and supervisory approaches. In prioritising our supervisory resources, we will take account of international standards and best practices while also addressing emerging risks arising from the latest market and technological developments, and provide timely guidance to the industry.

A risk-based supervisory focus

Credit, liquidity and market risks

Amid a challenging credit risk landscape arising from uncertainties over the macroeconomic environment and the subdued performance of some local economic sectors, the HKMA will maintain a strong supervisory focus on asset quality in the banking sector. We will place a special focus on the adequacy of the credit risk management of authorized institutions (AIs), particularly their management of vulnerable accounts and problem loans, and their loan classification and provisioning. At the same time, we will continue to work closely with the banking sector to support the real economy, especially small and medium-sized enterprises (SMEs) and intellectual property financing, under the overarching principle of prudent risk management.

We will continue to adopt a proactive approach in our supervision of the market risk management of banks, as the interest rates of major economies and their macroeconomic outlooks remain highly uncertain. We will also maintain close scrutiny of the ability of banks to deal with severe liquidity shock scenarios given the elevated volatility of fund flows.

Priorities for 2026 and Beyond

Operational and technology risk

The HKMA will continue to support banks as they progress through the “last mile” of their journey to become operationally resilient, with a focus on remediating vulnerabilities identified in the earlier phases of mapping and scenario testing. After May 2026, efforts will shift to sustaining and continuously uplifting banks’ operational resilience within “business as usual”.

Third-party and cyber risks will remain priority areas.

To support banks in better managing their growing networks of third-party service providers, we will develop guidance for implementing the Basel Committee on Banking Supervision (Basel Committee)’s new *Principles for the sound management of third-party risk* in Hong Kong.

We will develop the Cyber Resilience Testing Framework and conduct a pilot run, and explore deploying the Cyber Mapping Exercise as a risk management utility for both banks and regulators. We will also discharge the Monetary Authority’s duties under the Protection of Critical Infrastructures (Computer Systems) Ordinance. Given the growing risks posed by quantum computing, we will introduce a blueprint for enhancing the readiness of banks to transition to Post Quantum Cryptography.

Combatting money laundering and terrorist financing

The HKMA will continue to take decisive action against fraud and scams, including promoting bank-to-bank information sharing to address vulnerabilities caused by information gaps between banks.

In support of the strategy for adopting artificial intelligence under “Fintech 2030”, we will deliver a programme aimed at accelerating the deployment of artificial intelligence and fraud-prevention technologies to enable monitoring systems to detect and disrupt suspicious activity earlier and faster. We will also collaborate closely with the industry in developing and deploying tools for payment data analysis to aid in the detection of money laundering and terrorist financing risks.

In parallel, we will carry out thematic reviews to enhance the identification of money laundering and terrorist financing risks in rapidly evolving areas such as digital assets and payment service providers. We will ensure our anti-money laundering and counter-financing of terrorism (AML/CFT) supervision of HKMA-licensed stablecoin issuers is risk-based and relevant to the rapidly evolving threat landscape. At the same time, we will continue to participate actively in international anti-money laundering forums to ensure our guidance and supervision align with global AML/CFT standards and best practices and have a strong positive impact.

Wealth management and Mandatory Provident Fund-related businesses

The HKMA will carry out both on-site examinations and off-site surveillance of the conduct of AIs in relation to their securities, investment products, trust and depositary services, and insurance and Mandatory Provident Fund (MPF)-related businesses, taking into account the latest market developments and evolving international standards. We will focus on high-yield and complex products, digital assets and related investment products, private credit-related investment products, underwriting and book-building activities of bonds, long-term insurance products, and premium financing activities. We will also focus on the adequacy of the controls and monitoring measures used by AIs to prevent unlicensed staff from conducting regulated activities in relation to insurance referrals, as well as their processes and controls for monitoring MPF referral activities.

Following the implementation of the regulatory regime for stablecoin issuers in 2025, we will work with the Securities and Futures Commission (SFC) to provide guidance in relation to the intermediary and custodial activities of AIs involving stablecoins issued by HKMA-licensed stablecoin issuers. We will also continue to work with the Government and the SFC on developing statutory regimes for regulating virtual asset dealing and custodian service providers.

Priorities for 2026 and Beyond

To enhance protection for prospective insurance policyholders, we will set out regulatory requirements on the remuneration structures of AIs for the sale of participating policies with regular payment terms, comparable to those issued by the Insurance Authority for authorized insurers and licensed insurance intermediaries.

Policy development

The HKMA will further strengthen and refine its banking supervisory and regulatory frameworks and policies, taking into account international standards and best practices.

Implementation of Basel standards in Hong Kong

In December 2025, the Basel Committee published a consultative document on *Machine-readable Pillar 3 disclosure*. Intended to take effect from January 2029, the proposed standard aims to enhance accessibility of banks' quantitative regulatory disclosure data by requiring specified machine-readable formats. The HKMA will engage with the industry in 2026 to develop policy proposals for implementing the standard locally.

Basel Core Principles for Effective Banking Supervision

The HKMA will undertake a self-assessment of compliance with the revised Basel Core Principles for Effective Banking Supervision ("BCP")¹ as part of the International Monetary Fund's Financial Sector Assessment Program for Hong Kong, scheduled to commence in 2026.

Basel Committee Regulatory Consistency Assessment Programme

The Basel Committee conducts the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel standards. The RCAP assessment of Hong Kong, covering the Basel III revisions to risk-weighted assets, will be conducted in 2026.

Other supervisory policies and risk management guidelines

The HKMA plans to update a number of Supervisory Policy Manual modules regarding the capital framework, credit risk management, stress testing, and reporting requirements relating to external auditors of AIs, to ensure alignment with the latest international standards, supervisory practices and industry developments.

Banking legislative amendments

The HKMA will work on introducing the Banking Legislation (Miscellaneous Amendments) Bill 2026 into the Legislative Council (LegCo). Implementation of the bill is expected to help ensure that Hong Kong's banking regulatory framework continues to be robust and effective, remaining in close alignment with those of other major financial centres. Among the proposed legislative amendments is the modernisation of the Monetary Authority's enforcement powers under the Banking Ordinance.

Accounting standards

The International Accounting Standards Board issued the *Exposure Draft on Risk Mitigation Accounting* in December 2025. Together with other relevant authorities, the HKMA will consider the implications of the proposed Risk Mitigation Accounting model for the existing prudential requirements.

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

Priorities for 2026 and Beyond

Resolution

As part of its ongoing efforts to develop and enhance a credible and operational resolution regime, the HKMA will prioritise the following areas (Table 1) in 2026.

Table 1 Priorities for resolution in 2026

Resolution policy



- Publish Code of Practice chapters on the approach to valuation in resolution and the capabilities required of Als
- Advance development of policy standards on resolution restructuring

Resolution execution



- Develop and issue an approach to bail-in mechanics
- Enhance the governance and operational frameworks related to contingency planning and co-ordination, recapitalisation processes, liquidity arrangements and valuation procedures in resolution, and bridge institutions

Resolution planning



- Lead regional resolution planning for a global systemically important bank (G-SIB)
- Enhance the resilience and resolvability of domestic systemically important banks and other relevant Als by driving their build-up and maintenance of adequate loss-absorbing capacity, their development of systems and arrangements to support liquidity needs and continuity in resolution, and promoting testing to enhance their crisis management capabilities and preparedness
- Formulate preferred resolution strategies for more Als
- Publish an implementation report on Als' operational continuity and continuity of access to financial market infrastructures in resolution

International and cross-border co-operation



- Strengthen global resolution regimes by participating in the Financial Stability Board's Resolution Steering Group and its 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 crisis readiness
- Co-ordinate cross-border resolution planning of 14 G-SIBs with other authorities through the Crisis Management Groups and Crisis Management Colleges

Priorities for 2026 and Beyond

Enhancing consumer protection and bank culture and promoting financial inclusion

The HKMA will step up its efforts to promote sound business conduct among banks and enhance customer protection, further strengthening public confidence in Hong Kong's banking sector. It also remains committed to fostering an inclusive banking sector accessible to all.

Enhancing consumer protection

The HKMA will continue to monitor developments in innovative banking services, such as those utilising artificial intelligence, and popular banking products, such as personal credit products, and provide guidance to the banking industry as appropriate.

In response to the rise in fraud and scams in recent years, we will continue our anti-scam consumer education efforts, targeting both the general public and vulnerable groups to better protect bank customers. We will work with the industry to promote wider adoption of consumer self-protection tools, including Money Safe. At the same time, we will collaborate with academia on studies drawing on cognitive and behavioural science to enhance the effectiveness of anti-scam campaigns targeting the elderly and students.

In parallel, we will step up surveillance of fraud and scams, including the illegal use of bank names and unlicensed deposit-taking activities by crypto firms. We will also work with banks to enhance their customer identity authentication capabilities, and pursue discussions with the industry to develop guidance on handling customer losses incurred from scams.

Our other key consumer protection priorities for 2026 include:

- advancing the implementation of the Payment Arrangements for Property Transactions (PAPT) for sale and purchase transactions in the secondary market, while encouraging wider adoption of PAPT for mortgage refinancing transactions to improve the efficiency and security of property transactions;
- expanding participation by money lenders in the Credit Data Smart platform to enhance the comprehensiveness of consumer credit data, alongside strengthening the governance and operational resilience of the commercial credit reference agency;
- increasing market adoption of the Cross-boundary Credit Referencing initiative, while enhancing its operations to improve efficiency and effectiveness; and
- issuing new guiding principles on the responsible and ethical use of alternative data in banking operations to balance consumer protection with the need for innovation.

Enhancing bank culture

As part of its ongoing initiative to promote a sound culture in the banking sector, the HKMA will continue to engage with leaders of AIs on the effectiveness of their culture enhancement efforts and provide supervisory feedback as needed.

We will monitor the implementation by AIs of Phase 2 of the Mandatory Reference Checking Scheme and explore further expansion of the Scheme with fellow regulators to cover staff in other financial sectors, in order to address the "rolling bad apples"² phenomenon in the wider financial services industry.

² "Rolling bad apples" refers to situations in which individuals who have engaged in misconduct at one institution can still obtain employment elsewhere without disclosing their earlier misconduct to the new employer.

Priorities for 2026 and Beyond

Promoting financial inclusion

The HKMA will continue to promote financial inclusion in Hong Kong, taking into account market developments and new opportunities arising in the digital age. We will conduct a survey on cash-based banking services in Hong Kong to assess the current landscape and inform future policy responses.

With respect to bank account opening and maintenance, we will collaborate with the banking industry to introduce a new framework for facilitating the relevant processes for individuals assessed as presenting higher risks. We will also continue our efforts to address issues relating to account opening and maintenance as well as bank financing for SMEs whilst providing dedicated hotlines for enquiries and feedback.

Future-proofing the banking sector

Technology adoption and responsible innovation by banks

To support banks in exploring more advanced use cases of artificial intelligence and distributed ledger technology (DLT), such as cross-sectoral and cross-boundary artificial intelligence innovations, as well as smart contract-powered tokenisation services, the HKMA will further enhance its Generative Artificial Intelligence (GenAI) Sandbox and Supervisory Incubator for DLT.

We will also launch a renewed series of promotional initiatives to further advance fintech adoption across the banking sector. These include rolling out Fintech Connect 2.0, organising additional events under the FiNETech series, and publishing practice guides and research papers focused on fintech-specific risk management and compliance issues.

In parallel, we will collaborate with relevant authorities to enhance the Shenzhen-Hong Kong cross-boundary data validation platform by expanding its data sources and types, geographical coverage, and improving customer experience and interface.

Supervisory transformation

To enhance supervisory efficiency and deepen insights, the HKMA will accelerate technology adoption across its end-to-end supervisory processes, spanning prudential supervision, conduct supervision, policy development, anti-money laundering and enforcement.

We will further advance our Data-driven and Technology-empowered Supervision framework by strengthening risk-data capabilities for both supervisors and banks. Specifically, the phased roll-out of the Granular Data Reporting 3.0 roadmap will require banks to submit granular data instead of traditional template-based surveys and returns, thereby enabling more in-depth supervisory insights.

In addition, we will explore the adoption of agentic artificial intelligence workflows to transform our supervisory reviews and examinations.

Capacity building in the banking sector

The HKMA will work with the banking sector on implementing the action plan recommended by the study *Capacity Building for Future Banking 2026–2030*, having regard to the identified talent demands. This will include conducting a review of the Enhanced Competency Framework.

Oversight of financial market infrastructure

The HKMA will continue to promote the safety and efficiency of the financial market infrastructures under its oversight in accordance with the Payment Systems and Stored Value Facilities Ordinance, the Principles of Financial Market Infrastructures, and the various guidance issued by the Committee on Payments and Market Infrastructures of the Bank for International Settlements.

Priorities for 2026 and Beyond

Hong Kong's competitiveness as an international financial centre

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

Strengthening Hong Kong's role as a connector between the Chinese Mainland and the rest of the world and as the leading offshore renminbi hub

The HKMA will continue to explore opportunities to enhance and expand the various Mainland-Hong Kong Connect schemes and improve related ancillary services in order to further strengthen Hong Kong's connectivity with the Mainland financial market. These efforts will include promoting the wider use of onshore bonds as collateral in offshore markets, and enriching the range of risk and liquidity management tools available to investors.

The HKMA will also work closely with the banking industry to promote broader adoption of the renminbi in the region, particularly in cross-border trade and direct investment activities by both corporate and individual clients.

Key initiatives will include:

- studying potential measures to further improve the availability of renminbi liquidity for banks;
- promoting the development of more renminbi products and ancillary services to address market needs in investment, liquidity management and risk management;
- strengthening financial infrastructure and exploring measures to facilitate foreign exchange quotations and transactions between the renminbi and other regional currencies; and
- expanding outreach efforts to deepen global awareness of the advantages and opportunities offered by the use of renminbi in trading and investment activities.

Meanwhile, we will also deepen financial co-operation in the Guangdong-Hong Kong-Macao Greater Bay Area to facilitate cross-boundary financial services and capital flows, and create more business opportunities for Hong Kong's banking industry.

Enhancing the competitiveness of Hong Kong's financial ecosystem

Implementing the Roadmap for the Development of Fixed Income and Currency Markets

To strategically position Hong Kong as a global fixed income and currency hub, the HKMA will work with the SFC to implement the relevant initiatives of the Roadmap across the four pillars of primary market issuance, secondary market liquidity, offshore renminbi business and next-generation infrastructure. Additionally, we will continue to promote innovation in the bond market by assisting the Government in issuing tokenised bonds regularly, and by reviewing the current legal framework for tokenised bonds to identify areas for potential enhancement. We will also explore secondary market use cases of digital bonds.

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 in our efforts 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 further strengthen Hong Kong's competitiveness by enhancing the preferential tax regimes for funds, single family offices, and carried interest.

Priorities for 2026 and Beyond

Embracing supply chain-related opportunities

The HKMA will strengthen collaboration with relevant stakeholders to further cement Hong Kong's status as a leading international hub for trade and finance. In particular, we will contribute to the Government's initiative to submit a legislative proposal on the digitalisation of trade documents to the LegCo in 2026.

The HKMA will support the Government in enhancing the tax concessionary measures applicable to corporate treasury centres (CTCs), while collaborating with industry stakeholders to further promote Hong Kong's strengths as a CTC hub.

Deepening Hong Kong's connections with the rest of the world

Building on past exchanges, the HKMA plans to step up its engagement with various Middle Eastern and Association of Southeast Asian Nations economies in 2026. The aim is to deepen collaboration 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 with other outreach activities promoting Hong Kong's financial services platform, and keep overseas and Mainland stakeholders informed of emerging opportunities in Hong Kong's financial market.

The HKMA will maintain its active participation in international and regional forums, to contribute to global financial stability and promote the region's collective voice in international financial affairs. We will continue to play leadership roles in international meetings and groups. We will also contribute to priority work areas of the Financial Stability Board, such as non-bank financial intermediation, financial innovation and cross-border payments.

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

Fintech 2030

Building on the solid foundation laid by "Fintech 2025", the HKMA will advance initiatives under the four strategic pillars of "Fintech 2030", namely data and payment, artificial intelligence, resilience and tokenisation, to make Hong Kong future-ready and reinforce the city's position at the forefront of global digital finance.

Empowering business and trade through data infrastructure development

Leveraging the next-generation Commercial Data Interchange data infrastructure, the HKMA will continue to explore data sharing opportunities with both public and private data sources and advance trade finance digitalisation through Project Cargo⁶, with the aim of further supporting trade financing for SMEs.

Enhancing the Faster Payment System

The HKMA will further explore new use cases for the Faster Payment System (FPS) in collaboration with the industry and various Government departments, and will seek to enhance FPS connectivity with other systems and service providers to facilitate cross-border payments.

Developing shared, scalable artificial intelligence infrastructure

The HKMA aims to harness artificial intelligence for the public good, promoting its responsible adoption to drive financial innovation in the banking sector. We will collaborate with banks, technology firms and other industry stakeholders to explore the development of shared, scalable artificial intelligence infrastructure tailored to the sector's unique needs. These efforts seek to reduce barriers to the adoption of artificial intelligence by banks and optimise the use of computing resources.

Priorities for 2026 and Beyond

Fostering further innovation in the tokenisation ecosystem

The launch of Ensemble^{TX}, the pilot phase of Project Ensemble, marks a significant advance in supporting real-value transactions involving digital assets and tokenised deposits. To create a strong foundation for further innovation, Ensemble^{TX} will operate throughout 2026, with its pilot environment being progressively enhanced to, for example, support settlements in tokenised central bank money on a 24/7 basis.

Stablecoins and other digital assets

With the Stablecoins Ordinance having come into effect on 1 August 2025, the HKMA will focus on implementing the licensing regime for stablecoin issuers. This will involve the processing of stablecoin issuer licence applications, supervision of licensed stablecoin issuers, and surveillance of the stablecoin market in Hong Kong. Given the cross-border nature of stablecoin activities, we will continue to contribute to international policy discussions and collaborations on digital assets, particularly those concerning the monetary and financial stability implications of stablecoin arrangements, to ensure better alignment of our regulatory framework with global standards and best practices. As major overseas jurisdictions press ahead with their own regulatory frameworks for stablecoins, we will continue to collaborate with our global peers to support a co-ordinated regulatory approach that balances financial stability with responsible innovation.

Sustainability efforts

The HKMA will continue to forge ahead with the eight goals laid out in its Sustainable Finance Action Agenda, strengthening Hong Kong's status as a green and sustainable finance hub.

Further details of our sustainability initiatives can be found in our *Sustainability Report 2025*.



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, the Stablecoins 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.

The Stablecoins Ordinance establishes a regulatory regime in Hong Kong for stablecoin issuers. The Monetary Authority is responsible for the licensing of persons who conduct regulated stablecoin activities and is empowered to institute investigations and take enforcement actions in the manner prescribed under the Ordinance.



Corporate Governance

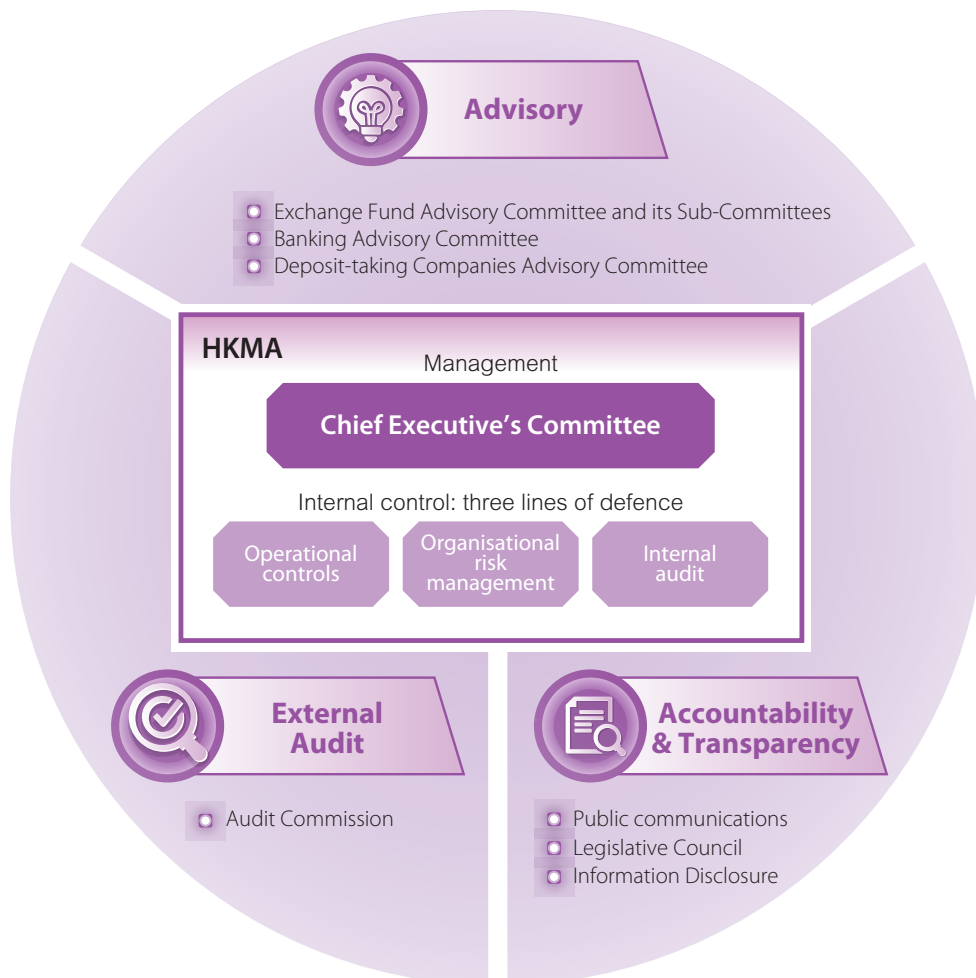
Overview

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

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.

The HKMA's 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 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, as well as 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 HKSAR. 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 43 to 52 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 HKSAR 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 HKSAR. See pages 53 to 54 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 55 to 56 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 HKSAR 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 (LegCo) 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 engagement 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, managing the official reserves effectively, and 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 engagement with the mass media and utilises social media platforms to communicate with the public more effectively in the digital era. It also proactively identifies and 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 155 to 161.

Legislative Council

The relations between the HKMA and the LegCo play an important role in promoting accountability and transparency. The Chief Executive of the HKMA is committed to appearing before the Panel on Financial Affairs of the LegCo three times a year to brief Members and 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 the LegCo's panel and committee meetings from time to time to explain and discuss particular issues and to assist Members in their scrutiny of draft legislation.



HKMA's briefings to the LegCo's Panel on Financial Affairs

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) contains 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, as well as 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 assessments 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 are responsible for identifying and assessing risks of their operational processes, as well as implementing appropriate controls to ensure the effective day-to-day operations of the HKMA. This constitutes the first line of defence in risk management.

Organisational risk management

Risk management is also undertaken at the entity level, with the Risk Committee, chaired by the Chief Executive of the HKMA, serving as a cornerstone of the organisational risk management framework.

Potential and emerging risks identified by business units, along with the adequacy of control measures and mitigating strategies, are reviewed and reported at the Risk Committee, which determines 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 HKSAR. 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 2025 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

31 March 2026



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 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

Advisory Committees



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
HSBC Holdings plc



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



Mr Jack CHAN Hoi, JP
Chairman, EY China
Regional Managing Partner, EY Greater China



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



Dr James C LIN
Senior Partner
Davis Polk & Wardwell



Mr Johnny CHAN Kok-chung
President
Hong Kong Venture Capital and Private Equity Association
(Membership from 23 September 2025)



Mr Clement CHAN Kam-wing, BBS, MH, JP
Senior Advisor to the Board
BDO Limited
(Membership from 10 October 2025)

Advisory Committees



Ms Ivy CHEUNG Wing-han

Vice Chairman, KPMG China
Senior Partner, KPMG in Hong Kong
(Membership from 10 October 2025)



Mr Peter LIU Sin-shing

Senior Managing Director
Asianet Consultants
(Membership from 10 October 2025)



Dr Kelvin WONG Tin-yau, SBS, JP

Chairman
Securities and Futures Commission
(Membership from 10 October 2025)



Mr Tim LUI Tim-leung, GBS, JP

(Membership until 30 June 2025)



Mrs Ayesha MACPHERSON LAU, BBS, JP

Chairman
Mandatory Provident Fund Schemes Authority
(Membership until 30 September 2025)



Professor Raymund CHAO Pak-ki

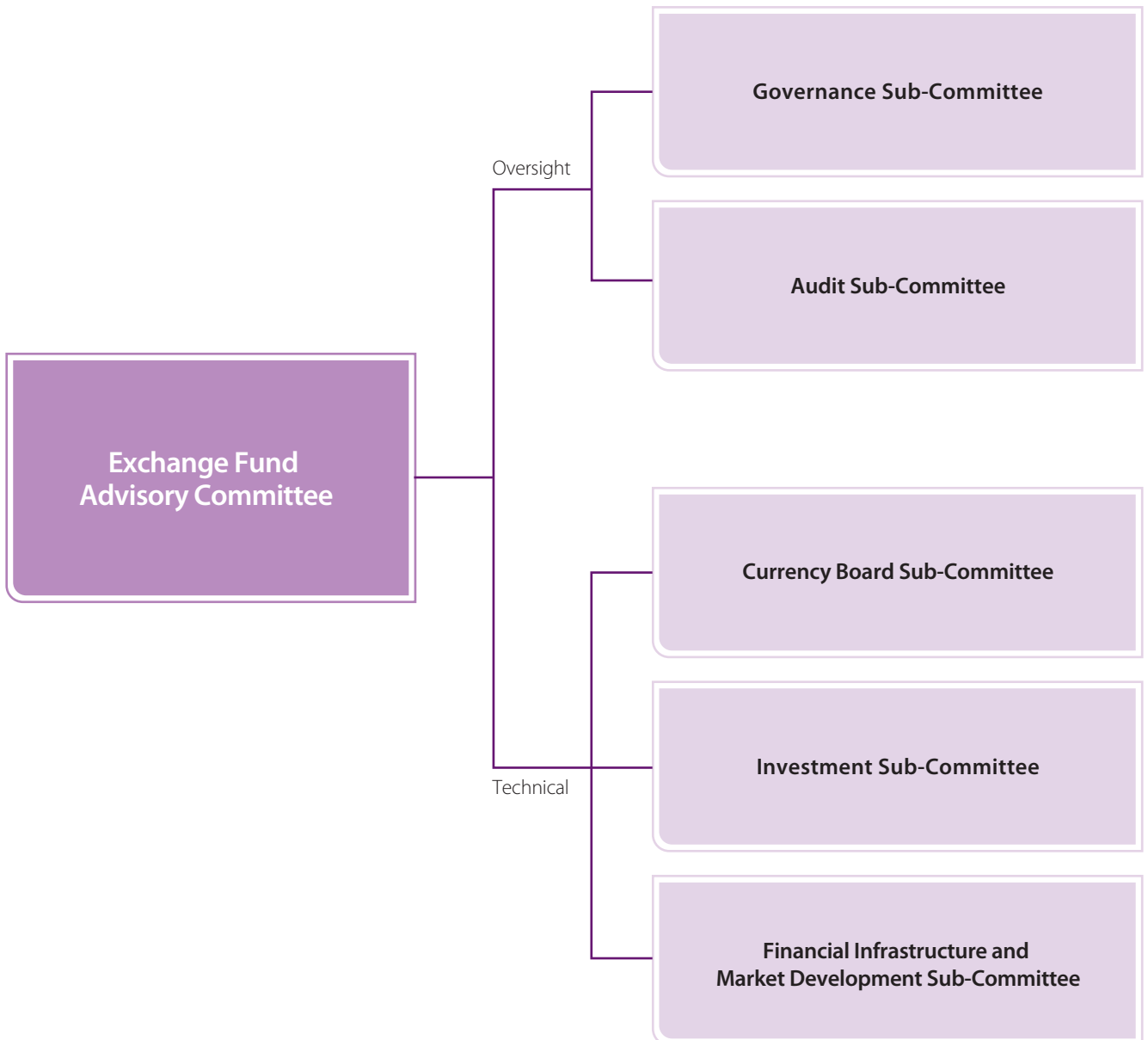
(Membership until 28 October 2025)

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 2025 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

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

Dr James C LIN

Senior Partner
Davis Polk & Wardwell

Mr Clement CHAN Kam-wing, BBS, MH, JP

Senior Advisor to the Board
BDO Limited
(Membership from 10 October 2025)

Mr Peter LIU Sin-shing

Senior Managing Director
Asianet Consultants
(Membership from 10 October 2025)

Mr Tim LUI Tim-leung, GBS, JP

(Membership until 30 June 2025)

Professor Raymund CHAO Pak-ki

(Membership until 28 October 2025)

Secretary

Ms Sarah KWOK

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 Dennis CHOW Chi-in

Chair, Deloitte Asia Pacific
Deputy Chair, Deloitte Global

Mr Johnny CHAN Kok-chung

President
Hong Kong Venture Capital and Private Equity Association
(Membership from 23 September 2025)

Ms Ivy CHEUNG Wing-han

Vice Chairman, KPMG China
Senior Partner, KPMG in Hong Kong
(Membership from 10 October 2025)

Dr Kelvin WONG Tin-yau, SBS, JP

Chairman
Securities and Futures Commission
(Membership from 10 October 2025)

Mrs Ayesha MACPHERSON LAU, BBS, JP

Chairman
Mandatory Provident Fund Schemes Authority
(Membership until 30 September 2025)

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 2025 and received reports on the work of the HKMA's Risk Committee and the Internal Audit Division.

Chairman

Mr Stephen YIU Kin-wah, JP

Chairman
Insurance Authority

Members

Mr Jack CHAN Hoi, JP

Chairman, EY China
Regional Managing Partner, EY Greater China

Mr Clement CHAN Kam-wing, BBS, MH, JP

Senior Advisor to the Board
BDO Limited
(Membership from 10 October 2025)

Dr Kelvin WONG Tin-yau, SBS, JP

Chairman
Securities and Futures Commission
(Membership from 10 October 2025)

Professor Raymund CHAO Pak-ki

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Deputy Chair, Deloitte Global

Ms Ivy CHEUNG Wing-han

Vice Chairman, KPMG China
Senior Partner, KPMG in Hong Kong
(Membership from 10 October 2025)

Mr Tim LUI Tim-leung, GBS, JP

(Membership until 30 June 2025)

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, among other things, 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 2025, 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 Vice President (Global)
University of Hong Kong

Dr Kelvin WONG Tin-yau, SBS, JP
Chairman
Securities and Futures Commission
(Membership from 10 October 2025)

Ms Mary HUEN Wai-yi, MH, JP
The then Chairperson
The Hong Kong Association of Banks
(Membership until 31 December 2025)

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

Mr SUN Yu, JP
Chairperson
The Hong Kong Association of Banks
(Membership from 1 January 2026)

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 2025.

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

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

Mr Johnny CHAN Kok-chung
President
Hong Kong Venture Capital and Private Equity Association
(Membership from 23 September 2025)

Mr Jack CHAN Hoi, JP
Chairman, EY China
Regional Managing Partner, EY Greater China
(Membership from 1 March 2026)

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

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

Dr James C LIN
Senior Partner
Davis Polk & Wardwell

Mr Clement CHAN Kam-wing, BBS, MH, JP
Senior Advisor to the Board
BDO Limited
(Membership from 10 October 2025)

Professor Raymund CHAO Pak-ki
(Membership until 28 October 2025)

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 2025, 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 Luanne LIM, MH
Executive Director and Chief Executive
Hang Seng Bank Limited

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

Dr JIA Hongrui
President, Shanghai Pudong Development Bank Hong Kong Branch
Executive Director, SPDB International Holdings Limited

Mr Stephen CHAN Man
Deputy Chief Executive
Bank of China (Hong Kong) Limited

Dr Kelvin WONG Tin-yau, SBS, JP
Chairman
Securities and Futures Commission
(Membership from 10 October 2025)

Mrs Ayesha MACPHERSON LAU, BBS, JP
Chairman
Mandatory Provident Fund Schemes Authority
(Membership until 30 September 2025)

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Deputy Chief Executive
Hong Kong Monetary Authority

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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 CHEN Leiming
Senior Vice President and Chief Sustainability Officer
Ant International

Mrs Florence YIP CHIU Kwai-fong, JP

Dr James C LIN
Senior Partner
Davis Polk & Wardwell

Ms Angel NG Yin-ye
Regional CEO, Greater China
Prudential plc
(Membership until 30 June 2025)

Ms Diana CESAR, JP
Vice Chairman, Hong Kong
The Hongkong and Shanghai Banking Corporation Limited
(Membership until 31 December 2025)

Secretary

Ms Sarah KWOK

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 HKSAR 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 HKSAR.

Three joint meetings of the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee were held in 2025.

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

Mrs Maggie NG

Chief Executive Officer, Hong Kong & Head of Retail Banking & Wealth, Hong Kong
The Hongkong and Shanghai Banking Corporation Limited
Representing The Hongkong and Shanghai Banking Corporation Limited
(Membership from 20 October 2025)

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

Ms Luanne LIM, MH

The then Chief Executive Officer, Hong Kong
The Hongkong and Shanghai Banking Corporation Limited
Representing The Hongkong and Shanghai Banking Corporation Limited
(Membership until 19 October 2025)

Mr Toshiaki YAMAMOTO

The then Senior General Manager
Chief Executive
Sumitomo Mitsui Banking Corporation
Hong Kong Branch
(Membership until 31 March 2026)

Secretary

Ms Jasmin FUNG

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, MH, 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

Mr Jean-Francois DEROCHE

Senior Regional Officer for Asia Pacific
Crédit Agricole Corporate & Investment Bank
(Membership from 5 December 2025)

Ms Cecile BARTENIEFF

The then Chief Executive Officer
Asia Pacific Region
Societe Generale
(Membership until 31 August 2025)

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 HKSAR 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 HKSAR.

Three joint meetings of the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee were held in 2025.

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

Dr Alaina SHUM Jiu-fai
Chief Executive
Consumer Council
Representing the Consumer Council
(Membership from 21 August 2025)

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

Ms Gilly WONG Fung-han
The then Chief Executive
Consumer Council
Representing the Consumer Council
(Membership until 6 May 2025)

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, SBS, JP
Member
Legislative Council

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

Mr Francis HO Ying-foo
The then Acting Chief Executive
Consumer Council
Representing the Consumer Council
(Membership from 7 May to 20 August 2025)

Secretary

Ms Jasmin FUNG

Chief Executive's Committee

31 March 2026

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

Chief Executive's Committee



Karen KEMP, JP
General Counsel



Carmen CHU, JP
Executive Director
(Banking Supervision)



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



Raymond CHAN, JP
Executive Director
(Enforcement and AML)



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



Donald CHEN
Executive Director
(Banking Policy)



Kenneth HUI
Executive Director
(External)



Archie NG
Executive Director
(Corporate Services)



Nelson CHOW
Executive Director
(Financial Infrastructure)



ZHU Haibin
Executive Director
(Research)
(from 1 October 2025)



Albert GOH
Executive Director
Deputy Chief Executive Officer
(Exchange Fund Investment Office)
(from 1 November 2025)

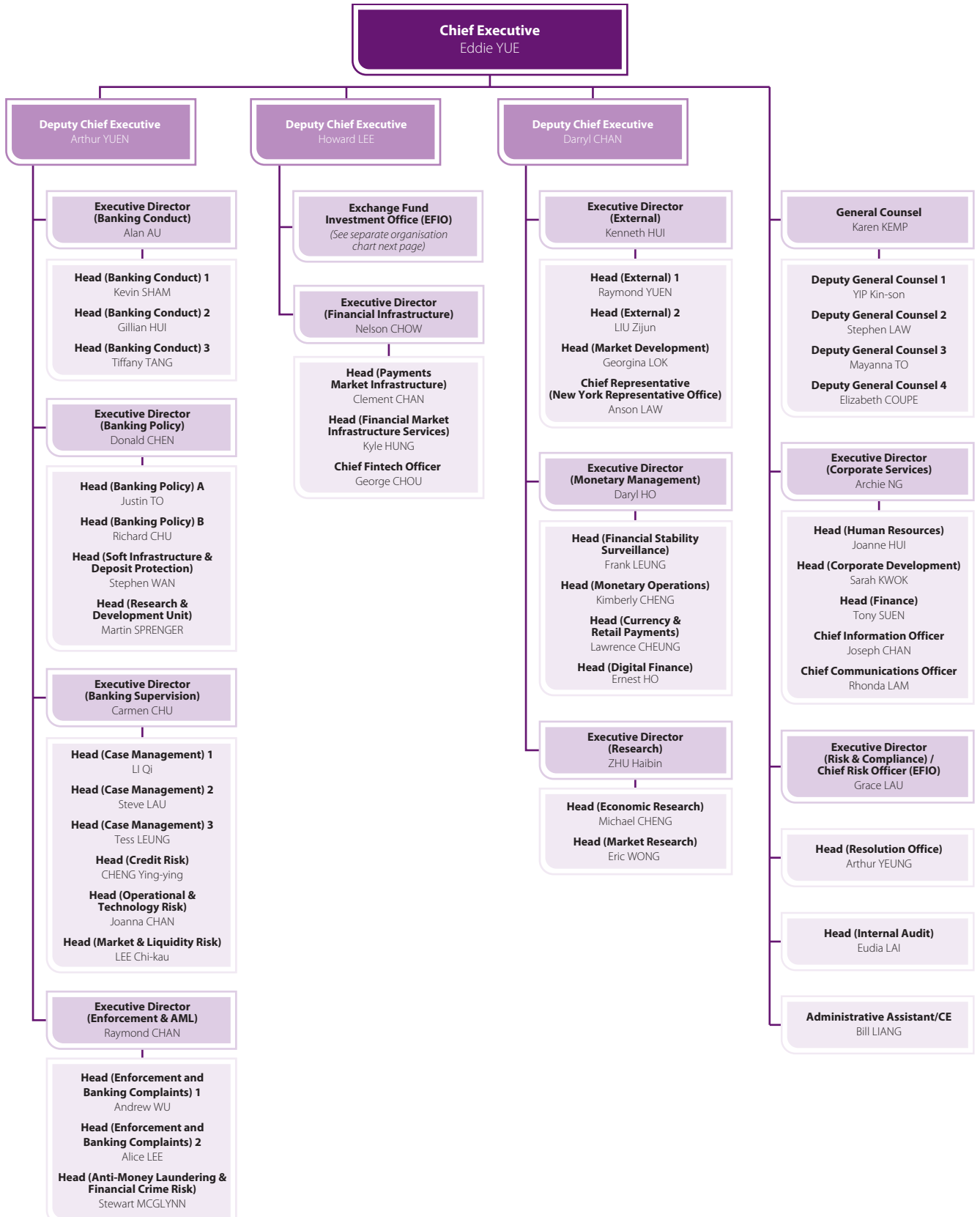


Lillian CHEUNG, JP
Executive Director
(Research)
(until 2 May 2025)

Organisation Chart

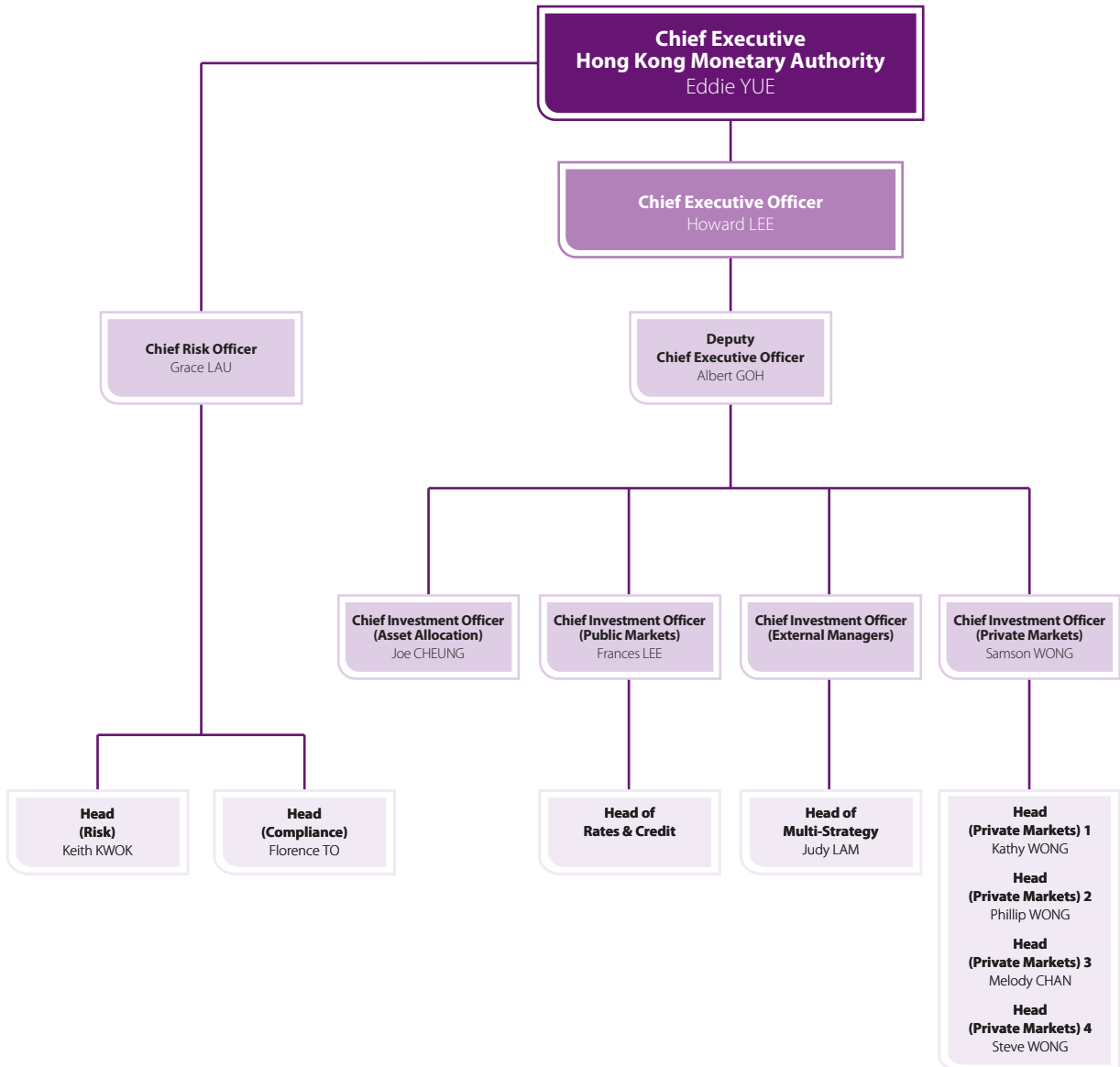
Hong Kong Monetary Authority

31 March 2026



Organisation Chart

Exchange Fund Investment Office



Note: The charts show staff members on permanent establishment.



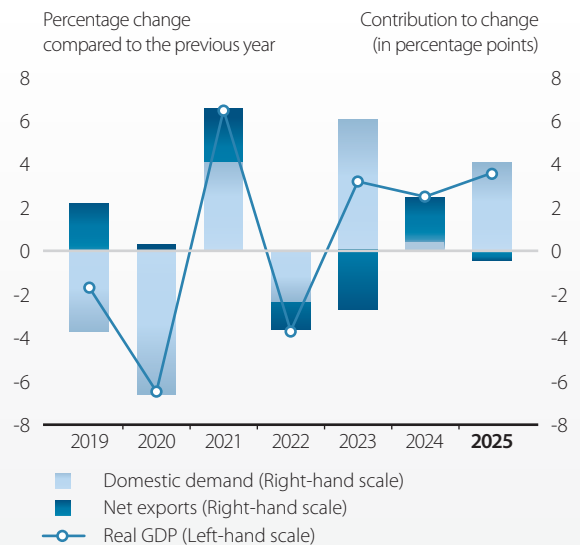
Economic and Financial Environment

The economy in review

Real activities

Hong Kong's real gross domestic product (GDP) expanded by 3.5% year on year in 2025, a notable acceleration from the 2.6% growth of 2024 (Table 1 and Chart 1). This economic growth was underpinned by a strong export performance, with surging goods exports driven by robust global demand for technology products as a result of the artificial intelligence investment boom, and services exports showing resilience on the back of vibrant cross-border financial activities and sustained growth in inbound tourism. Domestically, private consumption strengthened as asset prices rose, while private investment stabilised as trade tensions eased and financial conditions improved.

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)	2025					2024				
	Q1	Q2	Q3	Q4	2025	Q1	Q2	Q3	Q4	2024
Gross Domestic Product	1.1	0.8	0.9	1.0	3.5	0.6	0.6	0.4	1.0	2.6
(year-on-year growth)	3.1	3.2	3.7	3.8		2.9	3.0	2.1	2.5	
Private consumption expenditure	(0.7)	2.7	0.2	0.6	1.7	0.4	(0.4)	0.1	0.2	(0.2)
Government consumption expenditure	(0.3)	1.0	0.2	0.3	1.6	0.9	(0.7)	0.5	1.2	0.7
Gross domestic fixed capital formation	-	-	-	-	4.3	-	-	-	-	1.9
Exports										
Exports of goods	8.3	3.0	0.1	3.8	12.0	2.6	0.2	(0.8)	0.7	5.3
Exports of services	0.5	1.1	1.1	1.8	6.3	(0.3)	(1.3)	2.7	3.9	4.1
Imports										
Imports of goods	6.1	4.7	1.1	5.6	12.6	0.5	(0.3)	1.7	(0.2)	3.0
Imports of services	0.8	2.4	(1.8)	2.5	4.3	3.5	0.6	1.8	1.3	11.3

Note: Seasonally adjusted quarter-on-quarter rates of change for the gross domestic fixed capital formation are not available.

Source: Census and Statistics Department

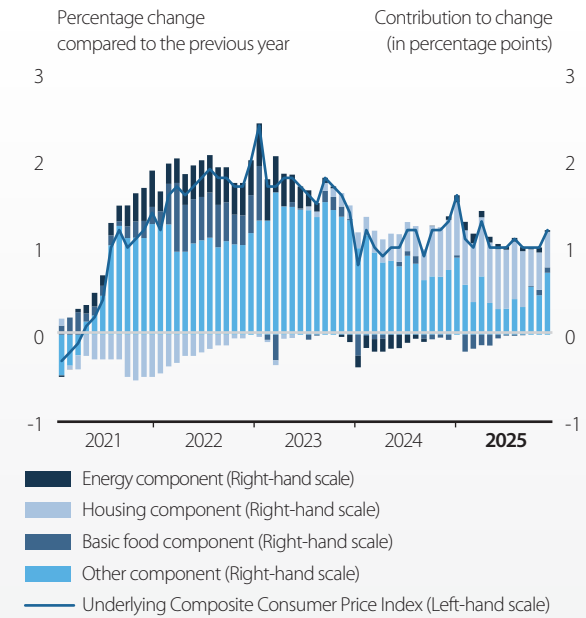
Economic and Financial Environment

Inflation and the labour market

Local inflation was modest in 2025, as external price pressures were mild, while domestic costs remained broadly in check despite rising housing rentals (Chart 2)¹. For the full year 2025, the underlying and headline inflation rates were 1.1% and 1.4% respectively.

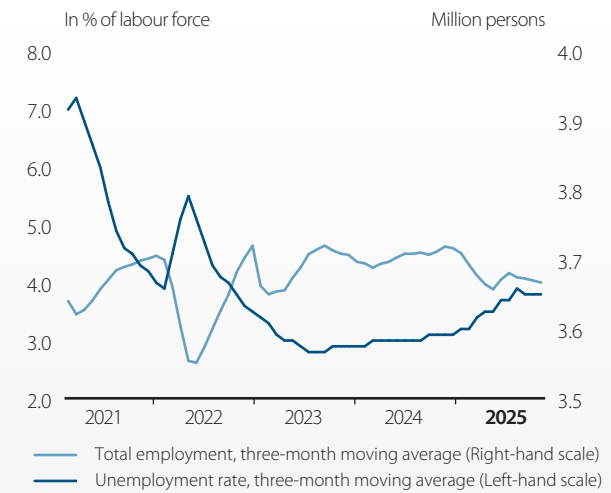
The labour market softened in 2025, with the unemployment rate rising to 3.8% in December from 3.1% a year earlier² (Chart 3). Overall labour demand weakened in early 2025, but gradually recovered toward year-end (Chart 3). Meanwhile, labour supply remained largely stable over the year³.

Chart 2 Underlying consumer price inflation



Source: Census and Statistics Department

Chart 3 Labour market conditions



Note: The unemployment rate is seasonally adjusted.

Source: Census and Statistics Department

1 Housing rentals increased by 4.2% year on year in December 2025. On the commercial front, rentals for office spaces, private retail premises and flatted factories in 2025 decreased by 2.9%, 4.0% and 2.8% year on year in December 2025, respectively.
 2 The three-month moving average underemployment rate increased to 1.7% in December 2025 from 1.1% a year prior.
 3 The size of the labour force increased marginally to 3.81 million persons at the end of 2025 from 3.80 million a year earlier.

Economic and Financial Environment

Stock market

The local stock market recorded robust performance in 2025. Although market sentiment softened in April 2025 following the US announcement of the reciprocal tariffs, investor confidence quickly recovered and remained strong throughout the rest of the year. The recovery was driven by an improving economic outlook for the Chinese Mainland, growing optimism around artificial intelligence developments, and the gradual rollback of US reciprocal tariff measures. This favourable environment lifted the Hang Seng Index to a year-high daily close of 27,287 on 2 October, before it receded slightly to conclude the year at 25,631 (Chart 4). Overall, the Hang Seng Index increased substantially by 27.8% year on year in 2025, marking its best performance since 2017.

Property market

The residential property market stabilised from the second quarter of 2025 onwards. As market sentiment became more positive in the face of improved domestic economic conditions and lowered mortgage rates⁴, housing transactions rose to 62,832 units in 2025, up 18.3% from 53,099 units in the previous year. In tandem, housing prices rose by 3.6% year on year, ending a three-year decline. The leasing market also remained active, with housing rentals rising by 4.2% year on year and surpassing pre-pandemic peak levels. In contrast, commercial real estate markets remained under pressure. Although transaction volumes increased compared to the previous year, prices and rentals of both office spaces and retail premises continued to adjust, partly reflecting persistently high vacancy rates across these segments⁵.

Chart 4 Asset prices



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

⁴ The effective mortgage interest rate of new loans approved decreased to 3.3% as of the end of 2025.

⁵ Rating and Valuation Department data indicates that the vacancy rates of office spaces and retail premises rose to 17.6% and 12.5% in 2025, compared to 16.3% and 11.8% in the previous year, respectively.

Economic and Financial Environment

Outlook for the economy

Economic environment

The Hong Kong economy is expected to grow at a moderate pace in 2026. Merchandise exports are expected to benefit from the ongoing artificial intelligence investment boom and the China-US trade truce. Services exports are projected to increase steadily, as financial services demand is likely to remain strong, while inbound tourism may continue to improve as a result of Hong Kong's hosting of mega events and sustained efforts by the Government to revitalise the tourism sector. On the domestic front, the pickup in business sentiment following the China-US trade truce and strengthened consumer confidence amid increased asset prices are expected to provide support to private investment and consumption activities. For 2026 as a whole, the Government projects real GDP to grow by 2.5–3.5%⁶.

The outlook, however, is subject to uncertainties surrounding the evolving geopolitical tensions, the sustainability of the artificial intelligence investment boom, persistent uncertainty in global trade policies, and the path of the US policy rate. In the short term, the direct impact of the energy shock triggered by the Middle East conflict is expected to be manageable, given Hong Kong's service-oriented nature, low oil-intensity structure, and relatively low weight of energy components in the Consumer Price Index (CPI) basket. However, the ultimate impact hinges on the duration and scope of the conflict. A prolonged conflict could heighten financial market volatility and potentially disrupt global growth and trade, posing headwinds to the Hong Kong economy.

Inflation and the labour market

Local inflation is expected to remain contained in 2026. The increase in housing rentals in previous quarters will gradually feed through to inflation, while the energy shock triggered by the military conflict in the Middle East may exert upward pressure on import prices. However, the outlook for local inflation remains stable, as energy components account for a relatively small share of the CPI basket, and other domestic cost pressures are anticipated to remain mild. The Government projects headline inflation to be 1.8% and underlying inflation to be 1.7% for 2026⁷. Meanwhile, the labour market is expected to remain broadly stable in 2026, supported by sustained economic growth. Nevertheless, certain sectors may continue to be under pressure amid their challenging operating environments. To support ongoing economic transformation and address labour shortages in targeted industries, the Government will continue to undertake a range of initiatives aimed at enriching Hong Kong's talent pool.

6 The latest market consensus forecast for Hong Kong's real GDP growth in 2026 is 2.8%.

7 The latest market consensus forecast for Hong Kong's headline inflation rate in 2026 is 1.9%.

Economic and Financial Environment

Performance of the banking sector

The Hong Kong banking sector remained resilient in 2025, supported by strong capital and liquidity buffers. Despite uncertainties in the macroeconomic environment and a challenging credit risk landscape, the overall asset quality of the banking sector remained manageable. The aggregate pre-tax operating profit of retail banks grew moderately during the year.

Asset quality

The classified loan ratio of the banking sector edged up to 2.01% at the end of 2025, from 1.96% at the end of 2024, while the overdue and rescheduled loan ratio decreased to 1.54% from 1.55% during the same period (Chart 5). The increase in the classified loan ratio was mainly due to downgrades in the classification of exposures to some local property developers and investors. On the other hand, the classified loan ratio of Mainland-related lending decreased to 1.94% at the end of 2025 from 2.37% at the end of 2024. Provisions set aside by banks remained sufficient, with the provision coverage ratio (i.e. total provisions to classified loans) standing at about 65% at the end of 2025. When the market value of collateral held against the classified loans is taken into account, the adjusted provision coverage ratio was above 150%. Meanwhile, the delinquency ratios of residential mortgage lending and credit card lending at the end of 2025 remained low, at 0.14% and 0.35% respectively (Chart 6).

Chart 5 Asset quality of the banking sector

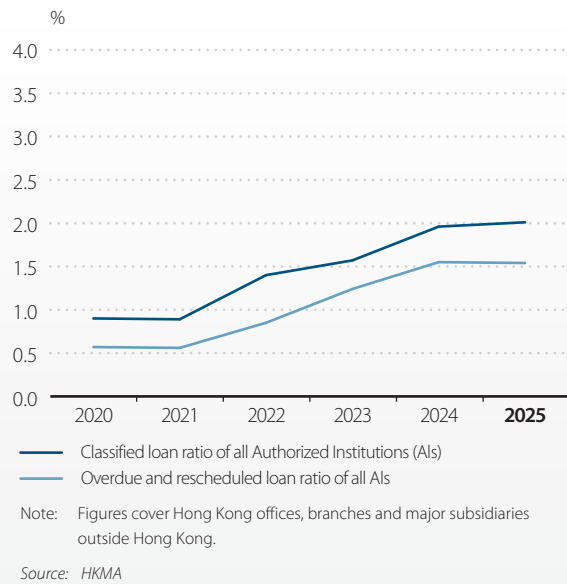
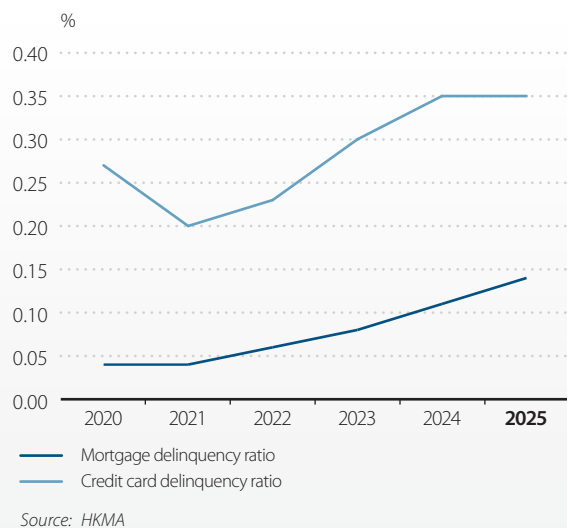


Chart 6 Delinquency ratios of residential mortgages and credit card lending



Economic and Financial Environment

Profitability trends

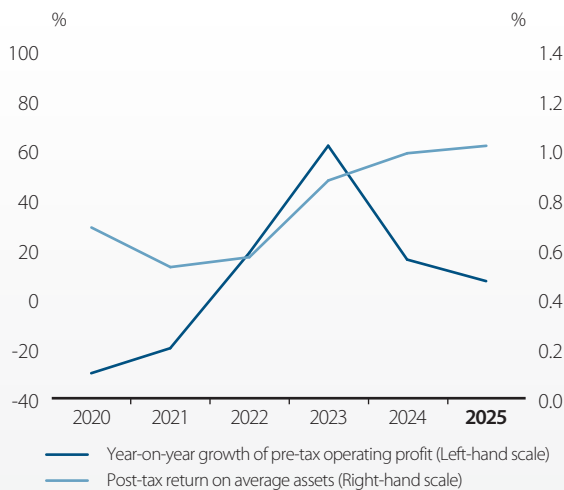
The aggregate pre-tax operating profit of retail banks increased by 7.3% in 2025, while the post-tax return on average assets rose to 1.02% from 0.99% over the same period (Chart 7). The profit growth was mainly due to increases in income from fees and commissions (+23.9%), net interest income (+5.6%) and income from foreign exchange and derivatives operations (+21.9%), partly offset by an increase in operating expenses (+6.3%). The net interest margin of retail banks for 2025 remained flat year on year at 1.52% (Chart 8). The cost-to-income ratio of retail banks edged up to 38.3% in 2025 from 38.2% in 2024 (Chart 9).

Balance sheet trends

The total assets of the banking sector grew by 7.7% in 2025, mainly due to an increase in negotiable debt instruments held (+14.9%). Total loans increased by 2.3% in 2025 after three consecutive years of contraction. Of the total loans, loans for use in Hong Kong, loans for use outside Hong Kong and trade finance increased by 1.9%, 3.4% and 2.5% respectively. Mainland-related lending increased by 2.3% in 2025.

On the liability side, total deposits rose by 11.8% in 2025, compared with growth of 7.1% in 2024. The overall loan-to-deposit ratio decreased to 52.2% at the end of 2025 from 57.0% a year before (Chart 10).

Chart 7 Performance of retail banks



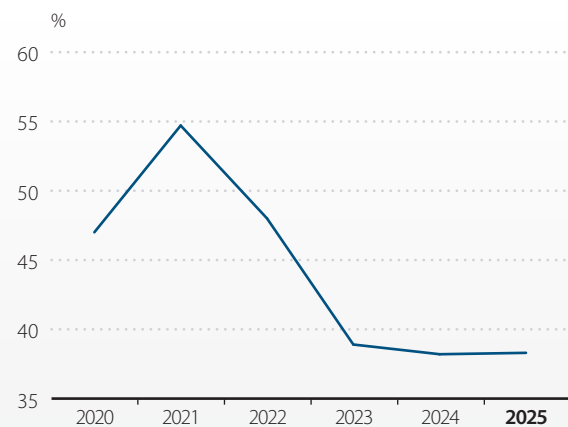
Source: HKMA

Chart 8 Net interest margin of retail banks



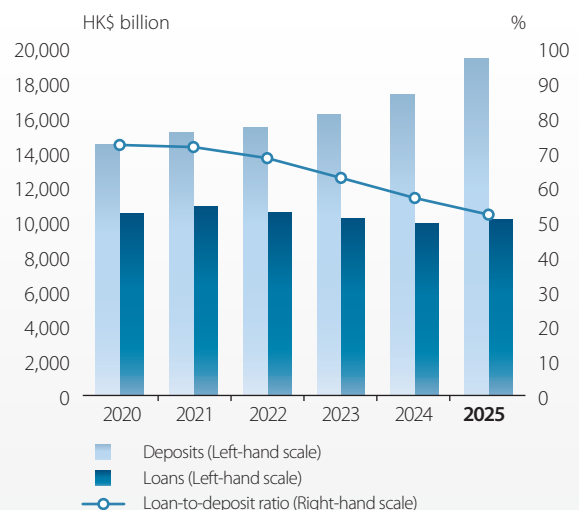
Source: HKMA

Chart 9 Cost-to-income ratio of retail banks



Source: HKMA

Chart 10 Loans and deposits of the banking sector



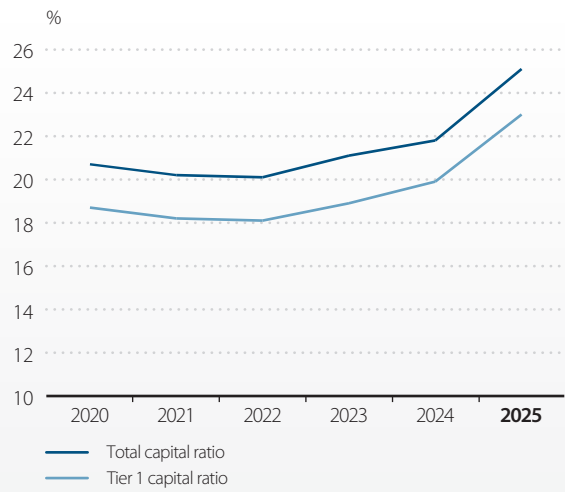
Source: HKMA

Economic and Financial Environment

Capital adequacy

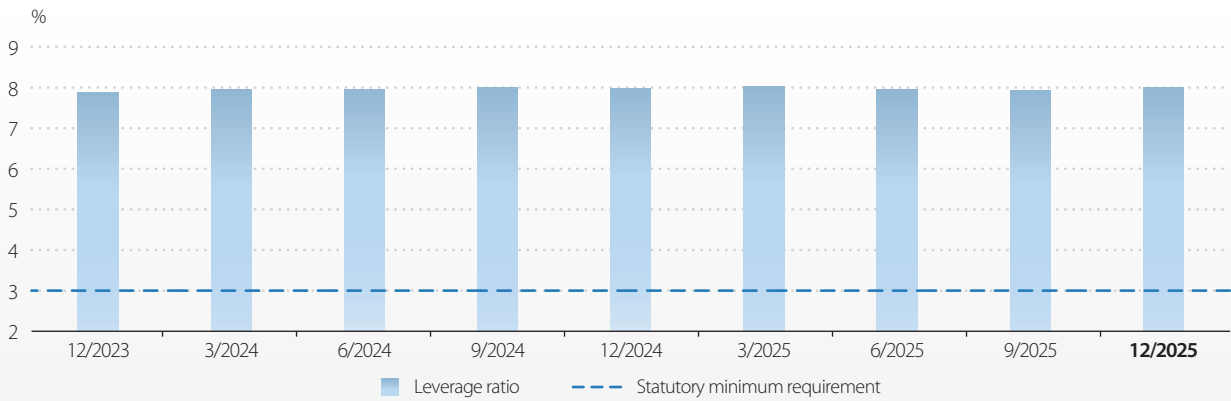
The banking sector remained well capitalised in 2025. The consolidated total capital ratio of locally incorporated authorized institutions (AIs) stood at 25.1% at the end of 2025, compared with 21.8% a year before, while the Tier 1 capital ratio was 23.0% (Chart 11). Both ratios were well above their respective international minimum requirements. The Basel III leverage ratio of locally incorporated AIs was 8.0% at the end of 2025 (Chart 12).

Chart 11 Consolidated capital ratios of locally incorporated AIs



Source: HKMA

Chart 12 Basel III consolidated leverage ratio of locally incorporated AIs



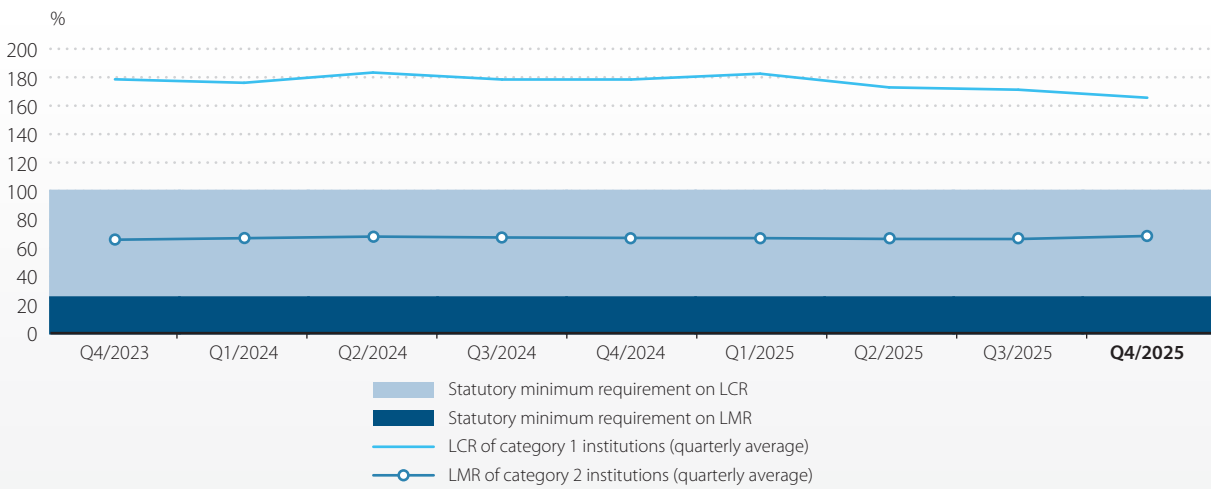
Source: HKMA

Economic and Financial Environment

Liquidity conditions

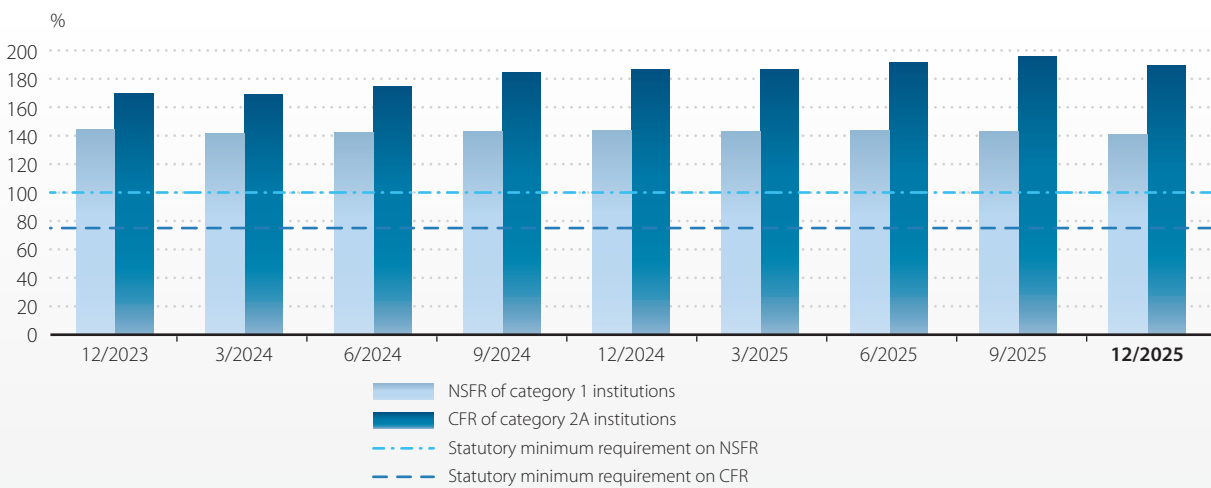
The banking sector maintained a strong liquidity position in 2025. The quarterly average Liquidity Coverage Ratio (LCR) of category 1 institutions stood at 165.6% in the fourth quarter of 2025, and the quarterly average Liquidity Maintenance Ratio (LMR) of category 2 institutions at 68.3% (Chart 13). The Net Stable Funding Ratio (NSFR) of category 1 institutions and the Core Funding Ratio (CFR) of category 2A institutions were 141.0% and 189.5% respectively at the end of 2025 (Chart 14). All four ratios were well above the statutory minimum requirements.

Chart 13 Liquidity ratios of designated AIs



Source: HKMA

Chart 14 Funding ratios of designated AIs



Source: HKMA



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 the following components:

- 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 (AB), 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 2025	31 December 2024
Certificates of Indebtedness ^a	636,375	601,415
Government-issued currency notes and coins in circulation ^a	12,973	13,047
Balance of the banking system ^b	53,948	44,802
EFBNs issued ^c	1,336,616	1,383,858
Total	2,039,912	2,043,122

- 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 AB 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 2025

Exchange rate stability

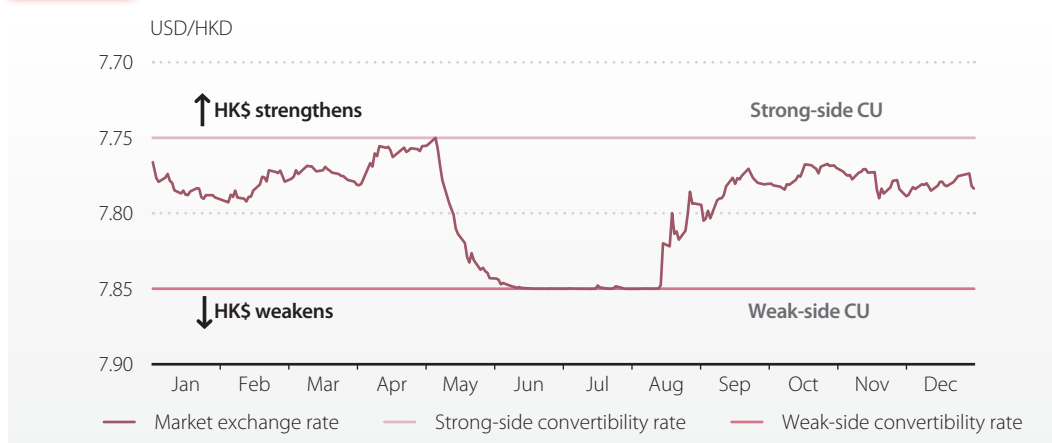
In 2025, the Hong Kong dollar exchange rate saw significant movements within the Convertibility Zone due to uncertainties surrounding global trade, market volatilities, and local fund flow dynamics. Stepping into the second quarter of the year, the Hong Kong dollar strengthened toward the strong-side CU, fuelled by high net inflows through the Southbound Stock Connect, and the unwinding of short Hong Kong dollar carry trades driven by risk-off sentiment following US tariff announcements. Subsequently, amid a sharp appreciation of some Asian currencies and continued equity-related demand, the Hong Kong dollar strengthened further, triggering the strong-side CU four times in early May. Reflecting the triggering of the strong-side CU, the AB increased from HK\$44.6 billion at the end of April to HK\$173.4 billion at the end of May. The expansion of the AB widened negative HKD-USD interest rate spreads, which incentivised carry trade activities and subsequently pushed the Hong Kong dollar toward the weak-side CU. As a result, the weak-side CU was triggered

12 times between late June and mid-August, and the AB correspondingly decreased to HK\$54.1 billion at the end of August. Following this, the Hong Kong dollar stabilised and primarily traded on the strong side of the Convertibility Zone, driven by equity-related buying flows. Overall, the Hong Kong dollar exchange market continued to function normally throughout 2025 (Chart 1).

The outstanding EFBNs decreased slightly from HK\$1,383.9 billion to HK\$1,336.6 billion during the year¹, while the AB increased from HK\$44.8 billion to HK\$53.9 billion. The AB and outstanding EFBNs combined decreased slightly from HK\$1,428.7 billion at the end of 2024 to HK\$1,390.6 billion at the end of 2025 (Chart 2). The Monetary Base as a whole remained fully backed by foreign exchange reserves.

HK\$1,390.6 billion
Total AB and outstanding EFBNs

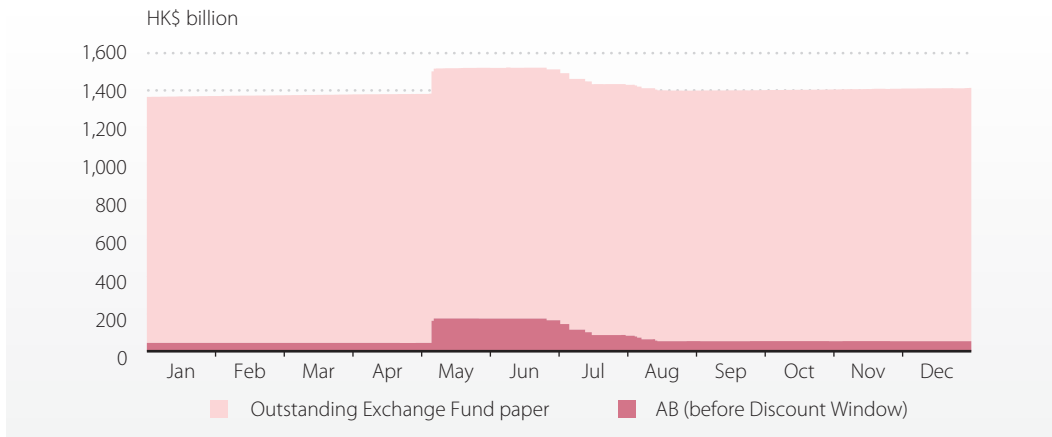
Chart 1 Market exchange rate in 2025



¹ EFBNs issued on a tender date but not yet settled are included in "EFBNs issued" in Table 1. The decrease in outstanding EFBNs during the year is attributable to the fact that the base date for the computation of the change (31 December 2024) was a tender date.

Monetary Stability

Chart 2 AB (before Discount Window) and outstanding Exchange Fund papers in 2025



Money market

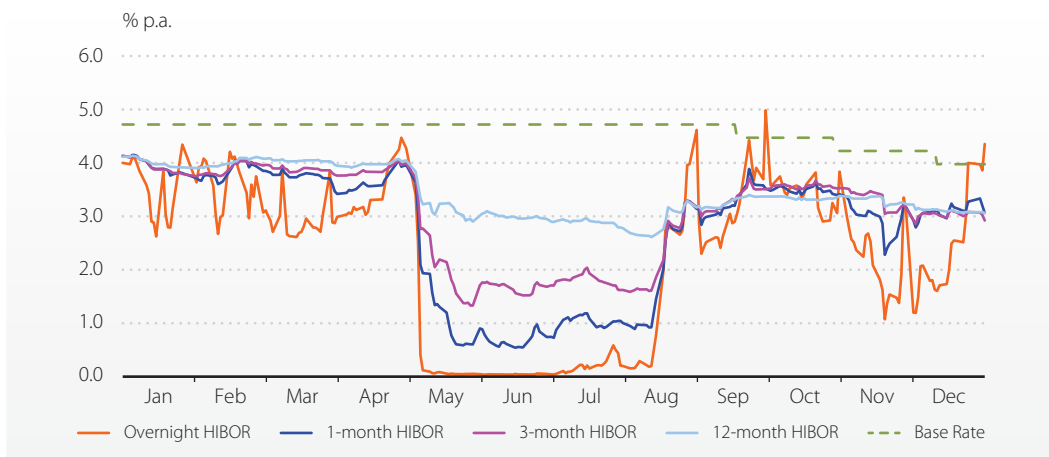
While Hong Kong dollar interbank rates generally track their US dollar counterparts under the Linked Exchange Rate System (LERS), they are also influenced by local supply and demand of Hong Kong dollar funding. Hong Kong interbank rates remained stable in the first four months of 2025 (Chart 3). As the AB expanded in early May, eased liquidity conditions pushed Hong Kong Interbank Offered Rates (HIBORs) lower, with the overnight HIBOR trading near zero. After repeated weak-side CU triggering, liquidity tightened and facilitated the short-dated HIBORs to rebound and track the US dollar interest rates more closely in August. Thereafter, HIBORs remained largely stable before tightening on typical seasonal funding demand ahead of the holidays in late December. For the year as a whole, the overnight, one-month and three-month HIBORs decreased by 126, 150 and 144 basis points respectively to 4.38%, 3.08% and 2.93% at year end.

Following the decreases in the target range for the US federal funds rate, the Base Rate was adjusted downwards thrice by a total of 0.75 percentage points (i.e. 75 basis points) from 4.75% to 4.00% (Chart 3)². On the retail front, following the US policy rate cuts, many banks lowered their best lending rates by 12.5 basis points in late September and another 12.5 basis points in early November. They did not proceed to cut rates further in December despite another US policy rate cut, as deposit rates were already close to zero. Overall, Hong Kong's money markets continued to function normally. Discount Window borrowing decreased to HK\$35.7 billion in 2025 from HK\$50.0 billion in 2024 and no abnormality was noted in the relevant usage.

² 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 higher.

Monetary Stability

Chart 3 Hong Kong dollar interbank interest rates in 2025



Linked Exchange Rate System

The LERS has served as a strong anchor of Hong Kong's financial system for four decades and has shown its strength and resilience in the face of challenges. The Government is firmly committed to the LERS. In its 2025 *External Sector Report*, the International Monetary Fund reiterated that the credibility of the LERS has been ensured by a transparent set of rules governing the arrangement, large fiscal and foreign reserves, strong financial regulation and supervision, a flexible economy, and a prudent fiscal framework.

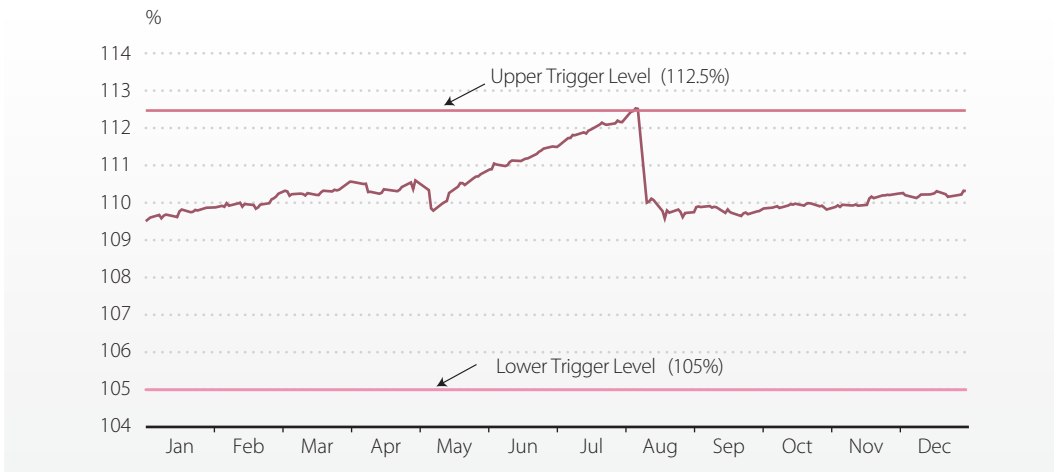
A robust banking system is crucial to the normal functioning of the LERS. Hong Kong's banking sector continued to operate smoothly with liquidity positions and capitalisation faring very well by international standards. To ensure the resilience of the banking sector, the HKMA has been closely monitoring banks' management of credit, liquidity and interest rate risks and stress-test results. In addition, the HKMA 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 109.56% at the end of 2024 to a high of 112.56% on 6 August 2025, surpassing the Upper Trigger Level of 112.5% (Chart 4)³. In accordance with the arrangement approved by the Exchange Fund Advisory Committee, assets were transferred out of the Backing Portfolio to the Investment Portfolio to reduce the Backing Ratio to around 110.03% on 11 August. Thereafter, the Backing Ratio remained largely stable, ending the year at 110.34% 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.

³ The increase was mainly attributable to interest income and mark-to-market revaluation of investments.

Monetary Stability

Chart 4 Daily movement of the Backing Ratio in 2025



Currency Board Sub-Committee

The Currency Board Sub-Committee (CBC) of the Exchange Fund Advisory Committee monitors and reviews issues relevant to monetary and financial stability in Hong Kong. In 2025, the CBC considered issues including the usage of the HKMA’s Discount Window and the associated “stigma effect” on banks over time, and the relationship between Hong Kong dollar interbank liquidity and interbank interest rates. 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.



Records of the CBC's discussions

Notes and coins

The value of the notes and coins in circulation at the end of 2025 is summarised below:

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

HK\$636.4 billion

up 5.8% year on year

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

HK\$12.7 billion

down 0.6% year on year

Of which:

- Total value of HK\$10 notes **HK\$4.5 billion**
- 81% were polymer notes

Monetary Stability

Chart 5 Banknotes in circulation by note-issuing banks at the end of 2025

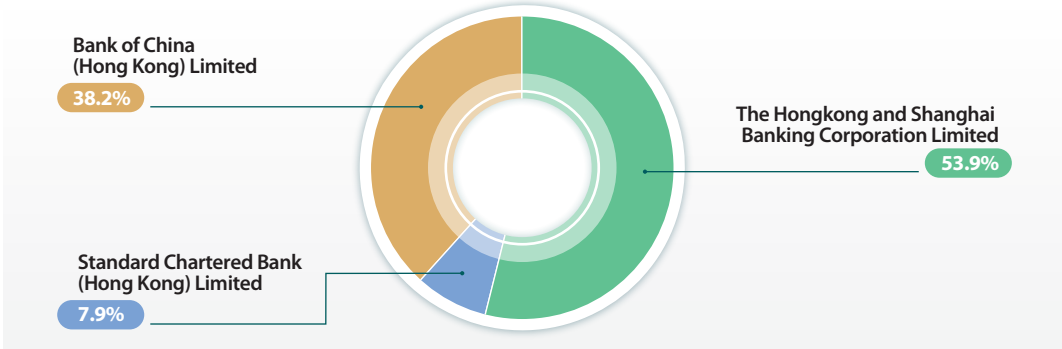


Chart 6 Distribution of banknotes in circulation at the end of 2025

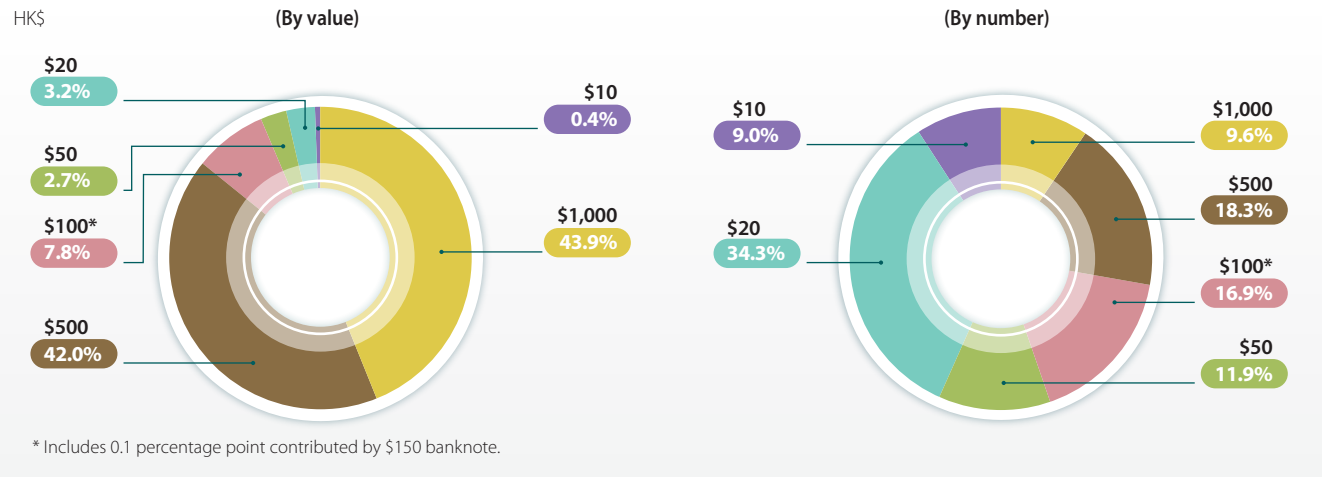


Chart 7 Banknotes in circulation at the end of 2025

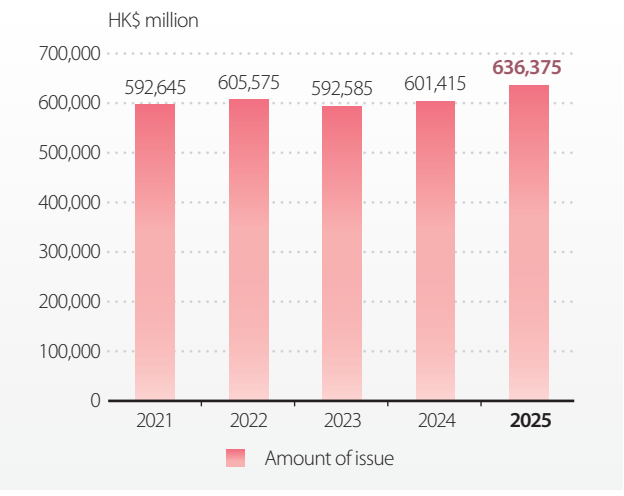
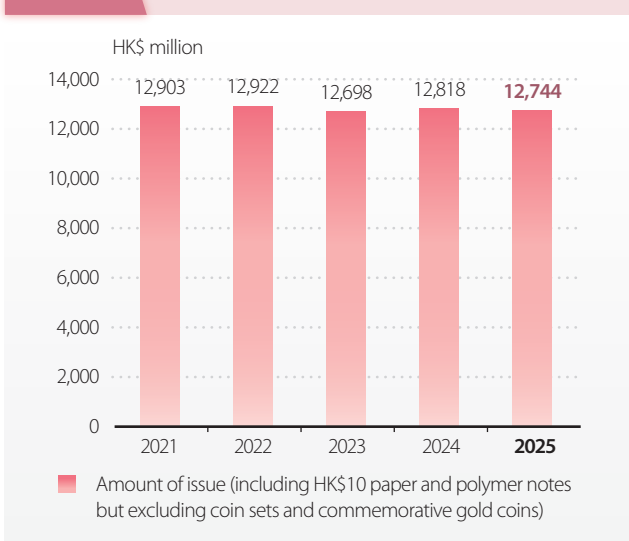
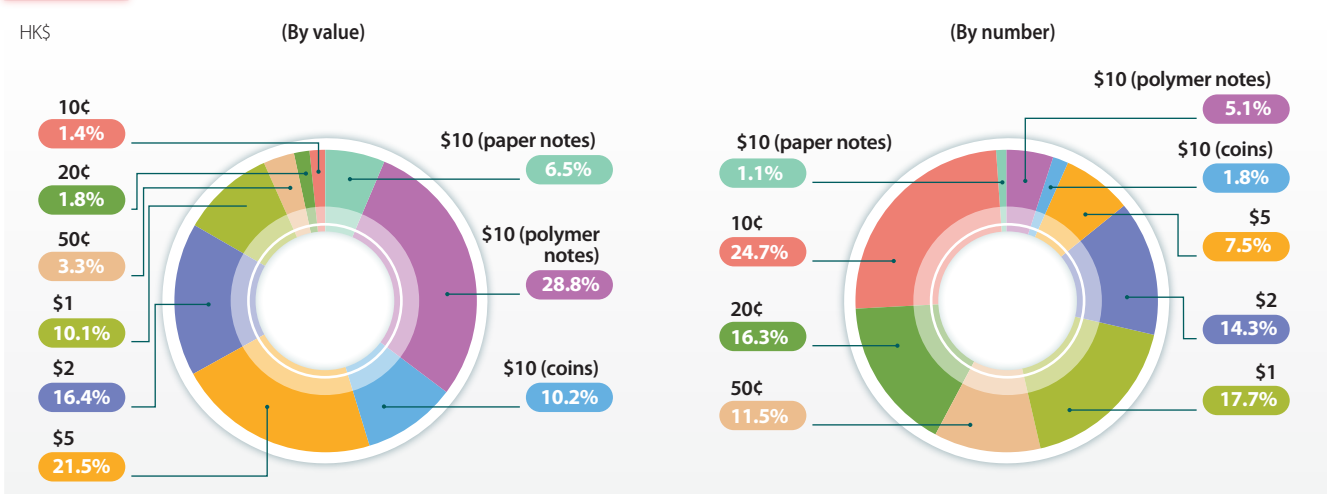


Chart 8 Government-issued currency notes and coins in circulation at the end of 2025



Monetary Stability

Chart 9 Breakdown of Government-issued currency notes and coins in circulation at the end of 2025



Hong Kong banknotes

During the year, the HKMA organised 14 seminars on the design and security features of Hong Kong banknotes for more than 3,300 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 2025*.

Exchange Fund Bills and Notes

The EFBN Programme continued to operate smoothly. At the end of 2025, the nominal amount of outstanding Exchange Fund papers stood at around HK\$1,342.0 billion (Table 2).

Table 2 Outstanding issues of EFBNs

HK\$ million	2025	2024
Exchange Fund Bills (by original maturity)		
28 days	0	800
91 days	854,865	819,650
182 days	416,600	414,600
364 days	56,100	56,100
Subtotal	1,327,565	1,291,150
Exchange Fund Notes (by remaining tenor)		
1 year or less	6,000	6,000
More than 1 year and up to 3 years	7,200	7,200
More than 3 years and up to 5 years	1,200	2,400
More than 5 years and up to 10 years	0	0
Subtotal	14,400	15,600
Total	1,341,965	1,306,750

Monetary Stability

Monetary research

In 2025, the Hong Kong Institute for Monetary and Financial Research (HKIMR), a subsidiary and the research arm of the Hong Kong Academy of Finance (AoF)⁴, released 21 working papers on monetary and financial topics relevant to Hong Kong and the Asia-Pacific region. The findings were widely disseminated to the academic and policy community through various channels.

The HKIMR also organised a series of knowledge exchange events to foster engagement with various participants. Aimed at local audiences, 27 research seminars/webinars on key monetary and financial topics were held during the year. On the international front, 13 international conferences and seminars were organised by the AoF and the HKIMR in collaboration with leading academic institutions, central banks and international financial institutions to foster dialogues on broader economic and financial issues.

The HKIMR international events included the following:

14–15 Jan Joint Conference on Europe, Asia and the Changing Global Economy

Co-organisers: The European Central Bank and the Bank of Finland Institute for Emerging Economies



10 Apr International Conference on Generative Artificial Intelligence

Co-organisers: The HKMA and the Centre for Economic Policy Research

14–15 May The second ASEAN+3 Finance Think-tank Network Seminar

Co-organiser: The ASEAN+3 Macroeconomic Research Office

14–15 Jul Joint Conference on Sustaining Financial Stability amid Uncertainty, Fragmentation and Rapid Innovation

Co-organisers: The International Monetary Fund and the Bank for International Settlements

11–12 Sep The 20th Central Bank Conference on the Microstructure of Financial Markets

14–15 Oct The 15th Annual International Conference on the Chinese Economy – Macroeconomic Management and Structural Transformation

⁴ The AoF was set up with full collaboration amongst the HKMA, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority to bring together the strengths of the academia, the industry, professionals and the regulatory community to develop financial leadership and promote research collaboration. Members of the AoF are senior management and promising talents from financial institutions, regulators, professional firms and academia in the field of finance.



Banking Stability

Objectives

A key objective of the HKMA is to promote the safety and stability of the banking system. Achieving this objective is contingent upon having a highly resilient financial system, one that is able to provide the critical financial services that the Hong Kong economy needs.

Banks can affect the stability of the financial system through their business practices, or by failing 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, which in turn helps 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, 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 seeks to ensure that should an AI fail, the situation can be managed in an orderly manner that maintains financial stability. To this end, a resolution regime for financial institutions in Hong Kong has been established, under which the Monetary Authority is the resolution authority for AIs. Effective implementation of the resolution regime requires setting out resolution rules and policy standards, undertaking resolution planning to enhance the resolvability of AIs on an ongoing basis, and developing the capability to manage resolution execution. In carrying out these tasks, the HKMA adopts an approach that is in harmony and co-ordinated with international standards.

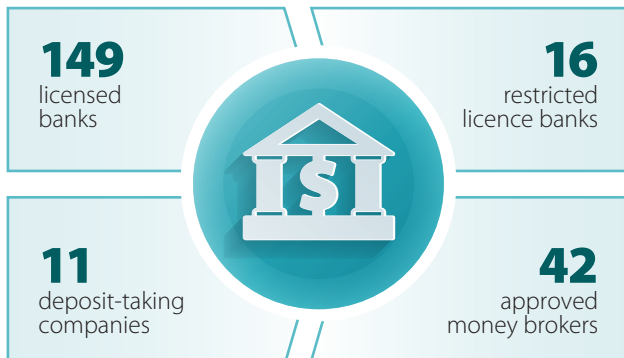
The Monetary Authority is also responsible for the designation and oversight of certain financial market infrastructures (FMIs). Its aim in overseeing FMIs is to promote their general safety and efficiency, mitigate systemic risk, and foster transparency. Enhancing the resilience of FMIs is a way of safeguarding Hong Kong's monetary and financial systems against any destabilising effects arising from disruption to the FMIs.

Banking Stability

Review of 2025

Licensing

At the end of 2025, Hong Kong had:



During the year, the HKMA granted a restricted banking licence to one bank incorporated outside Hong Kong, and money broker approvals to three inter-dealer brokers. The authorization of one licensed bank and the approvals of two money brokers were revoked.

More information about the AIs and local representative offices in Hong Kong can be found in the Annex on pages 281 to 284, and in Tables D to F on pages 290 to 293.

Company re-domiciliation regime in Hong Kong

The HKMA provided strong support for the Government's legislative exercise to introduce a company re-domiciliation regime in Hong Kong. The relevant legislation, including amendments to the Banking Ordinance (BO) and its subsidiary legislation, along with other legislation pertaining to the HKMA, was passed by the Legislative Council (LegCo) on 14 May and came into operation on 23 May.

Overview of supervisory activities

In 2025, the HKMA conducted 176 off-site reviews on AIs that covered a broad range of issues, including the CAMEL rating assessment¹, and reviews of corporate governance and risk management. As part of our ongoing efforts to promote stronger risk governance, we held 38 meetings with boards of directors, independent non-executive directors or board-level committees of AIs. Another 39 tripartite meetings were held with AIs and their external auditors. We also conducted on-site examinations of a wide range of AI activities, which included examinations of governance and practices in the areas of credit, market, liquidity and climate risk management.

The HKMA continued to prioritise efforts to strengthen the operational, technology and cyber resilience of AIs. Our overall supervisory processes were further enhanced by augmenting our supervisory technology (Suptech) capabilities and integrating generative artificial intelligence (GenAI) tools.

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

¹ Comprising the five components of **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings and **L**iquidity.

Banking Stability

Table 1 contains a summary of the HKMA's supervisory activities in 2025.

Table 1 Summary of supervisory activities		2025	2024
1	Off-site reviews and prudential interviews	176	174
2	Meetings with boards of directors, independent non-executive directors or board-level committees of AIs	38	36
3	Tripartite meetings	39	38
4	Culture dialogues	5	7
5	On-site examinations	138	119
	Operational risk and technology risk management ^a	28	27
	Anti-money laundering and counter-terrorist financing (AML/CFT) controls	28	14
	Liquidity risk management	8	4
	Implementation of Basel capital adequacy framework	8	14
	Model risk management	1	0
	Capital planning	5	6
	Market risk and treasury activities	10	12
	Securities, investment products, trust, insurance and MPF-related businesses	24	22
	Consumer protection	2	2
	Deposit Protection Scheme-related representation	12	12
	Examinations outside Hong Kong	12	6
	– Credit risk management and controls	7	5
	– Others	5	1
6	Thematic reviews	1,069	654
	Credit risk management and controls ^b	29	37
	Operational risk and technology risk management ^a	98	64
	AML/CFT controls	75	71
	Model risk management	9	7
	Securities, investment products, trust, insurance and MPF-related businesses	509	118
	Consumer protection	229	237
	Sharing and use of credit data	67	63
	Capital planning	1	0
	Liquidity risk	25	16
	Market risk	10	18
	Green and sustainable banking ^c	17	23
Total		1,465	1,028

- a. Apart from these on-site examinations and thematic reviews, the HKMA also undertook additional supervisory activities focused on operational resilience, including an HKMA survey, AIs' self-assessment exercises, and independent validations required of AIs to track implementation progress and identify areas for enhancement, as well as extensive outreach at both the bilateral and industry levels on framework development and practices.
- b. Apart from these thematic reviews, the HKMA also undertook additional supervisory activities focused on evaluating 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 increased by 2.3% in 2025, compared with a decline of 2.8% in 2024. Table 2 gives a breakdown of the growth in loans and advances. Mainland-related lending increased by 2.3% to HK\$3,963 billion in 2025 (Table 3).

The HKMA monitored the asset quality of AIs closely and assessed the adequacy and effectiveness of their credit risk management practices. Despite uncertainties over global trade policies and the subdued performance of some local economic sectors, the overall credit risk and asset quality of the banking sector remained manageable. The classified loan ratio of the banking sector increased slightly from 1.96% at the end of 2024 to 2.01% at the end of 2025, while the classified loan ratio for Mainland-related lending decreased to 1.94% from 2.37% during the same period.

During the year, the HKMA conducted thematic examinations to evaluate the credit risk management of AIs, focussing particularly on their management of exposure to vulnerable sectors, collateralised lending to private banking and wealth management customers, unsecured retail lending, oversight of credit risks at operations outside Hong Kong, problem loan management, as well as loan classification and provisioning.

Table 2 Growth in loans and advances

% change	2025	2024
Total loans and advances	+2.3	-2.8
Of which:		
– for use in Hong Kong	+1.9	-2.1
– trade finance	+2.5	+4.6
– for use outside Hong Kong	+3.4	-5.7

Table 3 Growth in Mainland-related lending

% change	2025	2024
Total Mainland-related lending	+2.3	-8.3
Of which:		
– Mainland-related lending (excluding trade finance)	+2.3	-8.3
– trade finance	+2.9	-9.7

Banking Stability

Supporting the real economy

Support for local small and medium-sized enterprises

While maintaining a strong supervisory focus on credit risk, the HKMA has been encouraging banks to support the real economy, including by supporting small and medium-sized enterprises (SMEs), while adhering to the overarching principle of prudent risk management.

Building on the “9+5” SME support measures² introduced in 2024, the HKMA worked with the banking sector to further strengthen the sector’s support for the development, upgrade and transformation of SMEs.

Additional SME support measures

In light of heightened uncertainties surrounding global trade policy and macroeconomic issues arising in early 2025, the HKMA introduced additional sector-specific measures in April to support SMEs through the Banking Sector SME Lending Coordination Mechanism³ and the Taskforce on SME Lending (the Taskforce)⁴.

Sector-specific measures announced in April



Import-export and manufacturing sectors:

participating banks to provide extensions to trade facilities (e.g. 90 or 120 days) or alternative suitable credit arrangements



Construction sector:

participating banks to collaboratively offer flexible financial arrangements to alleviate sudden cashflow pressures affecting their common customers



Transport sector:

participating banks to introduce new financing products that are better suited to the needs of this sector, along with more flexible repayment arrangements

The total amount of dedicated funds set aside for SMEs in lending portfolios by the 18 participating banks in the Taskforce increased from HK\$370 billion in October 2024 to HK\$420 billion in October 2025.

The various support measures announced since March 2024 have benefitted SMEs in over 78,000 cases up to the end of December, involving an aggregate credit limit of over HK\$184 billion.



The HKMA and HKAB co-chaired the fourth meeting of the Taskforce in April to discuss sector-specific SME support measures

- 2 The HKMA and the banking sector introduced nine measures to support SMEs’ access to financing and continuous development in March 2024, and another five measures to support SMEs’ upgrade and transformation in October 2024.
- 3 The Banking Sector SME Lending Coordination Mechanism was established by the HKMA in October 2019. Participants include 11 banks that are most active in SME lending, the Hong Kong Association of Banks (HKAB) and HKMC Insurance Limited.
- 4 The Taskforce, jointly established by the HKMA and HKAB in August 2024, aims to further strengthen the related work on supporting SMEs at both the individual and industry levels. Participants include representatives of the HKMA, HKAB and 18 banks that are active in SME lending.

Banking Stability

Dedicated hotline

The HKMA established a dedicated hotline (phone: 2878 1199 and email: smelending@hkma.gov.hk) to answer enquiries and provide assistance to individual SMEs. At the end of 2025, the dedicated hotline had received and handled 411 cases, most of which have been resolved. SMEs have given positive feedback to the initiative.

Engagement with the commercial sector

The HKMA continued to work with the Hong Kong Association of Banks (HKAB) and the Chinese Banking Association of Hong Kong (HKCBA) on enhancing engagement with the commercial sector through the Taskforce to better understand and support the needs of SMEs from various sectors. For example:

- Five engagement sessions were held with representatives of the Government, business associations and SME operators from the construction and transport sectors to exchange views on the financing support provided by banks for these sectors.
- More than 160 engagement events with trade associations and representatives from different industry sectors were arranged by participating banks in the Taskforce to help banks gain a better understanding of the operations of SMEs in various industries.

- SME forums were organised by HKAB to promote the banking sector's support for SMEs' upgrade and transformation. The forums focused on assisting with digital transformation, green transformation and cross-border business expansion for SMEs. The forums attracted over 700 representatives from industry associations, SME operators, banks and professional service providers.

Intellectual property financing

In collaboration with the Commerce and Economic Development Bureau and the Intellectual Property Department, the HKMA launched the Intellectual Property (IP) Financing Sandbox in December. The Sandbox provides a collaborative and risk-controlled environment where banks, IP valuation firms, legal practitioners and other relevant professionals can test the full lifecycle of IP financing based on IP assets. Banks can use the Sandbox to develop and refine their IP financing arrangements in order to better serve the needs of innovative enterprises, particularly SMEs that are rich in IP assets but may lack tangible assets that can be pledged as collateral for bank financing.



(Left photo) Mr Arthur Yuen (front row, fourth from right), Deputy Chief Executive; and Ms Carmen Chu (front row, third from right), Executive Director (Banking Supervision), with other participants at the SME Expo: Global Horizons Conference organised by HKAB in October

Banking Stability

Property mortgage lending

The successive rounds of countercyclical macroprudential measures introduced by the HKMA since 2009 have strengthened banks' risk management of their property mortgage lending business, and enhanced the banking sector's capacity to cope with challenges arising from a sharp correction in property prices. The HKMA last adjusted the countercyclical macroprudential measures for property mortgage loans in 2024, reverting the maximum loan-to-value (LTV) ratio and debt servicing ratio (DSR) limit for residential properties to their respective pre-2009 levels of 70% and 50%. The average LTV ratio of new residential mortgage loans approved in 2025 stood at 62%, compared with 64% in September 2009 before the countercyclical measures were introduced. The average DSR of new mortgages remained low at 40% in 2025 (Chart 1), compared with 41% in August 2010 when a cap on the DSR was first introduced.

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

With the banking industry aiming to become operationally resilient by May 2026, the HKMA provided targeted and timely guidance calibrated to the industry's level of operational resilience maturity. For instance, we issued a set of good practices for mapping and scenario testing, and supported the industry-led Whole Industry Simulation Exercise (WISE) 2025 in November, which provided banks with an opportunity to test their incident response and operational resilience capabilities under an "extreme weather" event. In parallel, we engaged banks bilaterally in consultative sessions. Leveraging their self-assessments and independent validation reports, we identified areas that merited early attention and offered supervisory feedback.

Cyber risks remained elevated against a backdrop of technology advancements and geopolitical uncertainties. To enhance the cyber resilience of banks, the HKMA undertook additional supervisory work at both the institutional and sectoral levels. For the former, we started work on developing a Cyber Resilience Testing Framework to strengthen the technical responses and recovery capabilities of banks during a cybersecurity incident. At the sectoral level, we completed the first production run of the cross-sectoral Cyber Mapping Exercise, and also progressed with preparatory work to fulfil the Monetary Authority's role as a designated authority under the Protection of Critical Infrastructures (Computer Systems) Ordinance. To align with international standards, we made preparations to adopt the Financial Stability Board (FSB)'s "Format for Incident Reporting Exchange" and enhance our reporting regime for operational incidents, including information technology-related ones.



Ms Carmen Chu (front row, sixth from left), Executive Director (Banking Supervision), with around 120 practitioners, regulators and industry association representatives from multiple sectors, attend the kick-off workshop for WISE 2025

The digital fraud landscape has continued to evolve rapidly, with increasingly sophisticated modus operandi emerging. To help the public better defend themselves, the HKMA introduced enhanced security measures with its new "E-Banking Security ABCD" family. These measures include promoting the greater use of in-App authentication in place of SMS One-Time-Passwords (**A**uthenticate in App), enabling the voluntary deactivation of risky Internet banking functions (**B**ye to unused functions), encouraging more effective use of the Suspicious Account Alert mechanism⁵ (**C**ancel suspicious payments), and enhancing banks' deepfake detection capabilities (**D**eepfake detection).

These measures, which were promoted through various channels, have proven effective in the fight against fraud. Specifically, "Measure A", which requires in-app authentication for select transactions, helped reduce fraud risks by approximately 80% when applied to an online credit card context. "Measure B" recorded over 10,000 uses by bank customers in just three months following its launch, and the good practices we shared as part of "Measure D" resulted in a 95% increase in banks' real-time deepfake detection capabilities.

The HKMA also took forward preparatory work to launch an interactive online game and quiz that will serve the dual purposes of familiarising the public with the "E-Banking Security ABCD" measures and providing more targeted training to professionals on anti-fraud and cybersecurity tips.

⁵ Launched in November 2023, the Suspicious Account Alert system alerts a money sender when they transfer funds to an account flagged as suspicious in the police's "Scameter" database. The alert system covers the majority of the public's day-to-day transactions, including fund transfers made via the Faster Payment System, internet banking, physical branches, Automated Teller Machines and cash machines.

Banking Stability

Liquidity and market risks

When global financial markets and fund flows became increasingly volatile amid escalating trade tensions, we stepped up surveillance of the market and liquidity risk profiles of AIs, and undertook targeted stress tests to assess their resilience to severe liquidity shocks. The results indicated that the banking sector had sufficient buffers to withstand abrupt and large-scale fund outflows during periods of major turbulence in financial markets. We also scrutinised the preparedness of AIs for dealing with liquidity stress, and shared good practices with the industry. On the market risk front, we kept abreast of market developments, writing to AIs to encourage them to make early preparations for an accelerated settlement cycle for the Hong Kong cash equity market. Examinations were conducted to evaluate the market risk management practices and governance of AIs, focusing on practices related to their debt securities portfolios, treasury operations and trading activities conducted in but booked outside of Hong Kong. Good practices and supervisory expectations were shared with the industry.

Anti-money laundering and counter-financing of terrorism

As the regulator of the banking sector, the HKMA plays a critical role in Hong Kong's anti-money laundering and counter-financing of terrorism (AML/CFT) regime. Minimising the impact of fraud and reducing the prevalence of mule accounts are among our highest priorities. In April, we rolled out a series of initiatives to address these issues, including expanding the use of Scameter data by retail banks and stored value facility (SVF) licensees, and sharing industry best practices and key indicators for identifying potential scam victims.

In June, the BO was amended to enable banks to share information of corporate and individual accounts through designated platforms, including the Financial Intelligence Evaluation Sharing Tool (FINEST), for detecting and preventing crime. With the enhancement of FINEST in mid-December, the number of cases shared via FINEST increased from 120 to around 750 per month in the initial 1.5 months between mid-December 2025 and end-January 2026. Meanwhile, the Fraud and Money Laundering Intelligence Taskforce (FMLIT)⁶ has continued its efforts to reduce fraud. In 2025, the FMLIT received 1,377 intelligence-led suspicious transaction reports, which helped identify 22,740 new suspicious accounts and led to the restraint of HK\$306.7 million.

As a result of banks' enhanced capabilities to detect suspicious payments and promptly alert potential victims, the number of fraud cases identified by banks and the Hong Kong Police Force (Police) through real-time fraud monitoring and upstream intervention doubled in 2025 compared with 2024, exceeding 3,600 cases. Meanwhile, the proportion of cases identified and subject to proactive intervention by banks and the Police increased from 4.2% in 2024 to 8.5% in 2025, leading to a 18% reduction in the average loss per fraud case intervened in.

In close co-operation with the Police and the banking industry, we have taken a number of steps to enhance outreach and counter-fraud education to different segments of the community, including groups frequently targeted by fraudsters. We have also introduced an instant messaging channel to rapidly share the latest scam tactics identified by the Police with all 28 retail banks.

⁶ Established in 2017, FMLIT is 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 between the Police and banks.

Banking Stability

HKMA's anti-scam initiatives



Mr Raymond Chan (centre), Executive Director (Enforcement and AML), announces a series of new measures to combat fraud and mule accounts at a joint press conference with the Police and HKAB



The HKMA uses fun and interactive activities to promote anti-scam messages to the public at the Anti-crime Carnival hosted by the Police



The HKMA collaborates closely with the banking industry and the Police to enhance public AML and anti-fraud awareness through an outreach event in Mei Foo during the AML Month



Representatives from the HKMA, the Police and banks pass out anti-fraud and AML messages to the public during an outreach event at Victoria Park



The HKMA collaborates with the Police to raise anti-fraud awareness among university students through an anti-scam seminar at the university campus of Hong Kong Shue Yan University



Mr Raymond Chan, Executive Director (Enforcement and AML), speaks at the Experience Sharing Forum on the strategic adoption of artificial intelligence in transaction monitoring to address evolving modes of financial crime

More information on the HKMA's anti-scam initiatives can be found in the *Anti-scam consumer protection initiatives* on pages 97 to 98.

Banking Stability

We have continued to prioritise the implementation of risk-based anti-money laundering (AML) regulation based on international standards, enabling banks to prioritise combatting financial crimes in activities that pose higher risk. We issued AML Guidelines to help clarify expectations for applicants for stablecoin issuer licences in July; issued smart tips advising institutions against using an overly-cautious or disproportionate approach in managing risks associated with politically exposed persons in November; and provided guidance on combatting high-end money laundering in December.

The ability of the banking sector to detect and report suspicious activities is essential to combatting financial crimes. Therefore, we have continued to undertake multiple initiatives aimed at accelerating banks' adoption of artificial intelligence tools to support the identification of such activities. The implementation plans submitted by banks with significant operations in Hong Kong indicate that more than 30% have already deployed artificial intelligence tools in their transaction monitoring processes, and the adoption rate is set to rise to above 80% over the next two years. With the support of external consultants, we launched a new two-year programme in November to help banks further accelerate the adoption of artificial intelligence in their transaction monitoring systems. The launch event at Cyberport⁷ showcased the benefits of artificial intelligence in a range of possible use cases.

To strengthen our ongoing assessment of the effectiveness of the AML/CFT systems of banks, we doubled the number of our on-site examinations in 2025 to 28, from 14 in 2024. These included risk-focused examinations and thematic reviews on screening systems for combatting proliferation financing and terrorist financing, controls over wire transfers, business relationships with financial institutions, as well as anti-fraud and anti-scam control systems of banks.

At the same time, by automating routine processes and improving our data collection and analysis, we were able to increase the number of off-site reviews and assessments of AIs and SVF licensees from 71 to 75. These covered reviews of anti-fraud and anti-scam control systems, along with others on the adoption of artificial intelligence to enhance the monitoring of suspicious activities.

In its role as a recognised forward-looking AML/CFT supervisor, the HKMA is in frequent demand for training services and knowledge sharing. In 2025, we undertook 38 such engagements with local and international partners.

Wealth management and MPF-related businesses

The HKMA co-operates closely with other financial regulators in Hong Kong to supervise the practices of AIs 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 held under the auspices of the Council of Financial Regulators, to ensure our supervisory actions are co-ordinated and effective.

In 2025, the HKMA conducted 24 on-site examinations, 509 thematic reviews and 35 analyses of surveys and returns from AIs to ensure their compliance with regulatory requirements, covering issues such as the sale of securities and investment products, trust and depositary services, and insurance and MPF-related businesses. These initiatives focused on the sale of complex and high-risk investment products, the distribution of green and sustainable investment products, the underwriting of debt securities, management oversight and control frameworks over corporate finance and asset management activities, the distribution of non-investment-linked long term insurance products, premium financing, digital asset-related activities, the distribution of investment products through online platforms, and Cross-boundary Wealth Management Connect (WMC) business.

Banking Stability

The HKMA and the Securities and Futures Commission (SFC) announced the findings of their fifth annual joint survey on the sale of non-exchange traded investment products by intermediaries, which provided useful information about the industry landscape and market trends. The HKMA and the SFC also commenced a new round of concurrent thematic reviews on the distribution of non-exchange traded investment products by intermediaries.

In light of market developments, the HKMA issued guidance in April setting out the standards expected of AIs in relation to the provision of staking services for virtual assets as part of custodial services to customers. Following a review of the joint circular on the virtual asset-related activities of intermediaries issued in December 2023, the HKMA and the SFC issued a supplemental joint circular in September introducing refinements and relaxations to the requirements, including allowing intermediaries to provide staking services to their customers and to use the off-platform virtual asset trading services of SFC-licensed platforms. In addition, the HKMA has been working with the Government and the SFC on the development of statutory regimes for regulating the provision of virtual asset dealing and custodian services.

As part of our anti-fraud efforts, the HKMA conducted public education activities on social media to alert the public about the risks associated with certain kinds of crypto assets and the misrepresentations made by fraudsters in digital asset scams. We also stepped up our surveillance of suspected breaches of the BO by crypto firms falsely claiming to be banks.



Mr Alan Au (left), Executive Director (Banking Conduct), shares views with the industry in a seminar held by the Hong Kong Retirement Schemes Association

In March, the HKMA updated its guidance on Cross-boundary WMC, in response to feedback from banks and following the smooth adoption of the previous guidance. The update increased the non-private banking customer limit from 1,000 to 3,000 customers for each non-locally incorporated AI participating in the Southbound Scheme of Cross-boundary WMC. In collaboration with Mainland regulatory authorities, the HKMA also continued to facilitate banks in providing more effective sale services under Cross-boundary WMC. For example, since June, Mainland banks have been able to assist their customers by setting up three-party online discussions or conferences with Hong Kong banks regarding Southbound Scheme services, held at their Mainland branch premises.

On top of these updates, the HKMA continued to oversee the implementation by banks of refinements introduced under Cross-boundary WMC 2.0, while also handling applications from banks for participation, additional partnerships, and the expansion of their service offerings under Cross-boundary WMC.

In view of growing cross-boundary business and in line with the facilitative measures introduced by the SFC, the HKMA lengthened the engagement period for registered institutions (RIs) to engage itinerant professionals – that is, individuals who repeatedly visit Hong Kong on business for short periods of time – to provide investment services from 30 days to 45 days in each calendar year.



Mr Alan Au, Executive Director (Banking Conduct), gives a keynote speech at the 2025 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 worked closely with the Insurance Authority (IA) to regulate the insurance intermediary business of AIs. In March, a joint circular was issued setting out how the insurance regulatory framework is applied to the sale of indexed universal life products to professional investors, with the aim of upholding policyholder protection and fair treatment of customers while facilitating market development. The HKMA and the IA issued another joint circular in September setting out naming requirements for insurance products with savings features, to ensure that these products are presented clearly and accurately to prospective policyholders.

In November, the HKMA revised the Supervisory Policy Manual (SPM) module IB-1 on *"Supervision of Insurance Intermediary Business of Authorized Institutions"* to reflect the latest regulatory requirements and guidance, and reiterated its regulatory expectations relating to corporate governance and internal controls.

The HKMA completed a review of premium financing activities engaged by AIs and their subsidiaries, and issued a circular sharing key observations and good practices as well as clarifying expected standards for the offering of premium financing facilities.

The HKMA issued consolidated guidance on the sale of accumulators and decumulators in March to facilitate industry compliance, and a circular in October providing updated guidance on registration to carry on regulated activities under the Securities and Futures Ordinance (SFO) and related matters.

In the light of continued interest in the market in green and sustainable investment products, the HKMA issued a circular in the form of Frequently Asked Questions in December providing additional guidance on the sale and distribution of green and sustainable investment products. Its aim was to enhance the customer experience while ensuring investor protection.

During the year, the HKMA processed two applications to register as an RI, two applications to register as a licensed insurance intermediary under the Insurance Ordinance, and six applications to add regulated activities under the SFO. We also granted consent to 176 individuals to act as executive officers responsible for supervising the securities activities of RIs, and conducted background checks on 6,898 individuals whose information was submitted by RIs for inclusion in the Register of Securities Staff of AIs maintained by the HKMA.

Regulatory regime for over-the-counter derivatives market

The HKMA oversees the compliance of AIs and approved money brokers (AMBs) with the mandatory reporting, clearing and related record-keeping requirements for over-the-counter (OTC) derivatives transactions under the SFO. During the year, the HKMA focused on ensuring compliance by AIs with the enhanced OTC derivative reporting regime, which mandates the use of Unique Transaction Identifier and Unique Product Identifier, the reporting of Critical Data Elements and the adoption of the ISO 20022 standard⁸ to align with international requirements effective from 29 September.

8 ISO 20022 is an agreed framework and methodology used by the global financial industry to create consistent message standards across business processes. It can assist in standardising the reporting of OTC derivatives transactions internationally.

Banking Stability

We have worked to ensure that AIs, AMBs and other industry participants adhere to the requirements for OTC derivatives transactions by maintaining close dialogue with them and collaboratively addressing any reporting issues that have arisen from developments in the OTC derivatives market and evolving international standards. Currently, the HKMA is working in tandem with the SFC to refine the process of determining when a regulated entity has reached the clearing threshold (and therefore becomes subject to central clearing when other specified conditions are met) under the regulation governing central clearing of OTC derivative transactions in Hong Kong. The goal is to ensure the continued effective functioning of the regulation without having to introduce operational changes to the existing regime.

In 2025, the HKMA continued to engage with the industry to assess the implications of market developments relating to the margin exchange for non-centrally cleared OTC derivatives, and participated in a review of margining practices conducted by international standard-setting bodies.

Other supervisory activities

The Banking Supervision Review Committee considered submissions in 2025 concerning the authorization of an AI and the approvals of three money brokers (see Table 4).

During the year, the HKMA commissioned three 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 their operations and risk management.

No incidents involving a breach of the capital adequacy or liquidity ratio requirements set out in the BO were reported by AIs in 2025. However, there were 57 instances involving breaches of other provisions, primarily related to AIs' reporting obligations. These breaches did not affect the interests of depositors and were promptly rectified by the relevant AIs.

The CAMEL Approval Committee⁹ completed a review of the CAMEL ratings of all 176 AIs. No AIs appealed against decisions made by the Committee.

Table 4 Summary of other supervisory activities

	2025	2024
1 Submissions considered by the Banking Supervision Review Committee	4	6
2 Reports commissioned under section 59(2) of the BO	3	4
3 Approvals of applications to become controllers, directors, chief executives or alternate chief executives of AIs	164	188

Supervisory policies and risk management guidelines

The HKMA made good progress in its work on various policies and guidelines. Other than those mentioned in previous sections, in April, we issued a revised SPM module regarding the use of collateral and guarantees to address the increasing complexity of credit activities undertaken by AIs, reflect the property valuation requirements for real estate exposures under the Basel III final reform package, and ensure consistency with the FSB's principles for sound residential mortgage underwriting practices (issued in April 2012). In August, we issued a revised SPM module regarding corporate governance, with a view to minimising potential conflicts of interest of persons holding directorships or senior management positions in entities outside the banking group of an AI. In December, we issued a revised SPM module on interest rate risk in the banking book to incorporate the interest rate shocks recalibrated by the Basel Committee on Banking Supervision (Basel Committee).

⁹ 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 from within the banking departments of the HKMA who were not involved in conducting the relevant CAMEL assessments.

Banking Stability

Banking-related legislative amendments

During the year, the HKMA consulted the industry on a range of draft legislative amendments to the BO, the Financial Institutions (Resolution) Ordinance (FIRO), the Hong Kong Association of Banks Ordinance and the Hong Kong Association of Banks By-laws¹⁰. Together, the amendments will enhance regulatory clarity and effectiveness while helping to reduce compliance burdens.

Banking Regulatory Document Repository

The Banking Regulatory Document Repository (BRDR) was launched in March as a one-stop platform with dedicated portals for banks and the public. Serving as a golden source for banking-related guidelines and circulars, the BRDR features enhanced filter and search functions to facilitate easier access to documents. It also has the potential to serve as a cornerstone for banks looking to develop artificial intelligence-based regulatory compliance solutions.

Accounting standards

Regular discussions took place between the HKMA and the Banking Regulatory Advisory Panel of the Hong Kong Institute of Certified Public Accountants 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.

International co-operation

Co-operation with authorities outside Hong Kong on banking supervision

During the year, the HKMA hosted and/or participated in 28 college-of-supervisors meetings involving 24 banking groups with significant operations in Hong Kong. A broad range of issues was discussed at the meetings, covering areas such as financial soundness, risk management controls and operational resilience.

During the year, the HKMA also held multiple bilateral and multilateral meetings with banking supervisors outside Hong Kong and engaged in regular exchanges with them regarding institution-specific issues and developments in financial markets.



Ms Carmen Chu (fourth from right), Executive Director (Banking Supervision), hosts a college-of-supervisors meeting for a domestic systemically important bank (D-SIB)¹¹ in Hong Kong

¹⁰ The amendments to the BO covered a number of areas, including simplification of the three-tier banking system, engagement of skilled persons for supervisory purposes, regulation of bank holding companies, modernisation of enforcement powers and a range of technical amendments. Meanwhile, a reference to “public interest” was proposed to be added to Condition 3 for initiating resolution in section 25(4) of FIRO. Changes proposed to legislation related to HKAB were aimed at enhancing its operational efficiency.

¹¹ A D-SIB is an AI considered by the HKMA to be of systemic importance in Hong Kong’s banking and financial system, and which is consequently subject to a higher loss absorbency requirement. The HKMA reviews the list of D-SIBs annually. Five banks are in the list for 2026: 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.

Banking Stability

Participation in international and regional forums

The HKMA participates as a member in the following international forums for banking supervisors:

- The Group of Central Bank Governors and Heads of Supervision;
- The Basel Committee on Banking Supervision;
- 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 Basel Committee, the HKMA co-chairs the Policy and Standards Group, and has representatives on various of its task forces, including the Task Force on Climate-related Financial Risks, the Assessment and Review Task Force, and the Basel Core Principles Task Force, as well as 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 2¹²; and
- Stress Testing.

Implementation of Basel Standards in Hong Kong

Prudential treatment of the cryptoasset exposures of banks

In December 2022, the Basel Committee introduced a new standard for the prudential treatment of the cryptoasset exposures of banks. Targeted amendments were made to the standard in July 2024 to provide clarity on the criteria for stablecoins to receive preferential regulatory treatment. Concurrently, the Basel Committee published a document entitled *Disclosure of cryptoasset exposures* containing updated disclosure requirements.

The HKMA implemented these standards in Hong Kong on 1 January 2026, in line with the Basel timeline, through legislative amendments to the Banking (Capital) Rules, the Banking (Disclosure) Rules, and the Banking (Exposure Limits) Rules, along with changes to relevant

guidance and reporting requirements. We also took the opportunity to update various aspects of the above rules to enhance clarity and achieve a closer alignment with the Basel Standards or international practices, based on implementation experience and industry feedback.

Basel Committee Regulatory Consistency Assessment Programme

Through its Regulatory Consistency Assessment Programme, the Basel Committee monitors, assesses and evaluates its members' implementation of the Basel Standards. The HKMA served as part of the cross-jurisdiction assessment team in evaluating the United Kingdom's net stable funding ratio standard, publishing the related report in December.

12 An integral part of the Basel capital framework, Pillar 2 is a supervisory review process to ensure that Als 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 effective risk management techniques for monitoring and managing these risks.

Banking Stability

At the regional level, the HKMA is a member of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)¹³, 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 our work in the EMEAP Working Group on Banking Supervision, we lead the Interest Group on Liquidity and the Interest Group on Sustainable Finance.

The HKMA is committed to promoting green banking and sustainable finance. We are a member of the Central Banks and Supervisors Network for Greening the Financial System, serving on its Steering Committee and co-chairing its Workstream on Supervision. Additionally, we and the SFC jointly represent Hong Kong on the International Platform on Sustainable Finance¹⁴.

On the consumer protection front, the HKMA participates actively in the work of the OECD¹⁵ Working Party on Financial Consumer Protection, Education and Inclusion, supporting the implementation of the *G20/OECD High-level Principles on Financial Consumer Protection*. The HKMA also participates in some of the Expert Working Groups under this Working Party, specifically those focused on transparency in retail cross-border payments and remittances, as well as financial scams and frauds.

The HKMA is a member of the Governing Council of the International Financial Consumer Protection Organisation (FinCoNet), helping to shape the organisation's strategies and programme of work. As Chair of the Standing Committee 2 of FinCoNet (FinCoNet SC2) on responsible lending, the HKMA has led work on the fair treatment of customers in debt collection, with a report published in December.



Mr Alan Au (second row, first left), Executive Director (Banking Conduct), together with other FinCoNet Governing Council members at the Annual General Meeting 2025 in Dublin, Ireland

FinCoNet SC2 published a Summary Report on *Fair treatment of customers in debt collection: the role of conduct supervisors*.



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

14 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.

15 The Organisation for Economic Co-operation and Development.

Banking Stability

The HKMA attended the fourth meeting of the Asia Pacific (APAC) Regional Consultative Group of the International Committee on Credit Reporting in Kuala Lumpur, where experiences and views were shared on topical issues relevant to credit referencing with other stakeholders, including cross-border data transfer and the use of alternative data and artificial intelligence in credit risk assessment.

To ensure we continue to benchmark our approach against those of other jurisdictions and international standard setters in combating financial crimes, we actively participate in relevant international platforms. The HKMA plays an active role in the Financial Action Task Force (FATF) mutual evaluation programme. We oversaw the commencement of the fifth round of evaluations as co-chair of the Evaluations and Compliance Group and served as the financial sector assessor for one of the mutual evaluations conducted during this round.

In April, the HKMA and the Global Coalition to Fight Financial Crime co-hosted the APAC Fighting Financial Crime Conference, bringing together leading global and regional experts in AML/CFT to discuss fighting financial crime in an increasingly complex world. During the year, the HKMA also attended and spoke at the FATF Private Sector Collaborative Forum in India and participated in the Wolfsberg Group Annual Meeting in Switzerland.



Global and regional AML/CFT experts gather to share insights on combatting financial crime at the APAC Fighting Financial Crime Conference

Resolution

In 2025, the HKMA undertook initiatives to enhance the credibility and operational effectiveness of the Hong Kong resolution regime. Progress was made in updating the legislative framework, developing new resolution standards, advancing resolution planning and strengthening resolution execution capabilities. We actively participated in cross-border co-operation on resolution through institution-specific engagements, as well as in international and regional forums.

Legislative framework and resolution standards

The HKMA consulted the industry on proposed amendments to conditions for initiating resolution under the FIRO, aimed at enhancing the flexibility of resolution authorities when handling various crisis scenarios and aligning Hong Kong's resolution regime with international best practices. The proposed amendments include an express reference to "public interest" in the conditions for initiating resolution.

In December, the HKMA launched an industry consultation on two Code of Practice chapters regarding valuation in resolution (VIR), namely *VIR-1 The HKMA's Approach to Valuation in Resolution*¹⁶ and *VIR-2 Resolution Planning – Valuation in Resolution Capabilities*¹⁷. The key proposals are summarised in Figure 1.

¹⁶ *The HKMA's Approach to Valuation in Resolution (consultation)* (<https://brdr.hkma.gov.hk/eng/doc-ldg/docid/20251209-3-EN>).

¹⁷ *Resolution Planning – Valuation in Resolution Capabilities (consultation)* (<https://brdr.hkma.gov.hk/eng/doc-ldg/docid/20251209-4-EN>).

Banking Stability

Figure 1 The HKMA's approach to VIR and its expectations of VIR capabilities of AIs

Robust VIR provides timely support to the Monetary Authority in determining when to initiate resolution and in selecting suitable stabilisation options. VIR also supports decisions by independent valuers on the eligibility of affected shareholders and creditors for “no creditor worse off than in liquidation (NCWOL)” compensation.

Pre-resolution



Valuation 1 (failing or likely to fail valuation)

Up-to-date balance sheets and capital and liquidity ratios on accounting and regulatory bases



Valuation 2 (resolution transaction valuation)

Economic value of assets and liabilities, market value of equity, and estimated NCWOL compensation risk

Post-resolution



Valuation 3 (NCWOL valuation)

Actual resolution treatment and counterfactual winding up treatment for affected shareholders and creditors

An AI should establish capabilities that enable VIR to be carried out in a sufficiently timely and robust manner.

Data and information	Up-to-date, complete and accurate data with sufficient granularity
Models, methodologies and assumptions	Flexible valuation models, with robust methodologies and assumptions that can be dynamically adjusted
Governance and access	Effective oversight and internal review mechanisms, along with operational arrangements for access by valuer(s) to data, models and supporting documentation
Documentation	Clear procedures and playbook for the VIR process
Testing and validation	Regular targeted and integrated testing exercises of the VIR process by independent functions

Banking Stability

Resolution planning

The HKMA engaged closely with D-SIBs and other locally incorporated AIs whose failure could have a critical or systemic impact to enhance their resolvability. We formulated preferred resolution strategies, and completed the first resolvability assessments for more AIs. We also oversaw programmes implemented by AIs aimed at establishing and maintaining adequate financial resources, developing new systems and capabilities, and enhancing their crisis preparedness through various types of testing.

At the end of 2025, the loss-absorbing capacity (LAC) resources of all D-SIBs stood at 31.2% of their risk-weighted amounts. As part of its efforts to build up LAC resources, one AI issued the world's first non capital LAC debt instrument in the offshore renminbi market. The HKMA conducted ongoing reviews and monitoring of the LAC debt instruments and positions of AIs to confirm their usability. In addition, we engaged with relevant AIs to determine the steps and key decision making processes necessary to enable effective loss-absorption and recapitalisation in times of crisis.

In April, the HKMA published the HKMA Resolution Stay Implementation Review Report¹⁸, which provides an overview of the related requirements and outlines key observations on the financial contracts, compliance approaches, implementation challenges and good practices of AIs. It also highlights future priorities for AIs in managing early termination risk in resolution.

On liquidity and funding in resolution (LFIR), the HKMA advanced the implementation of related policy standards and completed a testing exercise on the capabilities of AIs in modelling resolution scenarios driven by liquidity stress, reporting and projecting liquidity needs and positions in those scenarios, and identifying collateral to address potential liquidity gaps that could arise. In addition, a stocktake was conducted to review the borrowing capacity and readiness of AIs to access central bank facilities in a crisis or resolution scenario.

Observations from liquidity and funding in resolution implementation

Capabilities demonstrated by authorized institution

- Providing detailed breakdowns of LFIR related information, such as liquidity shortfalls and ratios, by material entity and by material currency
- Modelling liquidity-driven resolution scenarios with quantitative and qualitative assumptions
- Projecting daily cash flows in the lead-up to resolution and for at least 90 days afterwards
- Evaluating key liquidity options for addressing resolution funding gaps

Areas for further enhancement

- Modelling resolution-related costs
- Estimating liquidity options impact
- Improving data readiness and information timeliness
- Reporting and visualising the LFIR outputs
- Reporting and mobilising less liquid/non-standard collaterals

18 Available on the HKMA website (https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/resolution/HKMA_Resolution_Stay_Implementation_Review_Report.pdf).

Banking Stability

The HKMA led the regional resolution planning for the Asia resolution group of a global systemically important bank (G-SIB). In March, we organised a Crisis Management Group (CMG) meeting in Hong Kong for the Asia resolution group, which was attended by representatives from 18 supervisors, resolution authorities and deposit insurers. The discussions covered a wide range of topics, from financial resources and operational arrangements in potential resolution scenarios for the G-SIB, to testing and assurance programmes. A live demonstration of the G-SIB's resolvability capabilities was conducted, and outcomes from simulation exercises reviewed. Authorities also gained a better understanding of each other's execution preparedness and exchanged relevant jurisdictional developments.



The HKMA organises the Asia CMG meeting for a G-SIB in Hong Kong

Resolution execution capability

Resolution transfer strategies provide valuable options for stabilising a failing AI and safeguarding financial stability. To strengthen its capabilities to execute such strategies, the HKMA determined the key design features of bridge institutions, including their shareholding structure and directorship arrangements. Shell companies were incorporated in advance to avoid the challenges and uncertainties that could involve in establishing them during a crisis.

Managing a crisis and ensuring an orderly resolution requires efficient and effective cross-functional and cross-sectoral co-ordination. To this end, the HKMA co-ordinated various high-intensity crisis simulation exercises that tested and strengthened inter-agency contingency responses and co-ordination.

International and cross-border co-operation on resolution

Given the cross-border nature of many large financial institutions, effective resolution requires co-ordinated policy-setting and implementation across jurisdictions. This is especially relevant to Hong Kong, which acts as a key host and a regional home for many G-SIBs and other banking groups. The HKMA contributed to international resolution initiatives through its membership in the FSB Resolution Steering Group (ReSG), the primary global resolution forum that develops and monitors the implementation of global standards and guidance for resolution regimes, as well as oversees the planning and execution of resolution for systemically important financial institutions. Under the ReSG structure, the HKMA is represented in the Cross-Border Crisis Management Group for banks, along with its workstreams on public sector backstop funding mechanisms and resolution transfer tools. See *International resolution initiatives* on page 96 for details.



The HKMA attends the FSB ReSG meeting in Basel

Banking Stability

The HKMA is the chair and secretariat of the Study Group on Resolution (SGR) of the EMEAP, which facilitates co-operation, knowledge sharing and discussion on resolution related matters among central banks, supervisors, resolution authorities and deposit insurers in the region. We organised meetings and workshops in Japan and South Korea on topics including crisis liquidity support, recovery planning, cross-border resolution transfer, and resolution valuation. We also forged connections between the EMEAP SGR and international bodies, such as the Financial Stability Institute of the Bank for International Settlements (BIS) and the FSB, as well as with authorities from other regions.

The HKMA participated in the cross-border resolution planning of 14 G-SIBs through CMGs and Crisis Management Colleges, which involved reviewing the resolvability of the G-SIBs and strengthening the home-host crisis co-ordination arrangements among relevant authorities. Key topics addressed included information needs in the lead-up to resolution, mutual recognition of resolution actions across borders, and the roles of home and host authorities in addressing liquidity shortfalls during a crisis.



Mr Arthur Yeung (left), Head (Resolution Office), with guest speakers from the Bank of England and the Swiss Financial Market Supervisory Authority at the EMEAP SGR meeting in South Korea in September

During the year, the HKMA also held multiple bilateral meetings and engaged in regular exchanges with other resolution authorities regarding institution-specific issues and developments in resolution regimes.

International resolution initiatives

Selected FSB resolution initiatives¹⁹ to which the HKMA contributed in 2025:



Public sector backstop funding mechanisms, which analysed how well-prepared banks were for accessing public sector backstop funding mechanisms across their home and host jurisdictions as part of resolution funding planning. Information sharing on the topic was conducted, focusing on the planning and preparedness of banks in the run-up to and during resolution.



Co-ordination with non-CMG host authorities, which identified challenges and successes in communication between home authorities and non-CMG host authorities, drawing on lessons from the 2023 bank failures and a survey of members' experiences. The key observations were summarised in the revised practices paper²⁰ for CMGs, published in January 2026.



Resolution transfer tools, which involved developing and publishing a practices paper²¹ in November to support authorities in the operationalisation of transfer tools. The practices paper included case studies exploring practical experiences in implementing different types of transfer tools.

19 For more details, see Section 2 of the 2025 Resolution Report: "From Plans to Practice: Operationalising Resolution", FSB (2025) (<https://www.fsb.org/2026/01/2025-resolution-report-from-plans-to-practice-operationalising-resolution/>).

20 The revised practices paper is available on the FSB website (<https://www.fsb.org/2026/01/good-practices-for-crisis-management-groups-revised-version/>).

21 The practices paper is available on the FSB website (<https://www.fsb.org/2025/11/practices-paper-on-the-operationalisation-of-transfer-tools/>).

Banking Stability

Bank consumer protection

Code of Banking Practice

The industry's overall compliance with the Code of Banking Practice remains satisfactory. In 2025, the HKMA conducted a progress review on the implementation by AIs of the revised Code, effective since December 2023, and noted no material delays in the implementation process.

Anti-scam consumer protection initiatives

In response to the increase in fraud cases in recent years, the HKMA introduced multiple related consumer protection initiatives in 2025, which include the following:

Money Safe

The HKMA has introduced Money Safe, a new anti-scam initiative that allows individual customers to add an extra layer of protection to their bank deposits. Similar to setting up a safe within a bank account, customers can specify the amount of deposits to be protected under Money Safe. When customers need to access the protected deposits, banks will conduct a face-to-face anti-scam verification with the customers, thus offering them an opportunity to carefully consider whether they have been scammed. Customers can transfer or withdraw the deposits only after completing the verification process.

We have followed up closely with banks regarding the implementation of Money Safe. All retail banks (including digital banks) had fully launched Money Safe by the end of 2025.



Publicity poster and leaflet promoting Money Safe

Enhanced name matching requirement for real-time fund transfers

We were previously aware of fraudsters exploiting the Faster Payment System (FPS) to request victims to make transfers to them, using the bank account numbers provided by the fraudsters as the identifier. To enhance security for real-time fund transfers made through such channel, the HKMA has tightened the requirement for AIs to conduct mandatory name matching with customers for such transactions. Transfers of HK\$1,000 or more have been subject to this requirement since 31 May, whereas previously it applied only to transfers of HK\$10,000 or above.

Anti-Scam Consumer Protection Charter 3.0

The HKMA, the SFC, the IA and the Mandatory Provident Fund Schemes Authority (MPFA) jointly launched the Anti-Scam Consumer Protection Charter 3.0 in July. The new charter involves collaborating with technology and telecommunications firms to combat scams across different platforms. Participants, who include major overseas and Mainland technology platforms operating in Hong Kong and major telecommunications services providers, are committed to six key principles covering the proactive reporting of financial fraud and scams, monitoring and removal of financial scam advertisements and content, and public education, among others. Charter 3.0 has received full support from the Consumer Council, HKAB, the Police, and the Office of the Communications Authority.



Mr Eddie Yue, Chief Executive, presenting welcome remarks at the launch of the Anti-Scam Consumer Protection Charter 3.0

Banking Stability



Representatives of financial regulators, supporting organisations, participating technology firms and telecommunications firms at the launch of the Anti-Scam Consumer Protection Charter 3.0

Educational campaign – Three Anti-Scam Tactics

The HKMA developed a promotional campaign centring on the “Three Anti-Scam Tactics — Keep Calm, Give Nothing, Verify and Seek Help”, aimed at educating the public on some simple and practical ways to fend off scams. We worked with banks and other partners, including the Hospital Authority and non-governmental organisations offering elderly services, to disseminate educational materials and anti-scam messages through their networks.



Promotional videos and a publicity poster featuring “Three Anti-Scam Tactics”

Smart Seniors Anti-Scam Ambassador Programme

In June, the HKMA launched the Smart Seniors Anti-Scam Ambassador Programme with HKAB to strengthen the vigilance of elderly citizens against scams. The programme included 37 visits to elderly centres and educational seminars, where 3,200 seniors and other participants received practical scam prevention tips and were encouraged to become anti-scam ambassadors, sharing scam prevention messages with family and friends.



Mr Arthur Yuen, Deputy Chief Executive, delivers opening remarks at the launch ceremony of the Smart Seniors Anti-Scam Ambassador Programme

Engagement of intermediaries by authorized institutions

The HKMA introduced measures to protect bank customers and reduce potential risks to the reputation of the banking industry from possible malpractices by fraudulent lending intermediaries. In particular, we reminded the public to stay alert to bogus phone calls. Retail banks’ hotlines were widely and effectively used by the public to verify callers’ identities, with more than 19,000 enquiries received during 2025.

Handling of customer loss in relation to scams

The HKMA consulted retail banks on a proposed framework to handle customer claims for losses arising from authorized payment scams²². Determining the responsibility for scam losses is not a straightforward matter, requiring consideration of a range of complicated factors and different scenarios, including the issue of moral hazard. Feedback from the industry will be taken into account by the HKMA in developing a balanced approach.

22 Authorized payment scams refer to scams in which customers are deceived into authorising payments from their bank accounts.

Banking Stability

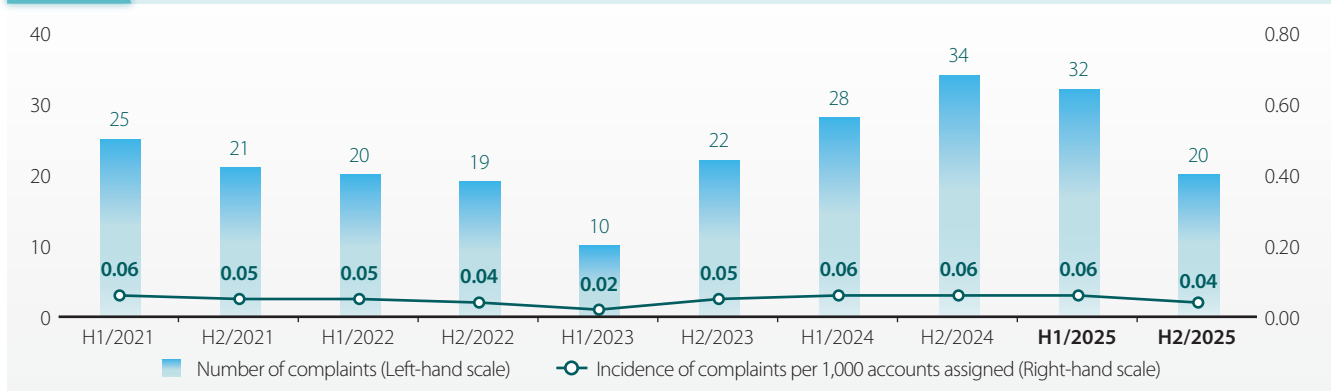
Interbank Debt Relief Plan

To strengthen protection for consumers facing financial difficulties, the HKMA worked closely with the industry on a comprehensive review and enhancement of the Interbank Debt Relief Plan (IDRP). Key outcomes of the review included broadening participation in the IDRP to all retail banks that offer consumer credit products (including digital banks) as well as to major money lenders, increasing the number of banks serving as lead participants in coordinating IDRP negotiations, developing best practices to improve the efficiency of the IDRP process, and digitalising the IDRP process.

Customer complaints relating to debt collection agents employed by authorized institutions

The number of complaints received by AIs about their debt collection agents decreased to 52 in 2025 from 62 in 2024 (Chart 2). The HKMA will continue to monitor AIs' use of debt collection agents.

Chart 2 Complaints received by AIs about their debt collection agents



Payment Arrangements for Property Transactions

The Payment Arrangements for Property Transactions (PAPT) was introduced in November 2022 to provide a safer and more efficient payment option for mortgage refinancing. The banking industry has since promoted PAPT to its customers, leading to its widespread adoption. In 2025, over 75% of mortgage refinancing transactions utilised PAPT.

The HKMA has been working closely with the banking industry and other stakeholders to advocate for the extension of PAPT to sale and purchase transactions in the secondary market. Preparatory work was completed in 2025, and PAPT for secondary market sale and purchase transactions was launched in February 2026.

Tackling risks of hidden charges in property transactions

The HKMA collaborated with the Consumer Council, the Land Registry, the Estate Agents Authority and the Law Society of Hong Kong on a *CHOICE Magazine* article published in May, which educates the public on the risks of hidden charges in property transactions and gives tips for tackling those risks, including by stakeholding deposits.

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 advance the Credit Data Smart (CDS) initiative.

Banking Stability

All retail banks had fully implemented the requirement to engage more than one credit reference agency by the end of 2025. This arrangement enables banks to switch swiftly and seamlessly between credit reference agencies during service disruptions, further strengthening their operational resilience and ensuring continuity for their credit business operations. The HKMA has also worked with the industry to develop a new data format in support of the future development needs of consumer credit reference services in the digital age.

In addition, the HKMA has been working closely with the Financial Services and the Treasury Bureau to encourage money lenders to join CDS and to develop recommendations on mandatory data contribution to CDS by all money lenders that engage in unsecured personal loan business, and on participation requirements for those above a certain size. These initiatives will enhance the comprehensiveness of the CDS database, improving the overall quality and reliability of consumer credit data.

Cross-boundary credit referencing

With the support of the People's Bank of China, the HKMA hosted a symposium in October announcing the regularisation of the Cross-boundary Credit Referencing (CBCR) initiative, and showcasing how the industry could contribute to and benefit from CBCR in strengthening credit-risk management and facilitating cross-boundary financing activities. The goal is to enable the industry to provide more credible, viable, and market-driven solutions for cross-boundary financial services. This step was undertaken following the successful completion of pilot cases for the Southbound and Northbound transfer of corporate and personal credit data under CBCR. In the same month, the HKMA issued a circular setting out additional guiding principles to support the industry in implementing CBCR, and expanding its use. These moves represented a significant enhancement in cross-boundary collaboration, facilitating data flow between Hong Kong and the Chinese Mainland and enriching the cross-boundary credit data ecosystem.



Mr Arthur Yuen, Deputy Chief Executive, delivers the opening remarks at the Cross-boundary Credit Referencing and Data Validation Symposium

Financial inclusion

Industry guidelines to promote inclusive banking services

Elderly-friendly banking services

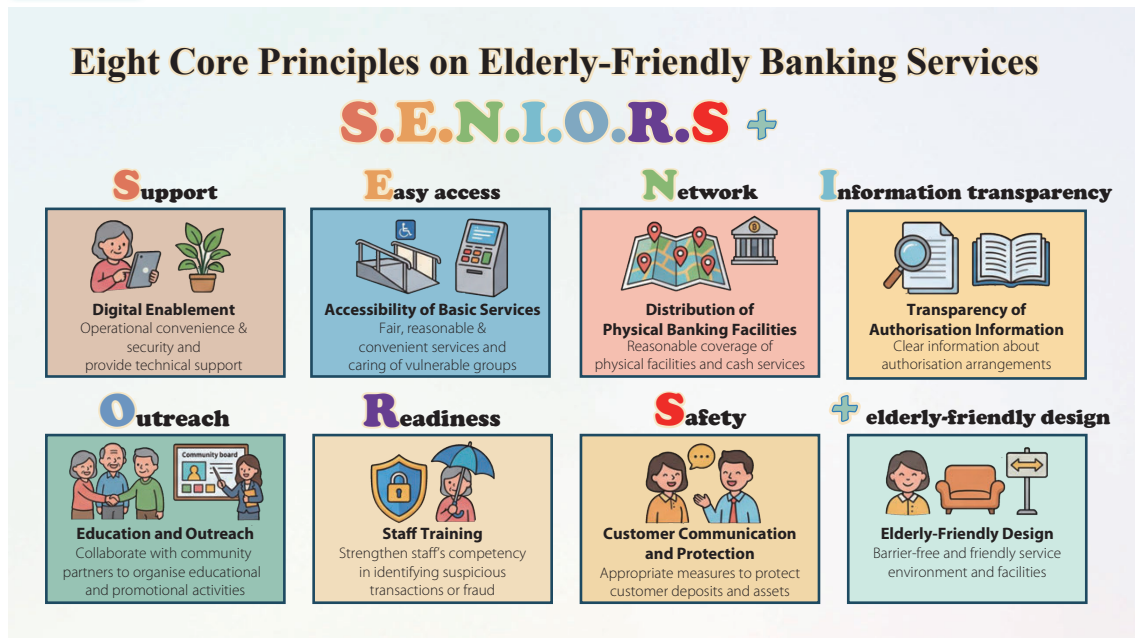
The HKMA has continued to promote financial inclusion, encouraging banks to give particular attention to customers in need. Building on three industry guidelines on financial inclusion²³ issued over recent years, the HKMA has worked closely with HKAB in engaging relevant stakeholders to develop the *Guideline on Elderly-friendly Banking Services* ("Elderly Guideline"), with a view to promoting the adoption of elderly-friendly practices across the banking industry.

The Elderly Guideline sets out eight key principles and recommended good practices that address the banking needs of elderly persons, covering digital enablement, accessibility, physical banking facilities, information transparency, consumer education, staff training, customer communication and protection, as well as elderly-friendly design (Figure 2). The HKMA also issued a circular setting out supervisory expectations for AIs when implementing the recommendations in the Elderly Guideline, including providing proper training for frontline staff to ensure effective communication with elderly customers.

23 Including (i) *Practical Guideline on Barrier-free Banking Services* in March 2018 (second edition published in January 2026); (ii) *Guideline on Banking Services for Persons with Intellectual Disabilities* in December 2020; and (iii) *Guideline on Banking Services for Persons with Dementia* in December 2021.

Banking Stability

Figure 2 Guideline on Elderly-friendly Banking Services



Enhancement to barrier-free banking services

Further to the issuance of the *Practical Guideline on Barrier-free Banking Services* in 2018, the HKMA has been working with HKAB to develop a second edition of the Guideline ("Practical Guideline 2.0") as part of its ongoing efforts to promote barrier-free access to banking services for customers with physical, hearing, or visual impairments. Taking into account feedback from relevant stakeholders, Practical Guideline 2.0 has been introduced to enhance the recommended practices of the first edition to better address the needs of customers. The HKMA has issued a circular reminding AIs to implement the recommendations in Practical Guideline 2.0 and encouraging them to explore additional barrier-free measures to enhance the customer experience.

Enhancement to physical banking facilities

The HKMA continued to encourage banks to enhance their banking network coverage in both conventional and more innovative ways, and reminded banks of the importance of meeting the banking needs of communities in remote and underserved areas. During the year, some banks expanded their presence in remote areas in response to our call. Initiatives included deploying a mobile bank branch to the first Light Public Housing site in Yuen Long, and expanding the number of ATMs²⁴ and other self-service machines in underserved areas.



One retail bank deploys a mobile bank branch at the first Light Public Housing site in Yuen Long

Banking Stability

Opening and maintaining bank accounts

The HKMA has continued to strengthen its communications with the banking industry and the wider business community on matters related to bank account opening and maintenance. Through a dedicated email address and hotline, the HKMA's Account Opening and Maintenance Team manages and follows up on enquiries and feedback from the public and from business sectors in an efficient and timely manner. In 2025, the Team continued to meet its performance pledge, responding to 100% of enquiries or issuing an interim reply to them within seven days of receipt.

In May, in collaboration with the Home Affairs Department (HAD), the HKMA organised a roundtable with banking industry representatives to facilitate exchanges on bank account opening and maintenance for Owners' Corporations. To further enhance transparency and shorten account opening turnaround times, the HKMA, the HAD and the banking industry jointly developed and published practical notes on bank account opening that aim to help Owners' Corporations better understand the account opening requirements and prepare the necessary documentation in advance.



Participants at the roundtable session

In October, the HKMA convened an Industry Dialogue on Bank Account Opening and Maintenance, which brought together around 60 representatives from 28 banks for open discussion and collaboration. During the session, the HKMA reiterated its supervisory expectations and shared sound practices in the provision of bank account services. The dialogue identified opportunities to enhance the bank account opening and maintenance processes, while also more generally promoting knowledge exchange and collaboration within the banking industry and encouraging fair, transparent, and efficient practices.

In December, the HKMA commenced an industry consultation on proposed approaches to providing bank account services to higher-risk individuals, developed in line with a risk-based approach to AML/CFT and the principle of financial inclusion.

Banks have continued to respond positively to the HKMA's call for providing Simple Bank Account (SBA) services to meet the needs of SMEs and start-ups that only require basic banking services. During the year, five additional banks launched SBA services, bringing the number of participating banks to 13. In 2025, about 9,400 SBA accounts were opened, bringing the cumulative total since the service was first launched in 2019 to over 41,000.

Concerted efforts to enhance the account opening experience, along with ongoing engagement with relevant stakeholders, have resulted in a decline in the average unsuccessful rate for corporate account opening applications to below 4%, a significant improvement from around 10% in early 2016.

Banking Stability

Consumer education for vulnerable groups

In April, the HKMA partnered with the Consumer Council to launch four new virtual-reality (VR) simulation games. These have been designed to raise awareness among vulnerable groups, including senior citizens and persons with special education needs, about the responsible use of credit cards and the importance of guarding against credit card scams. The games feature two key themes: “Be a Smart Credit Card User”, introducing basic knowledge of credit card usage and concepts of rational consumption, and “Beware of Credit Card Fraud”, presenting simulated scenarios involving phishing links and fraudulent calls by people impersonating bank staff. The HKMA and the Consumer Council also co-organised an experiential VR outreach event for students with special educational needs. This integration of immersive, entertaining VR simulation games into our consumer education activities has been well-received by the community. A free desktop version of the VR simulation games is available on the HKMA webpage.



VR role-playing simulation programme (Desktop Version)

More details on the HKMA’s work on financial inclusion can be found in the *Sustainable HKMA* chapter of our *Sustainability Report 2025*.



(From left) Mr Francis Ho, Deputy Chief Executive of the Consumer Council; Ms Gilly Wong, the then Chief Executive of the Consumer Council; Mr Arthur Yuen, Deputy Chief Executive; and Mr Alan Au, Executive Director (Banking Conduct), at the experiential VR simulation games event held at a local secondary school



Banking Stability

Enhancing bank culture

Culture dialogues

As part of its efforts to enhance the overall culture and business conduct of banks, the HKMA has been holding discussions with the senior management of AIs since 2019 to assess the effectiveness of their efforts in enhancing various culture-related matters within their organisations and among their staff, while also providing supervisory feedback. In 2025, the HKMA conducted five culture dialogue meetings with AIs.

Banking Industry Integrity Charter

During the year, the HKMA continued to collaborate with the Independent Commission Against Corruption (ICAC) to promote the Banking Industry Integrity Charter launched in 2024, aimed at strengthening banks' awareness and capabilities in combating and preventing corruption. Following collaborative efforts by the ICAC and the HKMA, all 149 licensed banks in Hong Kong have joined the Integrity Charter.

Mandatory Reference Checking Scheme

In June, the HKMA completed a post-implementation review of the Mandatory Reference Checking (MRC) Scheme with industry associations²⁵. Building on industry feedback regarding the implementation of Phase 1 and strong support for advancing to the next phase, the Scheme progressed to Phase 2 in September. This phase expands the scope of the Scheme to include staff licensed or registered to carry on securities, insurance or MPF regulated activities, extending beyond only the senior staff of AIs included in Phase 1.



Mr Alan Au, Executive Director (Banking Conduct), delivers opening remarks at the industry briefing session on Phase 2 of the MRC Scheme

Overview of the Mandatory Reference Checking Scheme

Scope: **all AIs**

In-scope positions:

- **Phase 1: ~3,500** senior staff at AIs
- **Phase 2:** the addition of **~50,000** staff licensed or registered to carry on securities, insurance or MPF regulated activities

~700 reference checks conducted by AIs in Phase 1 (implemented in 2023)

²⁵ The MRC scheme aims to tackle the "rolling bad apples" phenomenon in the banking industry, where individuals who have engaged in misconduct behaviour in one institution can obtain employment elsewhere without disclosing their earlier misconduct to the new employer. Under the Scheme, all AIs share conduct-related reference information about prospective employees from the past seven years through a common protocol, enabling AIs to make more informed employment decisions when recruiting staff.

Banking Stability

Handling of bank complaints and enforcement actions

Banking complaints

In 2025, the HKMA received 4,005 customer complaints related to banking services, an increase of 16% over 2024. The handling of 3,777 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

	Conduct-related issues	2025		2024
		General banking services	Total	Total
Received during the year	268	3,737	4,005	3,464
Handling completed during the year	227	3,550	3,777	3,405

Table 6 Response time in handling banking complaints

	Performance Pledges	Achievement Rate in 2025
Preliminary responses to complaints	10 working days	100%
Replies to complaint-related enquiries	15 working days	100%

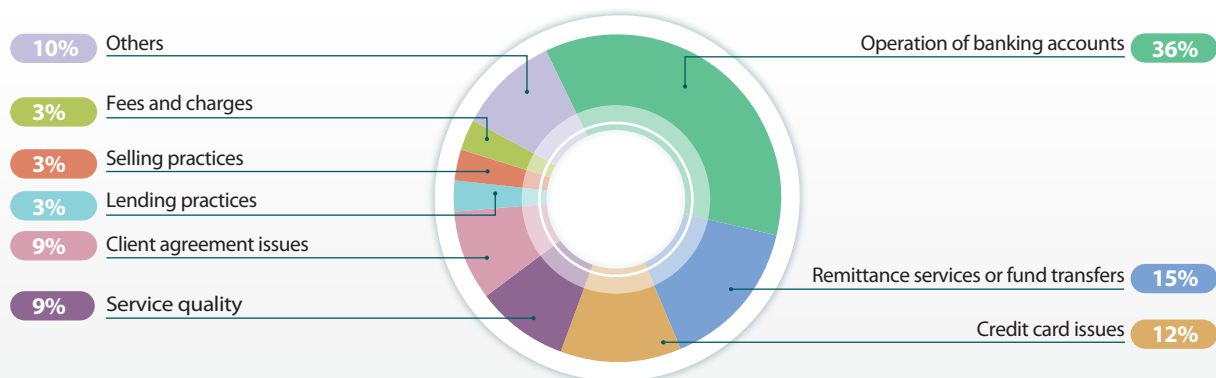
In total, 36% of the complaints received during the year were related to the operation of banking accounts. These mainly concerned banks' requests for additional information or restrictions placed on accounts due to strengthened fraud prevention measures along with enhanced intelligence sharing from the Police. The HKMA has reminded banks to enhance their communication with customers to help minimise any inconvenience they may experience.

The second major type of complaint involved remittance services or fund transfer disputes. The majority of these complaints were related to customers' requests for return of funds relating to transactions involving fraudulent accounts.

Credit card issues was the third most common type of complaint. These primarily involved disputes related to credit card transactions, unauthorised transactions, and the operation of credit card reward schemes (Chart 3).

Meanwhile, fraud and scam-related banking complaints²⁶ declined by 30% to 579 cases in 2025. Specifically, cases related to "authorized payment scams" reduced notably by 44%, whereas complaints related to "fraudulent unauthorized transactions"²⁷ recorded a drop of 23%.

Chart 3 Analysis of banking complaints received in 2025



26 These complaints may arise from, for example, unauthorized account access, fraudulent instructions leading to fund transfers by customers, online investment scams, or phishing schemes.

27 Fraudulent unauthorized transactions refer to financial transactions that are carried out without the knowledge, consent, or authorization of the account holder.

Banking Stability

Ombudsman's Awards for Officers of Public Organisations

Three HKMA staff members, namely Ms Gloria Chan and Ms Sabrina Hui, Managers in the Banking Conduct Department, and Ms Artemis Lam, Manager in the Enforcement and Banking Complaints Division, received awards under "The Ombudsman's Awards 2025 for Officers of Public Organisations", in recognition of their efforts in fostering a positive culture of service excellence and upholding the highest standards of professionalism in the handling of complaints and public enquiries.



Ms Artemis Lam (third from right), Manager (Enforcement and Banking Complaints); Ms Gloria Chan (second from left), Manager (Banking Conduct); and Ms Sabrina Hui (first from left), Manager (Banking Conduct), at the awards ceremony with Mr Jack Chan (centre), the Ombudsman

Enforcement

The HKMA is responsible for investigating potential breaches by AIs of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Payment Systems and Stored Value Facilities Ordinance (PSSVFO) and the Stablecoins Ordinance (SO). As the frontline supervisor of AIs, the HKMA also conducts investigations into potential breaches concerning the securities, insurance and MPF intermediary activities of AIs, and passes on its findings in these areas to the SFC, the IA and the MPFA respectively in support of their

enforcement decisions. Under the BO, the HKMA has the power to restrict, or temporarily restrict, staff of AIs engaged in securities business from conducting such business.

In 2025, we completed 227 investigations and assessments. Disciplinary actions were taken against three AIs and one SVF licensee, primarily for deficiencies in their AML/CFT controls related to customer due diligence or transaction monitoring. Further details of these cases are set out in Table 7.

Table 7 Disciplinary actions taken with respect to deficiencies in AML/CFT controls

- One AI exhibited significant deficiencies in its transaction monitoring mechanism and management oversight of AML/CFT controls. As a result, the transaction alerts generated by its transaction monitoring system were not properly followed up.
- Two AIs lacked effective procedures to ensure that their transaction monitoring systems covered all relevant transactions following system changes or the roll out of new banking services. As a result, some suspicious transactions went unidentified.
- An SVF licensee exhibited deficiencies in its customer due diligence measures, particularly in understanding the purpose and nature of its customers' business relationships and the identities of their beneficial owners. Although the licensee outsourced customer identification and verification to its business partners, it failed to ensure that these partners complied with its requirements.

Banking Stability

Apart from these cases involving the exercise of the HKMA's own disciplinary powers, we undertook investigations and shared the findings with the SFC and the IA with respect to 13 conduct-related cases, for their consideration in taking enforcement actions. Wrongdoers were disciplined as a consequence of the HKMA's collaboration with its fellow financial regulators. For example, subsequent to the HKMA's investigation and referral, the SFC reprimanded and imposed fines totalling HK\$81.45 million on three AIs. These cases involved breaches in relation to (i) misconduct in the sale of investment products, overcharging clients, and failing to disclose monetary benefits; (ii) taking advantage of insider information in trading Hong Kong-listed securities; and (iii) deficiencies in product due diligence, record-keeping, and reporting to regulators.

In addition, the HKMA issued 57 compliance advice letters to AIs and their staff to address other areas of regulatory concern and promote regulatory compliance.

Proposed modernisation of enforcement powers under the Banking Ordinance and fining guideline under the Stablecoins Ordinance

The HKMA is working on the modernisation of the Monetary Authority's enforcement powers under the BO. It has refined its proposal taking into account the consultation feedback received from the banking industry. Detailed legislative amendments for the proposals have been developed and shared with fellow financial regulators, the Consumer Council, and industry stakeholders for further consultation, with the aim of introducing them to LegCo in 2026.

With the SO coming into effect, the HKMA also consulted the industry during the year on its proposed fining guideline under the Ordinance to provide transparency regarding how it will exercise its power to impose pecuniary penalties under different circumstances.

Sharing insights and good practices with the banking industry

In August, the HKMA co-hosted two industry sharing sessions with HKAB where key observations from recent enforcement and complaint cases were shared with participants. Over 180 senior executives from 125 AIs and SVF licensees attended the sessions.



Mr Raymond Chan (left), Executive Director (Enforcement and AML), hosts an industry sharing session on the latest enforcement development

In addition, the HKMA issued two *Complaints Watch* newsletters in 2025, covering topical issues such as providing tips on effectively handling media enquiries related to customer complaints, addressing complaints concerning the operation of banking accounts, and designing banking products from the customer's perspective, among others. These newsletters provided useful guidance and good practices for AIs to take into account when enhancing their services to customers.

Banking Stability

Promoting fintech adoption and green and sustainable banking

All Banks Go Fintech

The HKMA has made concerted efforts to promote the responsible adoption of fintech by banks in recent years, recognising the potential benefits that fintech offers in enhancing customer services and improving banks’ operational efficiency, among others. Marking the conclusion of its “Fintech 2025” strategy, the HKMA conducted a Tech Maturity Stock-take to assess how its promotional efforts had helped to drive the adoption of fintech by banks. The results confirmed that there has been a transformative shift in the industry, with 95% of banks, including all retail banks, having adopted fintech across their end-to-end operations. Significant uptake was observed particularly in the five fintech areas of focus, with growth in adoption ranging from 21% to 104% compared to 2022²⁸ (Figure 3). Many banks, transitioning from exploratory phases to operational implementation, have successfully integrated these advanced technologies into their service offerings.

This digital transformation has been supported by a series of fintech promotion initiatives undertaken by the HKMA, including the FiNETech series²⁹ and the production of research papers, practice guides and use case videos. The FiNETech series and other seminars and training initiatives have brought together over 3,000 professionals from the financial and technology sectors.

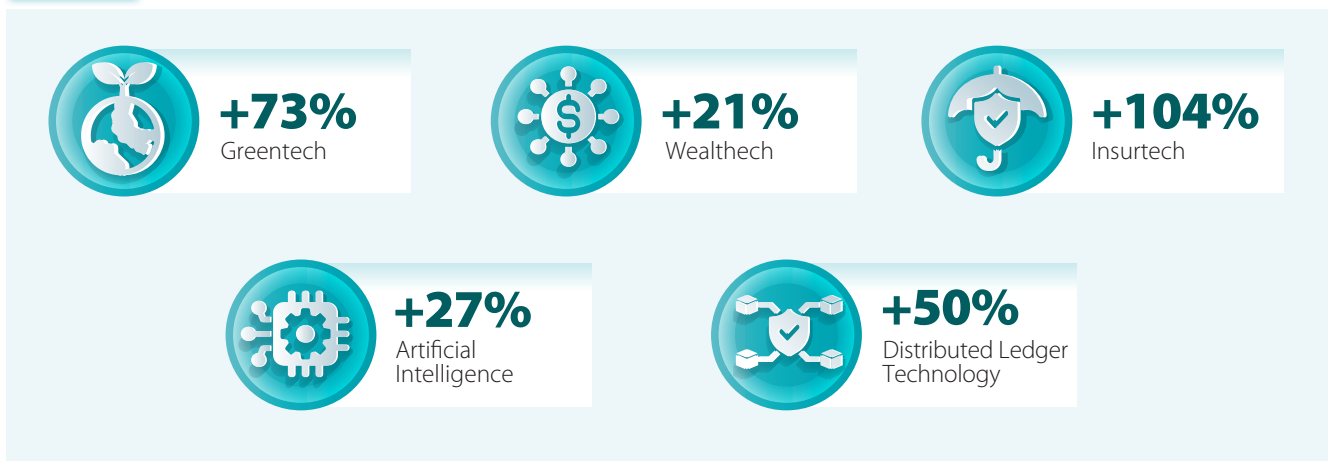
The HKMA published a report sharing the findings of the Tech Maturity Stock-take in July.




Furthermore, the HKMA’s Fintech Supervisory Sandbox (FSS) and the FSS Chatroom, launched in 2016 and 2017 respectively, have served as an enabler of innovation by providing banks and tech firms with a controlled environment to test their new fintech applications and receive early supervisory feedback. As of the end of December 2025, 385 pilot trials of fintech initiatives had been allowed in the FSS.

Figure 3

Growth in adoption of Greentech, Wealthtech, Insurtech, artificial intelligence and distributed ledger technology (2025 vs. 2022)



28 Results of the Tech Baseline Assessment (2022) (<https://brdr.hkma.gov.hk/eng/doc-ldg/docId/20220623-1-EN>).

29 The FiNETech series has so far brought together more than 2,000 professionals from the banking and fintech sectors to exchange insights on emerging technologies such as artificial intelligence, distributed ledger technology and cybersecurity, fostering responsible innovation and sustainable collaboration.

Banking Stability

Promoting responsible adoption of GenAI and distributed ledger technology

In light of the numerous potential benefits that could be realised with GenAI, the HKMA has launched the GenAI Sandbox initiative to facilitate its responsible adoption within the banking industry. Following the successful conclusion of the inaugural Sandbox cohort, the HKMA launched a second cohort (Figure 4), further extending its support for advanced technical trials of innovative artificial intelligence use cases by banks.

Figure 4

Overview of selected use cases and participants in the second cohort of the GenAI Sandbox



In October, the HKMA organised the GenAI Symposium for GenAI Sandbox participants to share their insights via interactive exhibition booths. We also presented a report sharing success stories and practical guidance distilled from the first cohort, while launching a knowledge-bound GenAI chatbot to provide users with more interactive access to insights from the Sandbox.

Joint collaboration between the banking and technology sectors is essential for accelerating the development and adoption of innovative GenAI applications in the banking industry. To this end, the HKMA has introduced the GenAI Sandbox Collaboratory, a platform that has helped forge multiple partnerships between the banking and technology sectors through over 80 targeted workshops on ideation, prototyping, and solution formulation.



Participants at the fifth FINETech in April, where the HKMA unveiled early insights from the inaugural cohort trials in the GenAI Sandbox and launched the second cohort



Ms Carmen Chu (front row, fifth from right), Executive Director (Banking Supervision), with GenAI Sandbox participants at the GenAI Symposium



Representatives from banks and tech firms exchanged insights at a dedicated GenAI Sandbox Collaboratory workshop in July on GenAI solutions to combat deepfake fraud

Banking Stability

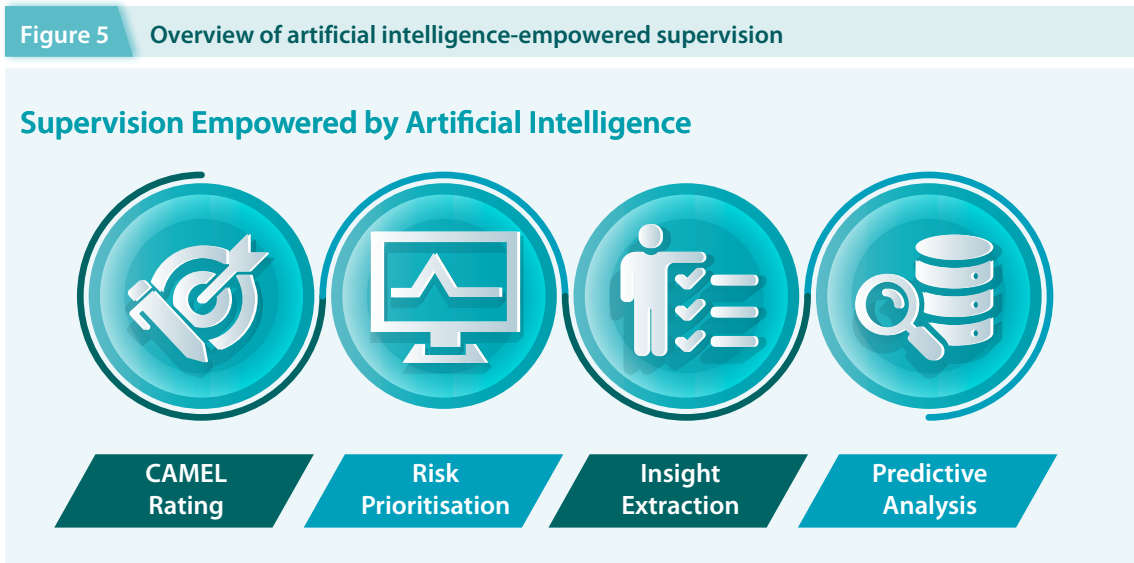
Meanwhile, to assist supervisors in evaluating and interpreting the inner workings of artificial intelligence models used by banks, the HKMA has launched Project Noor in collaboration with the BIS Innovation Hub Hong Kong Centre and other like-minded regulators. This project aims to explore the development of an artificial intelligence model auditing tool that will assist supervisors in assessing the robustness and fairness of AI models adopted by banks.

The HKMA has continued to facilitate the roll-out of distributed ledger technology (DLT)-based products and services by banks through the Supervisory Incubator for DLT. To date, seven participating banks have successfully productionised their tokenised deposit services leveraging the Incubator, following a series of supervisory feedback sessions with us that focused on relevant risk management and compliance issues related to their services.

Accelerating adoption of supervisory technology

The HKMA has embarked on the implementation of a data-driven and technology-empowered supervision framework. This is being built on our foundational Suptech capabilities, such as our end-to-end digital supervisory platform and process automation solutions. We are exploring further ways of integrating GenAI into our supervisory processes, including supporting our supervisors in reconciling unstructured information for the CAMEL rating process and enabling more efficient prioritisation of risks and extraction of supervisory insights. We also completed the implementation of a suite of advanced analytics solutions, which include a sentiment analysis tool that is expediting the identification of emerging risks in the banking sector and a predictive artificial intelligence model that is aiding in the oversight of asset quality (Figure 5).

Figure 5 Overview of artificial intelligence-empowered supervision



Banking Stability

In May, the HKMA and the Hong Kong University of Science and Technology (HKUST) signed a Memorandum of Understanding (MoU) to initiate a collaboration in applied cybersecurity research, jointly exploring the use of cutting-edge technologies – such as large language models and other innovative supervisory and regulatory technology – to enhance banks' cybersecurity resilience.

At the same time, the HKMA continued to work on digitalising the workflow for receiving and processing applications and notifications regarding bank directors and senior management.

Promoting green and sustainable banking

The HKMA continued its efforts in strengthening the climate resilience of the banking sector and promoting green and sustainable banking practices. Some of our major work in 2025 included developing Phase 2A of the Hong Kong Taxonomy for Sustainable Finance with expanded coverage, launching the formal version of the Physical Risk Assessment Platform, conducting thematic examinations and consultative sessions on banks' climate risk management practices, and enhancing the supervisor-driven stress test by incorporating climate risk factors.

More details on the HKMA's work on promoting green and sustainable banking can be found in the *Building a Climate-resilient Financial System* chapter of our *Sustainability Report 2025*.



Banking Stability










Capacity building in the banking sector

In August, the HKMA published a paper on *Capacity Building for Future Banking 2026–2030* in collaboration with HKAB and the Hong Kong Institute of Bankers (HKIB). The study identified emerging areas of knowledge and skills likely to be required by the banking sector in the next few years, and proposed an action plan to increase industry collaboration in capacity building, with a view to ensuring the sustained competitiveness of the banking sector (Figure 6).

Meanwhile, during the year, the HKMA continued to collaborate with key stakeholders on a series of initiatives to enhance the banking sector’s talent capacity.

Figure 6 Capacity Building for Future Banking 2026–2030

Essential Knowledge and Skills for Banking Professionals, 2026–2030

Technological and Data	Soft Skills	Banking Knowledge
 Artificial Intelligence Technological Skills	 Human-Machine Interaction	 Risk Management and Disclosure of Sustainable Finance
 Data Skills	 Creativity	 Knowledge of Emerging Markets
 Cybersecurity	 Cross-Cultural Relationship Building Skills	 New Regulatory Compliance Knowledge

Action Plan Recommended



- A**dvocate for Local Professional Training and Qualifications
- S**ynergise Reskilling and Upskilling
- C**ommit to a Culture of Continuous Learning
- E**valuate the Enhanced Competency Framework for Updates
- N**urture and Attract Future Talent
- D**evote Effort to Promoting Industry-Wide Capacity Building Initiatives

Banking Stability

Upskilling and reskilling the banking workforce

Regulator's Dialogue

The Regulator's Dialogue series is recognised as an effective platform for sector-wide exchange with the HKMA on key banking and regulatory issues. Two sessions were held, in May and July, covering the HKMA's supervisory priorities and recent topics of focus, including cybersecurity and sustainable banking. The two sessions attracted over 900 bank directors, senior bankers, and practitioners.



Banking industry representatives at the Regulator's Dialogue on "2025 Supervisory Focuses and Cyber Resilience Deep Dive", presented by Ms Carmen Chu (second from right), Executive Director (Banking Supervision) and her team



Banking industry representatives at the Regulator's Dialogue on "Sustainable Banking in a Changing World", presented by Mr Donald Chen (bottom photo, centre), Executive Director (Banking Policy) and his team

Artificial intelligence training

The *Capacity Building for Future Banking, 2026–2030* study identified artificial intelligence-related technical and soft skills as likely to be in high demand in the future. In response, the HKMA and HKAB jointly organised an Artificial Intelligence Training Programme in October and November. The programme attracted over 3,000 banking participants, demonstrating the sector's strong commitment to building its artificial intelligence capabilities and enhancing its future readiness.



Representatives from the HKMA, HKAB, HKIB, Huawei and FORMS (HK) at the HKMA-HKAB AI Training Programme for the banking industry

Cross-boundary study tour

The HKMA and HKIB jointly organised a cross-boundary study tour to Hangzhou in August, providing an opportunity for 50 bank directors and senior executives to gain deeper insights into the cutting-edge technological innovations being made in the Chinese Mainland as well as the latest developments in macro-economic and financial markets there.



Bank directors and senior executives in the cross-boundary study tour to Hangzhou

Banking Stability

Attracting and nurturing future talent

Future Banking Bridging Programme

Following continuing strong interest from university students, the HKMA launched the fifth round of its Future Banking Bridging Programme in November. In this round, over 300 students received professional training, worked on cross-university group projects, undertook job shadowing, and engaged with mentors and representatives from the banking industry. Since its inception in 2021, the programme has benefitted more than 1,300 university students.



University students in the Future Banking Bridging Programme

Apprenticeship Programme for Private Wealth Management

Building on success in previous years, the HKMA and the Private Wealth Management Association co-organised a new round of the Apprenticeship Programme for Private Wealth Management, designed to equip university students with the practical skills and experience needed to take up a career in private wealth management. The November Recruitment Day drew around 600 students, who received tailored career support, including resumé writing and interview advice. Since 2017, the programme has provided over 480 apprenticeship opportunities to students.



University students at the Recruitment Day for the Apprenticeship Programme for Private Wealth Management

Banking career talks

In collaboration with the banking industry and HKIB, the HKMA organised a number of banking career talks and fairs at universities in Hong Kong, providing students with insights into the latest banking developments and trending job roles. Industry professionals also shared their expertise to help students prepare for banking careers. The activities attracted over 1,500 students from different universities and various disciplines.

Career guidance for secondary school students

To spark early interest in banking, the HKMA runs activities for secondary students and teachers. In July, we partnered with the Education Bureau to deliver a new round of the Future Banker – Planning for Future Career Programme for around 40 secondary school students and their career guidance teachers. The event featured an experimental workshop and a storytelling competition on future banking from a youth perspective.

In December, a talk on pursuing careers in banking was organised for more than 800 secondary school students and teachers.



Senior secondary students at the Future Banker – Planning for Future Career Programme

Banking Stability



Students offer their ideas about banking operations and services in the future

The HKMA also partnered with the Education Bureau and the HKCBA to organise the Young Bankers' Summer Programme for over 40 secondary school students and teachers. This was an opportunity for the HKMA and banking practitioners to share details about the evolution of Hong Kong's banking and financial systems and banking operations with participants.



Mr Fu Kim (first from left) and Mr Kevin Chan (first from right), Executive Vice Presidents of HKCBA; Mr Donald Chen (second from left), Executive Director (Banking Policy); Mr Ronick Chan (third from left), Director and Vice Chairman of HKCBA; Ms Gloria Chan (third from right), Deputy Secretary for Education of the Education Bureau; and Mr Jacob Hui (second from right), Chief Curriculum Development Officer of the Education Bureau, at the opening ceremony of the Young Bankers' Summer Programme



Mr Donald Chen, Executive Director (Banking Policy), speaks at the opening ceremony of the Young Bankers' Summer Programme

Attracting young talent from abroad

The HKMA also worked with academia to attract young talents from outside Hong Kong. Collaborating with the Summer Institute of the University of Hong Kong, we provided 80 secondary school students from the APAC region with useful information about monetary and banking systems and financial markets through the Profile Building for Future Career Programme.



Senior secondary students from the APAC region on a visit to HKMA

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 following 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 not designated as such under the PSSVFO, the Monetary Authority ensures 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 the 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)³⁰ are incorporated into the HKMA's guidelines for designated CSSs and the HKTR.

The HKMA has completed PFMI assessments on all the 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 the 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. Following the enactment of the Protection of Critical Infrastructures (Computer Systems) Ordinance, the HKMA has commenced the assessment of relevant FMIs to ensure their readiness for designation as critical infrastructure operators. In addition, the HKMA has been closely monitoring the adoption of the ISO 20022 standard for the HKTR to ensure a seamless transition with no adverse impact on the safety and efficiency of the system.

Technological innovation

The HKMA has continued to monitor the implementation of a growing number of 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.

30 In April 2012, the BIS 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.

Banking Stability

International participation and co-operative oversight

The HKMA actively participates in several international forums that promote the 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, digital innovations in payments, cross-border payments and FMI risk management. In addition, the HKMA contributes to the efforts of working groups and taskforces under the CPMI and the FSB, focusing on enhancing cross-border payments from an oversight perspective, and participates in the CPMI-IOSCO³¹ 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 Swift³², the HKMA discusses oversight matters with other central banks, focusing on Swift's customer security controls framework and cybersecurity issues.

To facilitate efficient communication and consultation, the HKMA has established co-operative oversight arrangements with other relevant authorities. We participate in the international co-operative oversight of the CLS System³³ through the CLS Oversight Committee, and attended various meetings of the CLS Oversight Committee during the year.

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 the processes and procedures adopted by the HKMA in applying standards under the PSSVFO to oversee systems in which the HKMA has a legal or beneficial interest. The Committee assesses whether the HKMA has applied consistent oversight to all designated CSSs.

In 2025, the Committee held two meetings and reviewed four regular reports, as well as 36 accompanying oversight activities management reports. It 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.

31 Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions.

32 Swift (Society for Worldwide Interbank Financial Telecommunication) is a global messaging network which assists financial institutions to transmit information and instructions in a standardised manner.

33 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

Overview

In 2025, the HKMA stepped up its efforts to reinforce Hong Kong's standing as a premier international financial centre in the following strategic areas:

Financial market connectivity and offshore renminbi business

Strengthening Hong Kong's role as a connector between the Chinese Mainland and the rest of the world and as the leading offshore renminbi hub

Global connections

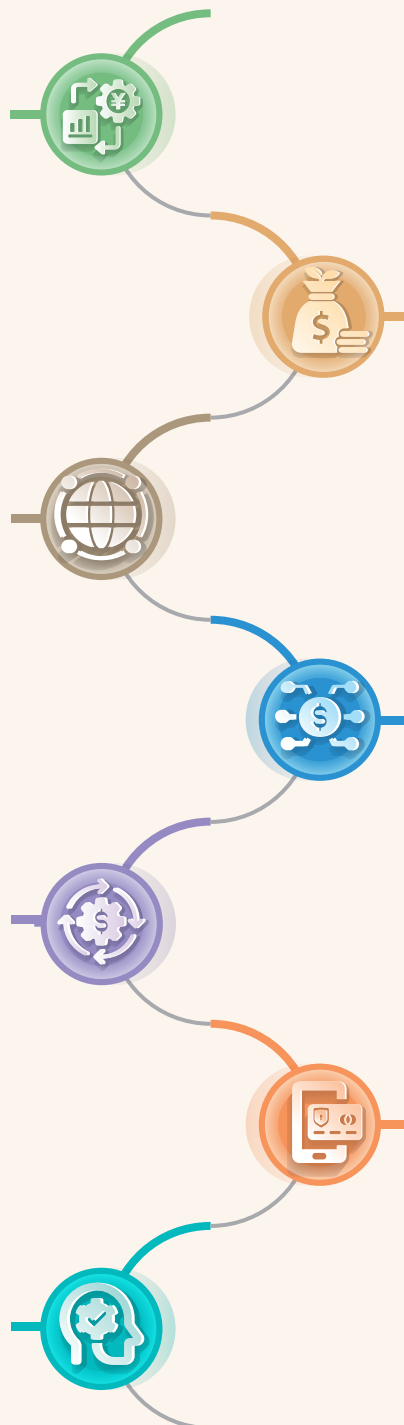
Strengthening ties with central banks, regulators, and market participants worldwide, and stepping up outreach efforts to promote Hong Kong's market opportunities

Financial market infrastructure

Ensuring the reliability, resilience, and efficiency of Hong Kong's critical financial market infrastructure

Talent and research development

Nurturing future finance leaders and strengthening monetary and applied research capabilities



Financial ecosystem

Enhancing the competitiveness of Hong Kong's financial ecosystem in key areas such as fixed income and currency, asset and wealth management, and supply chain financing

Fintech development

Driving Hong Kong's fintech development and implementing the licensing regime for stablecoin issuers

Retail payment industry

Ensuring the safety and soundness of licensed stored value facilities and designated retail payment systems

International Financial Centre

At a glance: The HKMA's initiatives in 2025 to strengthen Hong Kong's competitiveness as an international financial centre

Strengthening Hong Kong's role as a connector between the Chinese Mainland and the rest of the world and as the leading offshore renminbi hub

- Enhanced the Bond Connect investment ecosystem with the launch of cross-boundary bond repurchase (repo) and offshore renminbi bond repo business, the inclusion of Northbound Bond Connect bonds as eligible margin collateral for derivatives transactions at OTC Clearing Hong Kong Limited, and the expansion of the Southbound Bond Connect investor scope
- Continued to enhance Cross-boundary Wealth Management Connect and Northbound Swap Connect
- Enhanced offshore renminbi liquidity with the introduction of the RMB Trade Financing Liquidity Facility in February, which was subsequently upgraded to the RMB Business Facility in October; also introduced two-week and one-month repos for T+1 settlement and reallocated the fund size between intraday and overnight tenors for T+0 settlement under the RMB Liquidity Facility in October
- Increased the diversity of offshore renminbi products by supporting dim sum bond issuances in Hong Kong

Strengthening connections with the world

- Hosted the Global Financial Leaders' Investment Summit for the fourth year
- Stepped up market outreach to traditional developed markets, as well as the Middle East, the Association of Southeast Asian Nations economies and the Chinese Mainland to promote Hong Kong's financial services and foster collaboration
- Actively participated in international central banking and regulatory forums

Enhancing the competitiveness of Hong Kong's financial ecosystem

- Issued a Roadmap for the Development of Fixed Income and Currency (FIC) Markets with the Securities and Futures Commission to position Hong Kong strategically as a global FIC hub
- Promoted bond market innovation by assisting the Government in issuing the world's largest digital bond and launching a review of the existing legal framework for tokenised bonds in collaboration with the Government
- Worked to enhance the tax concession regimes for the asset and wealth management industry
- Continued to enhance Hong Kong's competitiveness as an international supply chain financing hub and a corporate treasury centre (CTC) hub through legislative proposals to facilitate the digitalisation of trade documents, a study to strengthen the CTC tax regime, and ongoing industry engagement

International Financial Centre

Driving Hong Kong's fintech development

- Concluded the "Fintech 2025" initiative and unveiled "Fintech 2030", outlining the HKMA's vision and strategy to transform Hong Kong into a future-ready fintech hub
- Launched Project Cargo^x to enhance the digital trade finance ecosystem by leveraging cargo and trade data alongside the Commercial Data Interchange infrastructure
- Launched Payment Connect, which links the Faster Payment System in Hong Kong with the Internet Banking Payment System in the Chinese Mainland to enable real-time cross-boundary remittances for residents in both places
- Launched Ensemble^{TX}, the pilot phase of Project Ensemble, to facilitate real-value transactions involving tokenised deposits and digital assets
- Concluded the e-HKD Pilot Programme and published the Phase 2 report
- Facilitated the passage of the Stablecoins Bill to establish the licensing regime for stablecoin issuers in Hong Kong
- Published the Guidelines on (i) Supervision of Licensed Stablecoin Issuers and (ii) Anti-Money Laundering and Counter-Financing of Terrorism (for licensed stablecoin issuers) to support the implementation of the new regulatory regime
- Processed applications for stablecoin issuance licence

Ensuring the reliability, resilience and efficiency of Hong Kong's critical financial market infrastructure

- Continued to ensure the safe and efficient operation of the Real-Time Gross Settlement systems, the Central Moneymarkets Unit (CMU) and the Hong Kong Trade Repository
- Forged a strategic collaboration with Hong Kong Exchanges and Clearing Limited, introducing it as a strategic shareholder of CMU OmniClear Holdings Limited

Ensuring the safety and soundness of the local retail payment industry

- Continued to promote the safety and efficiency of local retail payment players, including licensed stored value facilities and designated retail payment systems

Nurturing future financial leaders and strengthening monetary and applied research capabilities

- Continued to strengthen leadership development and monetary and applied research efforts of the Hong Kong Academy of Finance

International Financial Centre

Review of 2025

Strengthening Hong Kong's role as a connector between the Chinese Mainland and the rest of the world and as the leading offshore renminbi hub

By harnessing Hong Kong's deep, market-friendly financial ecosystem, the territory serves as a super connector, bridging the Mainland with markets worldwide. The HKMA is committed to strengthening financial market connectivity between the Mainland and Hong Kong to deepen the Mainland's integration with global markets, while enabling Hong Kong to capitalise on opportunities that emerge. In parallel, we aim to expand Hong Kong's offshore renminbi business by actively promoting the use of renminbi in both real-sector transactions and capital market activities.

- **RMB1,096.8 billion**
 RMB deposits, including outstanding certificates of deposit, **+2%**
- **RMB13.9 trillion**
 RMB trade settlements handled by banks in Hong Kong
- **RMB935.0 billion**
 RMB loans, **+29%**
- **RMB1,100.9 billion**
 offshore RMB bond issuance, **+3%**
- **Over 70%**
 of world's offshore RMB Swift¹ payments

Enhancing connectivity between the financial markets of the Chinese Mainland and Hong Kong

Hong Kong has long served as the dominant gateway for cross-border capital flows between the Mainland and global financial markets, particularly through the various Connect Schemes. In light of the emerging two-way trends – rising international investor demand for renminbi-denominated assets and increasing overseas allocations by Mainland investors – the HKMA, in close collaboration with relevant regulatory authorities in both the Mainland and Hong Kong, continues to enhance and strengthen the ecosystem of the Connect schemes, with the aim of further deepening and widening mutual market access in support of growing cross-border investments by both Mainland and international investors.

Bond Connect

Northbound Bond Connect serves as a major channel for international investors to invest in the Mainland bond market, leveraging Hong Kong's market infrastructure and financial services. In 2025, daily turnover under Northbound Bond Connect averaged RMB39.0 billion, accounting for around 61% of the total trading turnover by foreign investors in the China Interbank Bond Market.

¹ Society for Worldwide Interbank Financial Telecommunication.

International Financial Centre

A series of initiatives was implemented in 2025 to better address the liquidity management needs of Northbound Bond Connect investors, with the aim of enhancing the appeal of Northbound Bond Connect to international investors and stimulating greater global participation in the channel:

Feb

Launch of offshore renminbi bond repurchase business

Launched in February, this initiative enables international investors to use bonds held under Northbound Bond Connect as collateral to conduct renminbi repurchase (repo) transactions in Hong Kong. In August, enhancements were introduced to support the re-hypothecation of bond collaterals during the repo period, as well as cross-currency repo.

Mar

Inclusion of Northbound Bond Connect bonds as eligible margin collateral for derivative transactions at OTC Clearing Hong Kong Limited

In March, OTC Clearing Hong Kong Limited (OTCC) began accepting eligible onshore bonds held by international investors through Northbound Bond Connect as margin collateral for derivative transactions cleared at OTCC.

Sep

Launch of cross-boundary repo business

Launched in September, this initiative enables all overseas institutional investors participating in the onshore bond market, including those via Northbound Bond Connect, to engage in onshore repo transactions using their onshore bonds as collateral, and channel the renminbi liquidity thus obtained for offshore use.

At the same time, Southbound Bond Connect also underwent several key enhancements in 2025 to better facilitate Mainland investors' access to offshore bond markets:

Jan

In January, the settlement time under the central securities depositories (CSDs) linkage was extended, and the linkage was expanded to support the settlement of bonds in US dollar and euro, in addition to the previously supported renminbi and Hong Kong dollar bonds.

Jul

In July, the investor scope under Southbound Bond Connect was expanded to include four types of non-bank financial institutions – securities firms, fund companies, insurance companies and wealth management companies – opening new channels to meet the growing demand from Mainland investors for diversified asset allocation. This expansion also supports the development of Hong Kong's bond market by broadening our investor base and enhancing market liquidity, thereby increasing Hong Kong's attractiveness to bond issuers and investors worldwide.

International Financial Centre

Northbound Swap Connect

Meanwhile, several enhancement measures were introduced to Northbound Swap Connect in 2025, providing international institutional investors with greater flexibility to hedge interest rate risks associated with their onshore bond investments, including those made through Northbound Bond Connect:

May

As announced in May, the product type and scope of Northbound Swap Connect were expanded to include interest rate swap (IRS) contracts with tenors up to 30 years and IRS contracts using the Loan Prime Rate as reference rate.

Oct

In October, the daily net quota for Northbound Swap Connect was raised from RMB20 billion to RMB45 billion. Subsequently, the list of onshore Swap Connect dealer was also expanded.

Cross-boundary Wealth Management Connect Scheme

The implementation of the Cross-boundary Wealth Management Connect (WMC) Scheme has been progressing smoothly with positive market response. By the end of 2025, around 177,900 GBA² individual investors had opened cross-boundary WMC accounts, comprising around 123,000 Southbound investors and around 54,900 Northbound investors. Following the launch of Cross-boundary WMC 2.0 in 2024, all relevant measures were successfully implemented. Building on this foundation, the HKMA continued to work closely with relevant Mainland regulatory authorities in 2025 to introduce several facilitative measures, including “one-off consent” and “three-party dialogue”, to enable banks to better serve their clients in the sale and promotion of WMC services. The HKMA will continue to work with relevant authorities and the industry to explore further improvements to WMC.

Further developing Hong Kong’s offshore renminbi business ecosystem

Hong Kong’s offshore renminbi business recorded robust growth in 2025. To support further market expansion and reinforce Hong Kong’s position as the leading offshore renminbi hub, the HKMA has continued to strengthen Hong Kong’s offshore renminbi ecosystem – specifically through enhancements in liquidity, product offerings, market infrastructure and promotional initiatives.

Liquidity

To provide sufficient renminbi liquidity to meet market development needs, the HKMA introduced the RMB Trade Financing Liquidity Facility (TFLF) in February, leveraging the Currency Swap Agreement with the People’s Bank of China (PBoC). The facility offered participating banks a stable, cost-effective funding source to expand renminbi trade financing services for their corporate customers. Building on the positive feedback and operational experience, the HKMA introduced the RMB Business Facility (RBF) in October as a replacement for the TFLF, incorporating multiple enhancements. With a total facility size of RMB100 billion (doubled to RMB200 billion in February 2026), the RBF provides participating banks with renminbi funds of up to one year at interest rates referencing onshore rates. Compared with the TFLF, eligible end users of the RBF have been broadened from corporate clients of participating Hong Kong banks to also include corporate clients of participating banks’ overseas intragroup banking entities. Eligible activities have also expanded beyond trade finance to cover capital expenditure and working capital term loans. The RBF supports broader renminbi usage in real-economy activities in Hong Kong, while also channelling renminbi funding from Hong Kong to other offshore markets – such as the Association of Southeast Asian Nations (ASEAN) countries, the Middle East, and Europe – further reinforcing Hong Kong’s unique role as the global offshore renminbi business hub.

International Financial Centre

In parallel, the HKMA also enhanced the RMB Liquidity Facility in October by introducing two-week and one-month repos for T+1 settlement, in addition to the existing one-day and one-week repos. This expansion offers greater flexibility for banks in managing their funding amid continued active renminbi activities. The facility's funding allocation was also adjusted: the caps for the intraday and overnight tenors for T+0 settlement, previously set at RMB20 billion each, were revised to RMB30 billion and RMB10 billion, respectively, to support banks' increasing demand for intraday renminbi funding to facilitate the settlement of growing cross-boundary renminbi payments.

Products

The HKMA has continued to promote the diversity of offshore renminbi products in Hong Kong by supporting a broad range of dim sum bond issuances. In 2025, offshore renminbi bond issuances in Hong Kong remained active. Notably:

- ▣ The Ministry of Finance of the People's Republic of China (CMOF) expanded its sovereign bond issuance in Hong Kong to a record RMB68 billion, issued in six batches during the year.
- ▣ The People's Government of Guangdong Province, the People's Government of Hainan Province and the Shenzhen Municipal People's Government also issued offshore renminbi local government bonds in Hong Kong for the second, fourth and fifth consecutive years, respectively, during the year, demonstrating the importance of Hong Kong as a key offshore issuance platform for Mainland local governments.
- ▣ In October, the Government of Indonesia also issued its inaugural offshore renminbi-denominated sovereign bond in Hong Kong, highlighting Hong Kong's appeal as a platform for global dim sum bond issuances.

In addition, the HKMA and the Securities and Futures Commission (SFC) jointly released the Roadmap for the Development of Fixed Income and Currency Markets (FIC Roadmap), including measures to expand Hong Kong's offshore renminbi bond market. See *Roadmap for the Development of Fixed Income and Currency Markets* on page 126 for more details.

Infrastructure

The HKMA has continued enhancing our financial market infrastructure to support the growth of the offshore renminbi market in Hong Kong. At the core of this effort is the HKMA's initiative to modernise the Central Moneymarkets Unit (CMU) to better support the cross-border clearing, settlement, and custodial operations for debt securities under Bond Connect, making these processes more efficient and convenient for investors from both the Chinese Mainland and abroad. See *Continuous System Modernisation* on page 144 for more details.

Promotion

On the promotional front, the HKMA has continued to collaborate with the banking industry to promote the broader use of renminbi in trade, investment and financing, risk management and treasury activities among their clients. In parallel, we have stepped up our overseas outreach efforts, engaging with officials and financial sectors in ASEAN and the Middle East to deepen their understanding of, and interest in, broadening the use of renminbi in their cross-border trade and investment.

International Financial Centre

Enhancing the competitiveness of Hong Kong's financial ecosystem

Developing the bond market

Vibrant issuances in primary market

Hong Kong continues to be Asia's premier bond issuance centre. According to the International Capital Market Association, Hong Kong ranked as the region's largest arranging hub for international bond issuances for the ninth time in the past decade in 2025. International bond issuances arranged in Hong Kong totalled US\$133 billion during the year, accounting for around 25% of the regional total.

To promote the vibrant and diversified development of Hong Kong's bond market, the HKMA supports the Government in implementing the bond issuance programmes. These programmes help enhance the breadth, depth and diversity of the local bond market, while also serving to advance sustainable and infrastructure development in Hong Kong:

- Government Sustainable Bond Programme:** Formerly known as the Government Green Bond Programme, this programme promotes the development of green and sustainable finance in Hong Kong. As of the end of 2025, around HK\$252 billion worth of green bonds – including both institutional and retail tranches – had been issued under the programme, of which around HK\$31 billion was issued during 2025. Proceeds from these bond issuances have been allocated to fund 116 Government green projects.
- Infrastructure Bond Programme:** The Government established this programme in 2024 to better manage the cashflow needs of major infrastructure projects and support their early completion for the good of the economy and people's livelihoods. As of the end of 2025, around HK\$213 billion worth of infrastructure bonds had been issued under the programme, of which around HK\$124 billion was issued during 2025. Proceeds from these bond issuances have been allocated to fund 20 Government infrastructure projects, including those under key strategic initiatives such as the Northern Metropolis.

Navigating bond tokenisation

As Asia's premier bond hub, Hong Kong stands to benefit from embracing innovation and adopting technologies that can generate efficiency gains, reduce costs, enhance transparency, and broaden investor participation in the bond market. The HKMA launched Project Evergreen in 2021 to explore the adoption of tokenisation technology in capital markets. Building on the successful execution of two landmark tokenised green bond issuances for the Government – the world's first tokenised government green bond in 2023 and the world's first multi-currency digital bond in 2024 – the HKMA assisted the Government in executing its third tokenised bond issuance in November. The issuance was notable as the world's largest digital bond offering, and also the first globally to integrate tokenised central bank money in the form of e-CNY³ and e-HKD⁴ into the settlement process, marking another significant milestone in the Government's bond tokenisation journey.

The Government's tokenised bond issuances have in turn created a demonstrative effect for the private sector to follow. Since 2024, various corporates have issued digital bonds in Hong Kong, drawing reference from the Government's issuance models. In the 2025–26 Budget, the Financial Secretary announced the regularisation of the Government's tokenised bond issuances. Going forward, the HKMA will continue to support the Government in issuing tokenised bonds regularly, thereby providing the market with a steady supply of high-quality bonds in tokenised format.

Additionally, the HKMA is working with the Government to review the existing legal framework for tokenised bonds, with the aim of identifying and implementing enhancement measures that could further scale adoption and unlock the potential of distributed ledger technology (DLT) in the bond market. The HKMA also continues to incentivise digital bond issuances in Hong Kong through the Digital Bond Grant Scheme and promote awareness and knowledge of digital bonds via EvergreenHub, a dedicated one-stop digital bond knowledge repository.

3 e-CNY is the digital fiat currency provided by the PBoC.

4 e-HKD refers to the Central Bank Digital Currency in Hong Kong.

International Financial Centre

Roadmap for the Development of Fixed Income and Currency Markets

To position Hong Kong more broadly as a global fixed income and currency (FIC) hub, the SFC and the HKMA jointly published the FIC Roadmap in September, outlining key initiatives across four pillars (Figure 1):

- (i) **Boosting primary market issuance** – by supporting the Government in implementing various bond issuance programmes and actively outreaching to issuers and investors in targeted overseas markets;
- (ii) **Enhancing secondary market liquidity** – by facilitating the development of over-the-counter (OTC) FIC derivatives and repo markets;
- (iii) **Expanding offshore renminbi business** – by introducing new liquidity and risk management tools for renminbi bond investments, promoting the direct conversion between renminbi and other currencies, and enhancing the Connect schemes;
- (iv) **Facilitating innovation in fixed income market infrastructure** – by supporting the development of next-generation FIC financial market infrastructure that enable, among other things, the adoption of advanced technologies such as DLT.

On the same day as the FIC Roadmap was announced, the SFC and the HKMA also jointly hosted the FIC Forum, bringing together senior officials from Hong Kong and the Chinese Mainland, regulators, and leaders from major financial institutions to exchange insights on advancing Hong Kong's bond market development.



Figure 1 FIC Roadmap at a glance



International Financial Centre

Developing the asset and wealth management industry

Leveraging its unique advantage as the dominant gateway for cross-border capital flows between the Mainland and global financial markets, coupled with unparalleled access to investment opportunities, Hong Kong is well positioned as Asia's leading asset and wealth management hub. As of the end of 2025, Hong Kong ranked as Asia's largest private equity hub outside the Mainland, managing around US\$231 billion in capital and hosting 660 private equity firms. By the end of December, 1,446 Limited Partnership Funds⁵ had been established in Hong Kong. To further strengthen Hong Kong's standing as an international asset and wealth management centre, the HKMA has been working with other Government agencies to review and enhance the existing tax concession measures applicable to single-family offices, funds and carried interest, with proposals targeted for submission to the Legislative Council (LegCo) for deliberation in 2026. In parallel, the HKMA continues to support the work of the Task Force on Promoting the Development of Asset and Wealth Management led by the Government.

Enhancing supply chain finance and corporate treasury business

The pace of Mainland enterprises "going global" has accelerated considerably amid ongoing global supply chain reconfiguration. In response, the HKMA has been working on multiple fronts to support Mainland enterprises in their international expansion, while enhancing Hong Kong's competitiveness as an international hub for supply chain financing amidst a shifting landscape.

Encouraging corporates to set up treasury centres in Hong Kong

A corporate treasury centre (CTC) serves as an "in-house bank", enabling centralised management of treasury activities across multiple companies within the same corporate group. In tandem with the accelerating trend of Mainland enterprises "going global", and to attract more of these Mainland corporates to manage their intra-group liquidity through Hong Kong, the HKMA and relevant Government agencies have been actively studying enhancements to the CTC tax concession regime and increasing engagement with the industry to promote the establishment of CTCs in Hong Kong.

Embracing digital trade

As announced in the 2025–26 Budget and the 2025 Policy Address, the Government is committed to promoting the digitalisation of trade and related financing activities to reduce costs, enhance efficiency, and strengthen Hong Kong's position as an international hub for supply chain financing. To this end, the HKMA has been collaborating with relevant Government agencies to review local laws with the aim of facilitating the digitalisation of trade documents. The proposed legislative amendments are planned to be introduced to the LegCo in 2026.

The HKMA has also launched Project Cargo^x to strengthen the digital ecosystem for trade finance by leveraging cargo and trade data. See *Commercial Data Interchange* on page 134 for more details.

⁵ The Limited Partnership Fund regime and the associated re-domiciliation mechanism were introduced in August 2020 and November 2021 respectively to attract private investment funds (including private equity and venture capital funds) to set up and register in Hong Kong, thereby facilitating the channeling of capital into corporates in Hong Kong and the GBA.

International Financial Centre

Hong Kong's treasury markets

The HKMA actively engages in international and local discussions and works closely with the Treasury Markets Association (TMA) to enhance the professionalism and competitiveness of Hong Kong's treasury market.

In 2025, the HKMA collaborated with the TMA to encourage all authorized institutions and approved money brokers to align their operations with the updated Foreign Exchange Global Code issued by the Global Foreign Exchange Committee – a set of global principles outlining best practices in the wholesale foreign exchange market. The HKMA also reaffirmed its own commitment to the Code as a key market participant.

Over-the-counter derivatives market

The HKMA and the SFC have collaborated closely to implement Hong Kong's OTC derivatives regulatory regime in phases. Following public consultations in 2024 on proposed enhancements to the OTC derivatives regulatory reporting framework to align with international standards – including the mandatory reporting of Unique Transaction Identifier, Unique Product Identifier and Critical Data Elements – the HKMA and the SFC issued updated Supplementary Reporting Instructions and implemented the enhancements in September 2025.

Strengthening connections with the world

Engagement with the private sector

Throughout 2025, the HKMA proactively reached out to the broader financial community locally and internationally, highlighting the resilience of Hong Kong's financial system and the growth opportunities the city offers.

For the year overall, the HKMA conducted over 340 seminars, speaking engagements and individual meetings, reaching over 26,000 senior executives and professionals from local and international corporates and financial institutions.

Market outreach analysis

**Engagements
conducted**
over
340



Including:

- Summits and dialogues
- Conferences and forums
- Round-tables and meetings
- Webinars

**Audience
reached**
over
26,000



Channelled through:

- Financial institutions
- Industry associations
- Chambers of commerce
- International organisations

**Sectors
covered**
17



Including:

- Banks
- Hedge funds and private equity funds
- Asset managers and asset owners
- Professional service providers and corporates

International Financial Centre

Global Financial Leaders' Investment Summit

In November, the HKMA successfully hosted its flagship financial event, the Global Financial Leaders' Investment Summit (the Summit), for the fourth consecutive year. The Summit brought together approximately 300 global financial leaders, including over 100 group chairmen or CEOs from the world's leading banks, securities firms, asset owners, asset managers, private equity and venture capital firms, hedge funds and insurers.

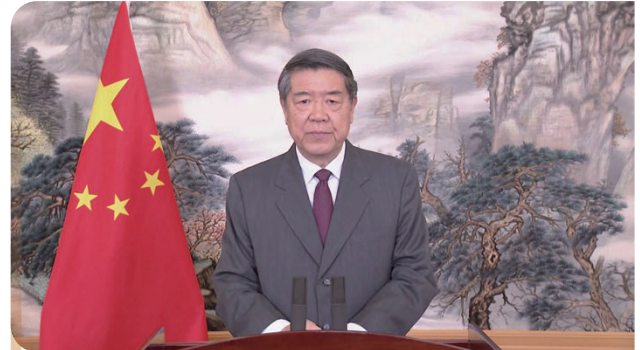
Under the theme *Trekking through Shifting Terrain*, financial leaders at the Summit explored how the global financial community could navigate evolving geopolitics, macroeconomic, market and technological shifts and uncertainties to seize opportunities while remaining vigilant to emerging risks. Mr He Lifeng, Vice Premier of the State Council of the People's Republic of China, delivered the opening keynote by video.

Launched in 2022 with the vision of inviting financial leaders worldwide to experience Hong Kong's resilience, vibrancy and opportunities firsthand, the Summit has matured over the years into one of Asia's premier financial events, providing a platform for dialogue among global financial leaders on key issues shaping the global economy and financial markets.

Collaboration with the Middle East

While continuing to engage the private sector, the HKMA further strengthened ties with central banks in the rapidly developing Middle East region in 2025, promoting Hong Kong's financial services and advancing regional financial co-operation – with the aim of laying a solid foundation for the private sector to develop tangible business opportunities.

Building on prior engagements, the HKMA maintained active bilateral exchanges with the Central Bank of the United Arab Emirates, the Saudi Central Bank, and the Qatar Central Bank in 2025, deepening collaboration in key strategic areas such as financial infrastructure, sustainable finance, fintech and market connectivity. A key milestone for the year was the collaboration with Saudi Arabia's Public Investment Fund to establish a new US\$1 billion investment fund aimed at investing in companies with a Hong Kong nexus that are expanding into Saudi Arabia, with a focus on key industries such as manufacturing, renewables, fintech and healthcare.



Mr He Lifeng, Vice Premier of the State Council of the People's Republic of China, delivers an opening keynote by video for the Summit



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



Mr Paul Chan, Financial Secretary of the HKSAR Government and Honorary President of Hong Kong Academy of Finance, delivers his remarks at the Summit

International Financial Centre

Collaboration with the Association of Southeast Asian Nations markets

In parallel, building on the successful visits to Thailand and Malaysia in 2024, the HKMA expanded its outreach to ASEAN markets in 2025 to capture the opportunities emerging from the rapidly expanding China-ASEAN economic corridor:

Mar

In March, the HKMA and the Bangko Sentral ng Pilipinas held a bilateral meeting to foster dialogue on capital market development, digital payments and connectivity, and green finance initiatives, while exploring potential collaboration opportunities.

Aug

In August, the HKMA supported the Hong Kong Association of Banks (HKAB) in hosting the inaugural Hong Kong-ASEAN Banking Exchange Conference, which brought together representatives from nine ASEAN bank associations. The conference featured thematic roundtable discussions on key global trends, including fintech, sustainable finance, promotion of local currency usage, and renminbi internationalisation, providing a valuable platform for bankers and finance professionals from Hong Kong and ASEAN economies to network, exchange ideas and explore potential collaborations.

Sep

In September, the HKMA joined HKAB and the Federation of Hong Kong Industries on a visit to Vietnam. The visit aimed to explore new business opportunities and deepen financial co-operation between the two markets in the areas of trade and investment, banking, capital markets, fintech and sustainable finance. The delegation held meetings with officials from Vietnam's Ministry of Finance and the State Bank of Vietnam, and business leaders from the Vietnam Chamber of Commerce and Industry.

2025

Throughout the year, the HKMA also co-organised with HKAB's Corridor Business Committee a range of promotional and outreach activities, including three ASEAN seminars focused on the economic landscapes and growth potentials of Malaysia, Vietnam and Indonesia, providing practical insights to banking and corporate participants seeking to expand into the region.

International Financial Centre

Participation in international and regional central banking and regulatory forums

The HKMA is an active member of various international central banking and regulatory forums, contributing to global financial stability and the development of financial markets (Table 1).

- ▣ As an active member of the Financial Stability Board (FSB), the HKMA contributes to its work on non-bank financial intermediation, crypto-assets and financial innovation, cross-border payments, resolution, and other key topics – helping to shape financial sector policies and maintain financial stability worldwide. In 2025, the HKMA led the Thematic Peer Review on the FSB Global Regulatory Framework for Crypto-asset Activities to examine progress made by different jurisdictions in implementing the FSB’s 2023 global regulatory framework, identify implementation gaps and inconsistencies, and highlight lessons learned to promote more effective, consistent, and coordinated regulation, supervision and oversight worldwide.
- ▣ We also co-chaired the FSB’s Regional Consultative Group for Asia for a two-year term until June. In this capacity, we promoted active interaction between FSB members and non-members across the region on key policy initiatives, while facilitating the exchange of views on important financial stability issues.
- ▣ The HKMA is also a member of the Bank for International Settlements (BIS), a global forum that enables central banks worldwide to engage in dialogue and foster international co-operation in pursuit of global monetary and financial stability. Since September 2023, we have been chairing the Meeting of Governors from Major Emerging Market Economies, where central bank governors from major emerging market economies discuss issues of importance to their jurisdictions.

Table 1 HKMA’s participation in the FSB and the BIS

Financial Stability Board	Bank for International Settlements
<p>The HKMA is a member of the following key groupings of the FSB:</p> <ul style="list-style-type: none"> ▣ Plenary ▣ Steering Committee <ul style="list-style-type: none"> ▣ Nonbank Data Task Force ▣ Standing Committee on Assessment of Vulnerabilities ▣ Standing Committee on Supervisory and Regulatory Cooperation ▣ Cross-border Payments Coordination Group ▣ Resolution Steering Group ▣ Regional Consultative Group for Asia 	<p>As a member of the BIS, the HKMA participates in its bimonthly meetings and various committees as follows:</p> <ul style="list-style-type: none"> ▣ Meeting of Governors from Major Emerging Market Economies (Chair) ▣ Asian Consultative Council ▣ Markets Committee ▣ Committee on the Global Financial System ▣ Basel Committee on Banking Supervision (see the <i>Banking Stability</i> chapter on page 90 for details) ▣ Committee on Payments and Market Infrastructures <p>At the same time, Hong Kong hosts two key BIS entities, with which the HKMA maintains close collaboration:</p> <ul style="list-style-type: none"> ▣ BIS Representative Office for Asia and the Pacific (opened in 1998) ▣ BIS Innovation Hub Centre in Hong Kong SAR (opened in 2019)

International Financial Centre

In addition to its active participation in international central banking and regulatory forums, the HKMA is also committed to regional co-operation to promote financial stability across Asia and strengthen the region's collective voice in global financial affairs. Our participation in key regional financial groups is outlined in Table 2.

The HKMA hosted the ASEAN+3 Finance and Central Bank Deputies' Meetings in November – the first time this meeting was held in Hong Kong, bringing together senior officials at the vice minister of finance and central bank deputy governor level from 15 regional jurisdictions for policy dialogues. Additionally, in August, the HKMA co-organised the third Financial Leadership Training Programme with the ASEAN+3 Macroeconomic Research Office, the Asian Development Bank Institute, and the South East Asian Central Banks (SEACEN) Research and Training Centre, for senior officials from central banks, ministries of finance, and related government agencies in the ASEAN+3 and SEACEN economies.

Table 2 HKMA's participation in regional financial groups

The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)^a

The HKMA actively participates in different EMEAP groupings, including:

- Monetary and Financial Stability Committee (Deputy Chair)
- Working Group on Financial Markets
- Working Group on Payments and Market Infrastructures (Deputy Chair)
- Working Group on Banking Supervision
- IT Directors' Meeting
- Study Group on Resolution (Chair)

The ASEAN+3^b Finance Ministers and Central Bank Governors' Meeting (AFMGM+3)^c

The South East Asian Central Banks (SEACEN) Research and Training Centre (Centre)^d

- a. The EMEAP is a co-operative organisation of central banks and monetary authorities in the East Asia and Pacific region.
- b. The ASEAN+3 comprises the 11 ASEAN member countries (Brunei, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam), together with the People's Republic of China (including the HKSAR), Japan and the Republic of Korea.
- c. The AFMGM+3 is the meeting of finance ministers and central bank governors of the member jurisdictions of the ASEAN+3.
- d. The SEACEN Centre is a regional research and training hub for central banks and monetary authorities in Asia-Pacific, comprising 19 full members together with a number of associate and observer members.

International Financial Centre

Driving Hong Kong’s fintech development

Fintech 2030

The rapid evolution of fintech continues to reshape financial services, redefine banking, and create significant opportunities for the financial sector. Over the past decade, the HKMA has taken proactive steps to drive Hong Kong’s fintech development, with the aim of establishing the city as a leading global fintech hub. Key initiatives include the launch of seven Smart Banking initiatives in 2017 and the rollout of the “Fintech 2025” initiative in 2021, which together have successfully fostered a vibrant and healthy fintech ecosystem in Hong Kong, solidifying its status as a global fintech leader.

Building on the strong and positive momentum of “Fintech 2025”, the HKMA unveiled “Fintech 2030” in November, a forward-looking fintech strategy aimed at transforming Hong Kong into a robust, resilient and future-ready fintech hub.

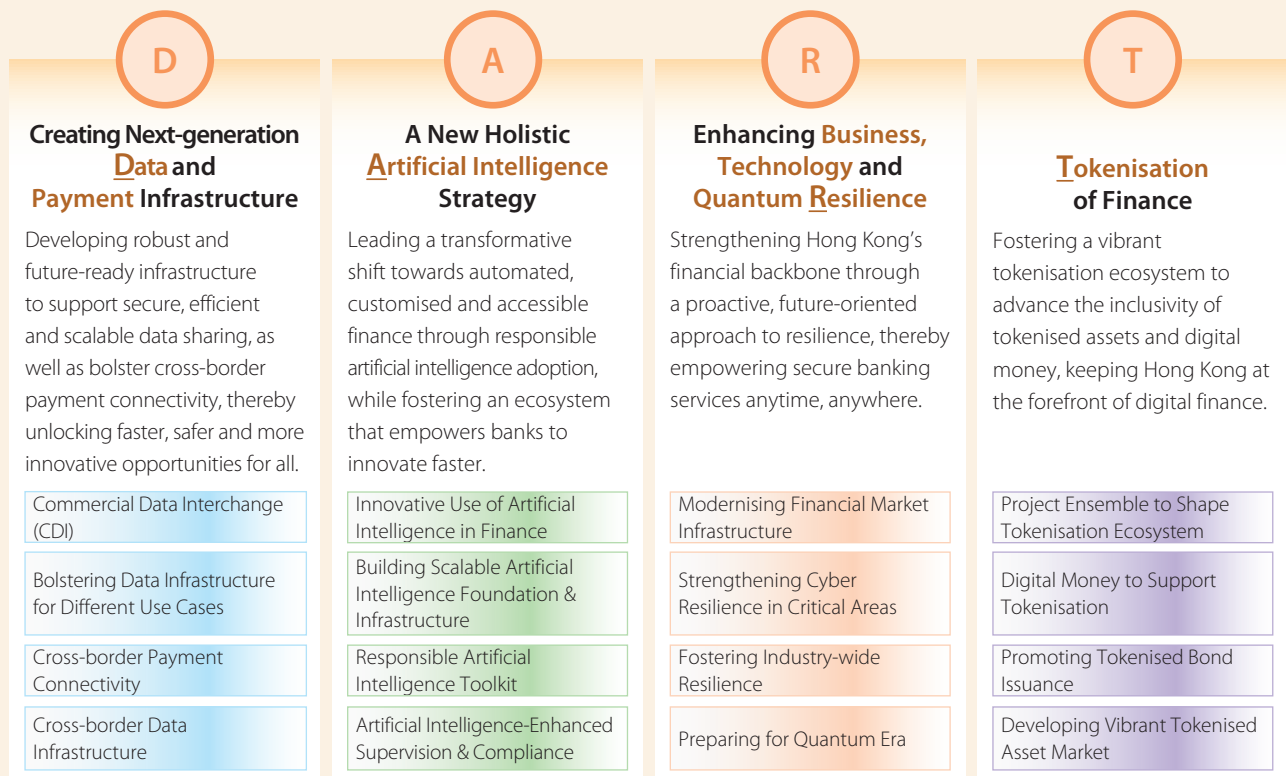
The “Fintech 2030” focuses on four strategic pillars, collectively known as “DART” (Figure A).

Following the announcement of “Fintech 2030”, the HKMA has actively driven forward a portfolio of more than 40 initiatives under the strategy, charting the next phase in Hong Kong’s fintech journey.



Mr Eddie Yue, Chief Executive, unveils “Fintech 2030” at the Hong Kong FinTech Week 2025

Figure A Key strategic pillars of “Fintech 2030”



Other Fintech Ecosystem Initiatives

Robust, Resilient and Future-Ready Fintech Hub

International Financial Centre

Commercial Data Interchange

Under the “Fintech 2030” strategy, one of the strategic pillars is the development of robust, future-ready data infrastructure to enable secure, efficient and scalable data sharing.

Our next-generation Commercial Data Interchange (CDI) data infrastructure serves precisely this objective. CDI connects banks with a diverse range of data providers, allowing direct sharing of commercial data with customer consent.

This facilitates banks’ credit assessment processes and empowers small and medium-sized enterprises (SMEs) to access enhanced financing opportunities, thereby supporting their growth. Since its official launch in 2022, CDI has established robust data partnerships with 27 banks and 17 data providers, covering payment records, e-commerce

transactions, import/export declarations and government data sources. By the end of December, CDI had facilitated more than 82,000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$66.4 billion.



The Data Summit 2025 brings together around 800 industry professionals and data experts to explore how CDI data infrastructure can enhance trade finance processes and facilitate SME lending

During the year, significant progress was achieved in four key areas of CDI development:

Project Cargo^x

In April, the HKMA launched Project Cargo^x and established an Expert Panel to advance the digitalisation of trade finance processes. Building on CDI, this initiative explores the digitalisation and integration of cargo and trade data to enable more efficient, data-driven credit assessment by banks and improve SMEs’ access to trade finance. Drawing on the expertise of the Expert Panel, the HKMA published 20 recommendations and a roadmap to modernise Hong Kong’s trade finance landscape in January 2026. In parallel, in collaboration with strategic partners, including the Transport and Logistics Bureau and the Airport Authority Hong Kong, the HKMA facilitated a series of pilot trials to validate the effectiveness of using cargo and trade data to streamline and enhance the trade finance processes for banks and SMEs.



Representatives from the 24 Expert Panel member organisations attend the Project Cargo^x Year-end Forum

Open government data

In May, the HKMA announced the successful connection between CDI and the Land Registry through the Government’s Consented Data Exchange Gateway. This enables banks to automate their land search processes, thereby expediting the loan approval process.

Credit insights

Through a proof-of-concept project, the HKMA supported the Commercial Credit Reference Agency operator in developing a corporate credit scoring model, with outputs accessible to banks via the CDI platform to provide enhanced credit insights on SMEs. Findings from the pilot banks indicate that the new model can effectively streamline their credit assessment processes and reduce borrowing costs for SMEs.

Cross-boundary data validation

In April, CDI successfully linked with the Shenzhen-Hong Kong cross-boundary data validation platform, providing CDI member banks with more convenient access to the platform’s services.

International Financial Centre

Interbank Account Data Sharing

Enhanced data connectivity not only unlocks greater access to credit but also enables more personalised financial services. The HKMA launched the Interbank Account Data Sharing (IADS) initiative in 2024. Built on common application programming interface standards and a robust, customer consent-based data-sharing framework, IADS allows customers to securely and efficiently share their bank account data with other participating banks. This has enabled banks to introduce consolidated account view services, giving customers a secure way to view their deposit accounts across multiple banks on a single platform, thereby enhancing user experience and convenience. As of the end of December, 20 banks had launched IADS products, serving more than 148,000 users. Monthly interbank data transmissions increased year on year from about 1.35 million in 2024 to over 24.7 million in 2025.



Shenzhen-Hong Kong cross-boundary data validation platform

Under the “Fintech 2030” strategy, the HKMA is not only developing robust data infrastructure for domestic use, but also facilitating the establishment of infrastructure to support cross-border data connectivity. The Shenzhen-Hong Kong cross-boundary data validation platform serves as a good example – it provides a secured and trusted infrastructure that allows banks to verify cross-boundary customer information securely and efficiently⁶.

Since the pilot launch of the platform in May 2024, more than 10 financial institutions have utilised its services to validate different types of personal and corporate data, including credit reports, tax reports and Know-Your-Customer reports, to support account opening, cross-border remittances and lending activities for individual and corporate customers. As of the end of 2025, the platform had been used more than 2,000 times.

⁶ The platform utilises blockchain technology and data coding (i.e. hash values), enabling document verification without involving any cross-boundary transfer or storage of the original documents. Its unique design provides banks with an innovative way to validate the data presented directly by customers.

International Financial Centre

Faster Payment System

The “Fintech 2030” strategy also envisions the development of next-generation payment infrastructure to bolster cross-border payment connectivity. In June, Payment Connect was jointly launched by the HKMA and the PBoC, linking the Faster Payment System (FPS) with the Internet Banking Payment System in the Chinese Mainland. This new payment infrastructure enables secure, efficient and convenient real-time cross-boundary remittances for residents in both places, representing a major step forward for FPS cross-border expansion. Public awareness campaigns on TV, radio and social media have been launched to promote its use.



A series of promotions to introduce Payment Connect to the public

Meanwhile, the number of FPS registrations (Chart 1) and transaction turnover (Chart 2) continued to register steady growth during the year.

Chart 1 Registration of FPS proxy identifiers

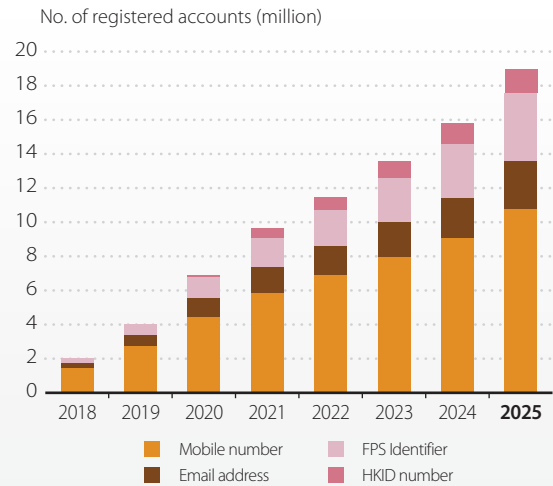
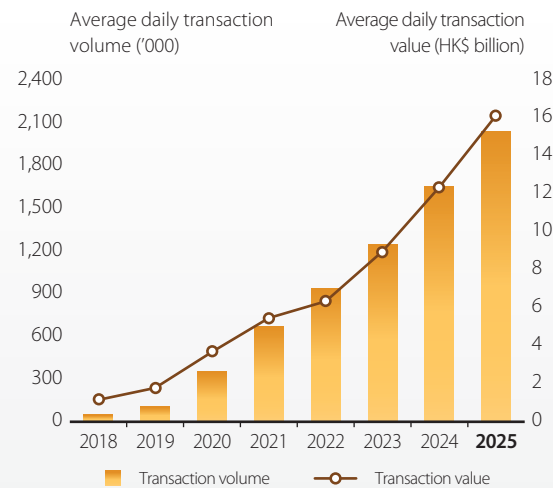


Chart 2 Average daily turnover of Hong Kong dollar real-time payments



International Financial Centre

Shaping and supporting the tokenisation ecosystem

Another core priority of “Fintech 2030” is to foster a vibrant tokenisation ecosystem in Hong Kong by accelerating the tokenisation of real-world assets – including financial assets – and enabling their settlements on blockchains using new forms of digital money, such as the e-HKD, tokenised deposits and regulated stablecoins, to support faster and smoother financial transactions.

Project Ensemble

In November, the HKMA launched Ensemble^{TX}, the pilot phase of Project Ensemble, to facilitate the settlement of real-value transactions involving tokenised deposits and digital assets. Building upon the successful outcomes of the Ensemble Sandbox experimentation, which since mid-2024 has allowed the industry to test use cases for settling digital asset transactions using experimental tokenised deposits, Ensemble^{TX} represents a significant step forward, aiming to transition from proof-of-concept to real-value settlements. The initial focus is on empowering market participants to use real-value tokenised deposits to settle tokenised money market fund transactions, as well as to manage liquidity and treasury needs in real time. Moving forward, the HKMA will continue to incubate more tokenisation use cases in close collaboration with industry stakeholders.

During the year, the HKMA also continued to work closely with the Ensemble Architecture Community on the development and adoption of interoperability standards to ensure seamless interoperability among tokenised deposits and tokenised assets to enable efficient settlement of tokenised asset transactions.



Over 100 participants from central banks, the finance and technology industry, as well as international organisations gathered at the Ensemble Roundtable co-hosted by the HKMA and the BIS Innovation Hub in November

Project e-HKD+

While the HKMA continues to explore the use of Central Bank Digital Currency (CBDC) in supporting the tokenisation ecosystem, it is in parallel maximising Hong Kong’s readiness for the potential extension of the e-HKD, i.e. the CBDC in Hong Kong, for use by individuals and corporates in the future.

In October, the HKMA successfully concluded Phase 2 of the e-HKD Pilot Programme, which involved 11 groups of industry pilots exploring retail use cases of e-HKD across three main themes: settlement of tokenised assets, programmability and offline payments, and published a report summarising the findings. In light of the findings from the e-HKD Pilot Programme, the HKMA will prioritise the development of the e-HKD for financial institutions in wholesale scenarios, while continuing its efforts to ensure Hong Kong is well-prepared for the potential future extension of the e-HKD in retail scenarios.

The *e-HKD Pilot Programme Phase 2 Report* presents the key findings and learnings from 11 groups of industry pilots under Phase 2 of the e-HKD Pilot Programme, covering innovative use cases across three main themes: settlement of tokenised assets, programmability and offline payments.



International Financial Centre

New regulatory regime for stablecoin issuers and digital asset-related work

Stablecoin, as a form of privately issued digital money, has the potential to be a settlement asset for facilitating efficient transactions on blockchains. The fast adoption also raises regulatory and systemic concerns, particularly around customer protection, money laundering risks (especially in cross-border contexts), and potential threats to financial stability in the absence of appropriate guardrails. In light of these considerations, the HKMA introduced the Stablecoins Ordinance (SO) to establish a licensing regime for issuers of fiat-referenced stablecoins, laying the foundation for a responsible, healthy and sustainable development of stablecoins and the broader digital asset ecosystem in Hong Kong.

In May, the LegCo passed the Stablecoins Bill, establishing a licensing regime for stablecoin issuers in Hong Kong. Based on consultation feedback, the HKMA published the finalised Guidelines on (i) Supervision of Licensed Stablecoin Issuers⁷ and (ii) Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Stablecoin Issuers)⁸ ahead of the SO coming into effect on 1 August.

Hong Kong is among the first jurisdictions to establish a regulatory framework for stablecoin issuers. The SO stipulates that anyone who issues a fiat-referenced stablecoin in Hong Kong, issues a stablecoin outside Hong Kong that is pegged to the Hong Kong dollar, or actively markets its stablecoin issuance business to the Hong Kong public must apply for a licence from the Monetary Authority. The SO adopts the principle of “same activity, same risks, same regulation”, aligning with international standards while adapting to local circumstances. It provides proper safeguards against financial stability risks and money laundering, promotes investor protection and lays a solid foundation for the sustainable development of the industry.

To facilitate the licence application process, the HKMA issued an *Explanatory Note on Licensing of Stablecoin Issuers*⁹ setting out our policies and approach in implementing the stablecoin issuer licensing regime. Considering the novelty and potential risks of stablecoins, the need for user protection, market capacity and long-term development, the HKMA has set a high bar for licensing. Licensed enterprises must demonstrate their compliance with the regulatory requirements, viable use cases and the ability to operate in a prudent and sustainable manner. Where cross-border activities are involved, applicants are expected to ensure that they and their business partners will comply with applicable regulations in Hong Kong and other relevant jurisdictions. This ensures the sound, responsible and sustainable development of Hong Kong’s stablecoin ecosystem in a risk-controlled environment by striking the right balance between innovative development and risk management. The HKMA began accepting licence applications in August 2025. After thorough review, we announced the first batch of two licensed stablecoin issuers in April 2026.

Meanwhile, the HKMA has continued to actively participate in regional and international discussions and drafting work on topics related to digital assets. In particular, we led the FSB’s thematic review on FSB Global Regulatory Framework for Crypto-asset Activities, with the findings submitted to the G20 and published. The report assesses the progress made by jurisdictions in implementing the FSB’s recommendations for crypto-asset activities and service providers, as well as for stablecoins. It further puts forward recommendations to jurisdictions, the FSB, standard-setting bodies, and international organisations to address the potential risks of regulatory arbitrage that may arise from uneven implementation of the global framework.

7 *Guideline on Supervision of Licensed Stablecoin Issuers* is available on the HKMA website (https://www.hkma.gov.hk/media/eng/doc/key-functions/ifc/stablecoin-issuers/Guideline_on_supervision_of_licensed_stablecoin_issuers_eng.pdf).

8 *Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Stablecoin Issuers)* is available on the HKMA website (https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/aml-cft/Guideline_on_Anti-Money_Laundering_and_Counter-Financing_of_Terrorism_For_Licensed_Stablecoin_Issuers_eng.pdf).

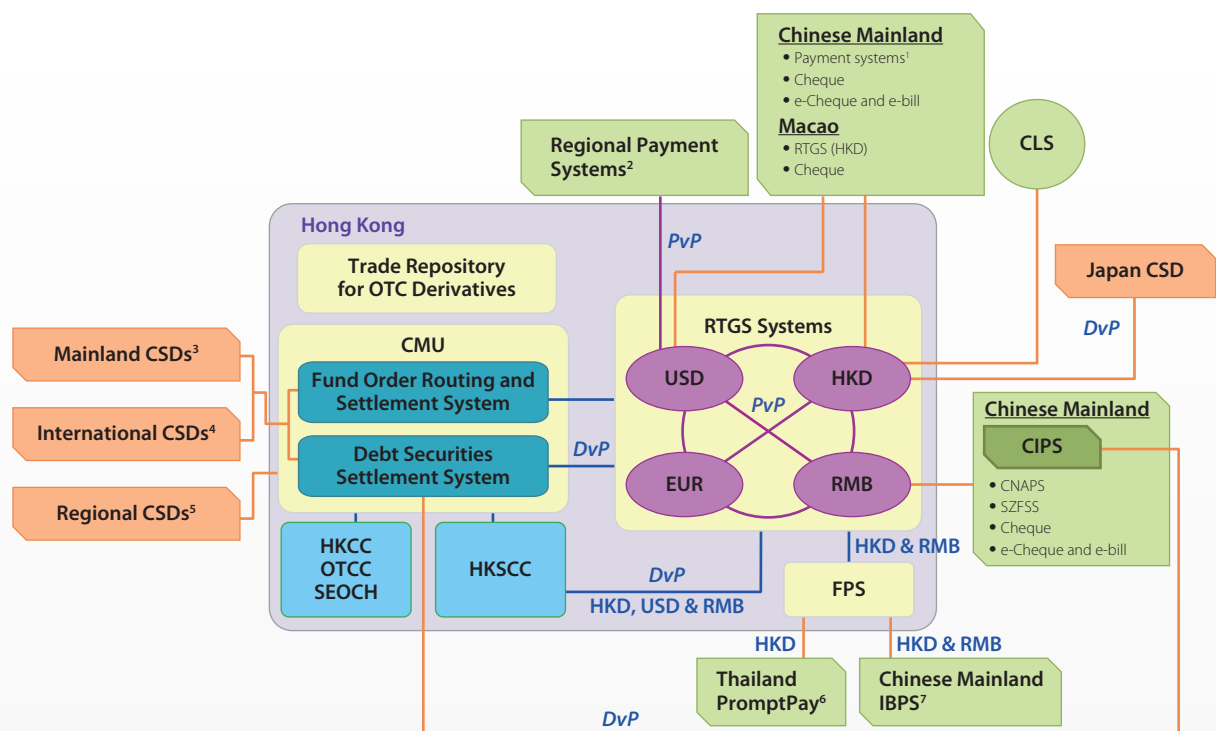
9 *Explanatory Note on Licensing of Stablecoin Issuers* is available on the HKMA website (https://www.hkma.gov.hk/media/eng/doc/key-functions/ifc/stablecoin-issuers/Explanatory_Notes_on_Licensing_of_Stablecoin_Issuers_eng.pdf).

International Financial Centre

Ensuring the reliability, resilience and efficiency of Hong Kong’s critical financial market infrastructure

The HKMA’s multi-currency, multi-dimensional payment and settlement platform, with its extensive system linkages with other regions, continued to operate smoothly and efficiently during the year, helping Hong Kong maintain its role as a regional hub for the payment and settlement of funds and securities (Chart 3). In 2025, the four interbank Real Time Gross Settlement (RTGS) systems, the CMU and the Hong Kong Trade Repository (HKTR) achieved 100%¹⁰ system availability, outperforming the target of 99.95%.

Chart 3 Hong Kong’s multi-currency financial market infrastructure



- Note 1: CDFPCS, RTGS links with Shenzhen and Guangdong
- Note 2: PvP Links with Malaysia, Thailand and Indonesia
- Note 3: Cross-boundary links with CCDC and SHCH (Bond Connect) and CSDC (Mutual Recognition of Funds)
- Note 4: Cross-border links with Clearstream and Euroclear
- Note 5: Links with Austraclear, KSD, MCSD and TDCC
- Note 6: "FPS x PromptPay" link between Hong Kong and Thailand for cross-border QR payment
- Note 7: Cross-boundary link between Hong Kong's FPS and the Chinese Mainland's IBPS, namely "Payment Connect"

- CCDC – China Central Depository & Clearing Co., Ltd.
- CDFPCS – China’s Domestic Foreign Currency Payment System
- CIPS – Cross-Border Interbank Payment System
- CLS – Continuous Linked Settlement
- CMU – Central Moneymarkets Unit
- CNAPS – China National Advanced Payment System
- CSDC – China Securities Depository and Clearing Corporation Limited
- FPS – Faster Payment System
- HKCC – HKFE Clearing Corp Ltd
- HKSCC – HK Securities Clearing Co Ltd
- IBPS – Internet Banking Payment System
- Japan CSD (BOJ-NET) – Bank of Japan Financial Network System for Japanese Government Bond Services
- KSD – Korea Securities Depository
- MCSD – Macao Central Securities Depository and Clearing Limited
- OTCC – OTC Clearing Hong Kong Limited
- RTGS – Real Time Gross Settlement
- SEOCH – SEHK Options Clearing House Ltd
- SHCH – Shanghai Clearing House
- SZFSS – Shenzhen Financial Settlement System
- TDCC – Taiwan Depository and Clearing Corporation

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

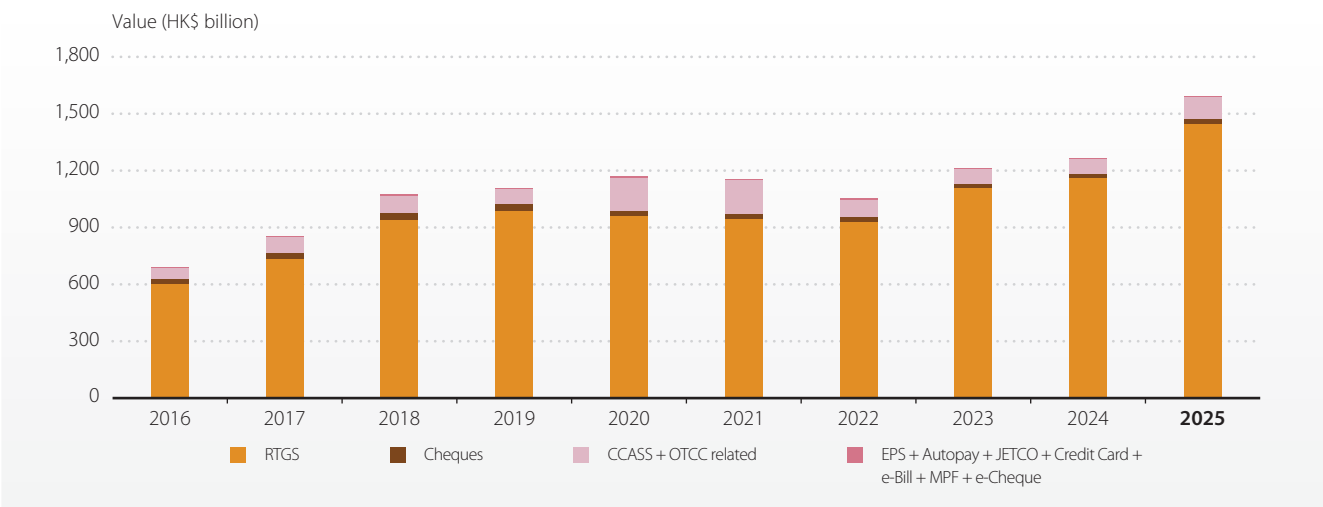
10 About 99.99% if including downtime by external factors.

International Financial Centre

Hong Kong dollar Real Time Gross Settlement 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. With its smooth and efficient operations, CHATS achieved a record daily average turnover of HK\$1,441 billion (38,923 transactions) in 2025, up 25% from 2024 (Chart 4).

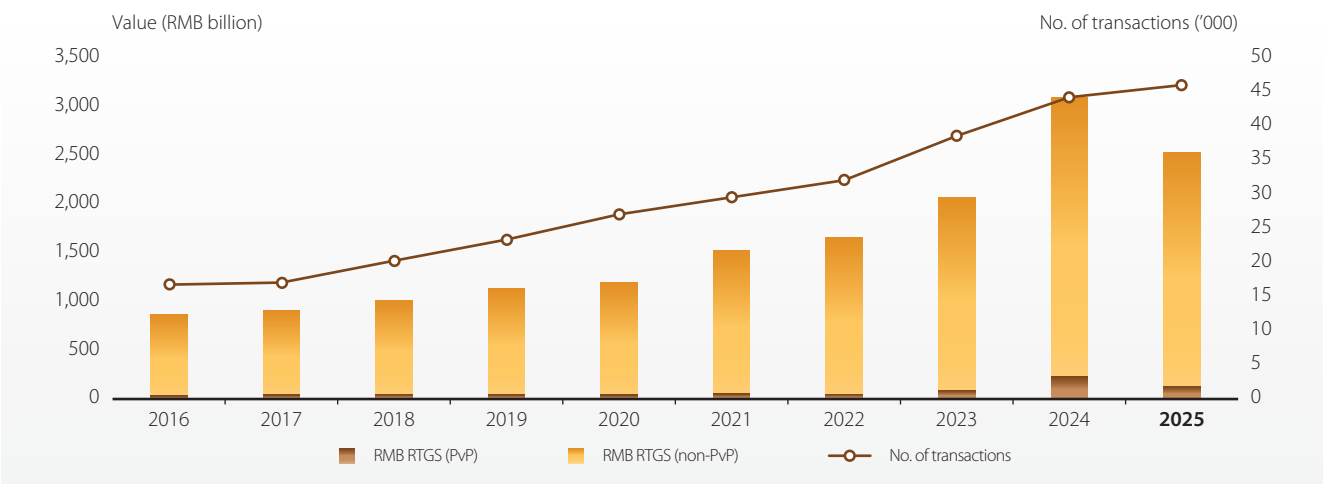
Chart 4 Hong Kong dollar RTGS system average daily turnover



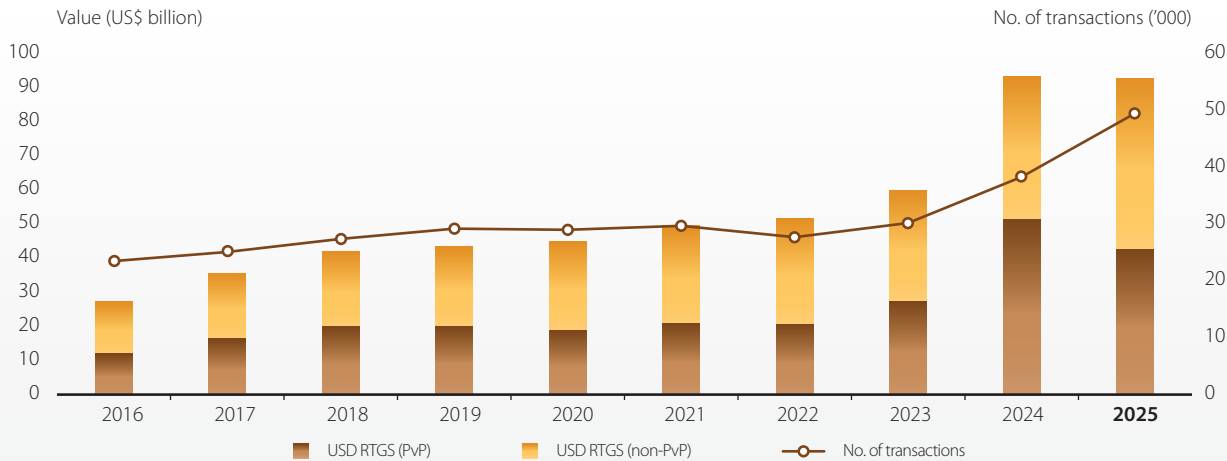
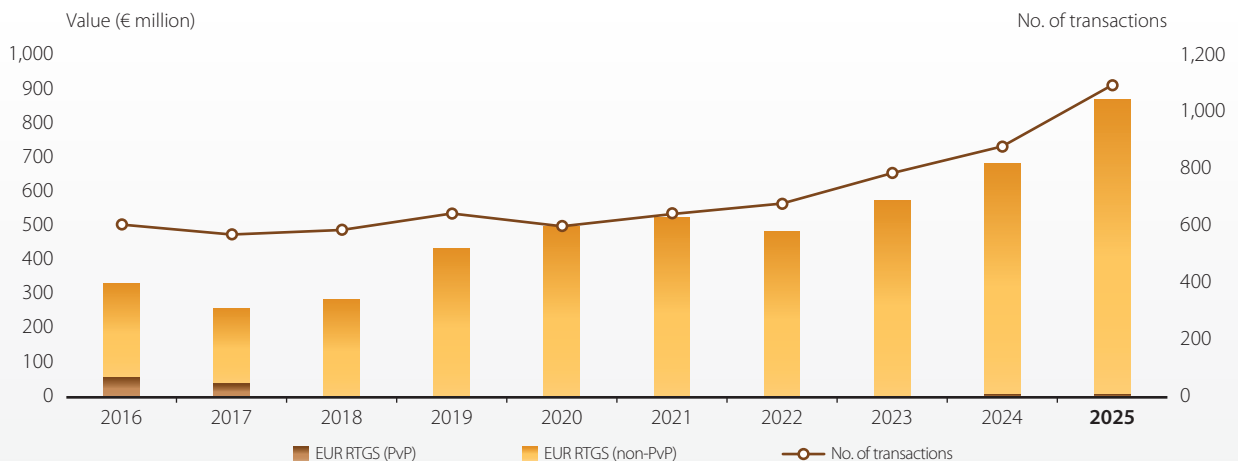
Real Time Gross Settlement systems for other currencies in Hong Kong

The renminbi, US dollar and euro RTGS systems also operated smoothly in 2025 (Charts 5–7 and Table 3), with the average daily value of Mainland-Hong Kong cross-boundary renminbi payments reaching around RMB647 billion, accounting for 26% of the renminbi RTGS system’s daily turnover.

Chart 5 Renminbi RTGS system average daily turnover



International Financial Centre

Chart 6 US dollar RTGS system average daily turnover

Chart 7 Euro RTGS system average daily turnover

Table 3 RTGS systems for other currencies

RTGS system	Settlement institution or clearing bank	Number of participants at end-2025	Average daily turnover in 2025	Average daily transactions in 2025
Renminbi RTGS system	Bank of China (Hong Kong) Limited	Direct: 211	RMB2,516 billion	45,548
US dollar RTGS system	The Hongkong and Shanghai Banking Corporation Limited	Direct: 117 Indirect: 89	US\$93 billion	48,763
Euro RTGS system	Standard Chartered Bank (Hong Kong) Limited	Direct: 43 Indirect: 19	€874 million	1,084

International Financial Centre

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, Indonesia's rupiah RTGS system and Thailand's baht RTGS system.

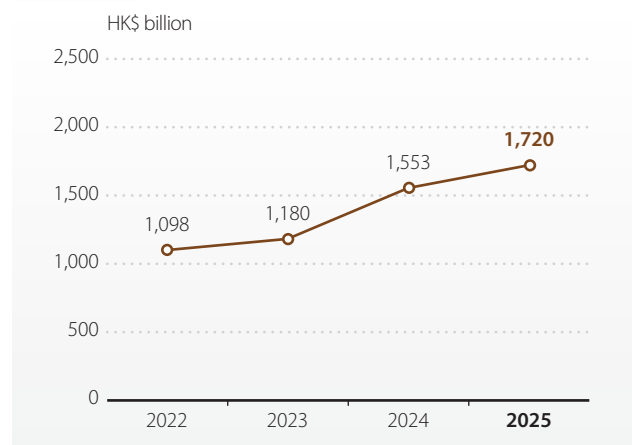
In addition to the gross settlement mode, the RTGS systems also support scheduled multilateral net settlement for US dollar-renminbi foreign exchange transactions (PvPNet). PvPNet allows CHATS members to net their funding obligations for PvP transactions, thereby enhancing liquidity management and mitigating foreign exchange settlement risk.

In 2025, the transaction values of Hong Kong dollar, renminbi, US dollar and euro-related PvP transactions (including PvPNet) amounted to approximately HK\$26,721 billion, RMB30,160 billion, US\$9,814 billion and €2,878 million respectively.

Debt securities settlement system

The CMU, which provides settlement and custodian services for debt securities, maintained safe and efficient operations throughout 2025. Robust growth in assets under custody (AUC) and new debt issuance through the CMU were observed in 2025, continuing the strong performance in 2024. In particular, new issuance activities through CMU hit an all-time high of HK\$1.7 trillion in 2025 (Chart 8). The CMU processed an average daily value of HK\$35.9 billion in 270 secondary market transactions (Chart 9). By the end of the year, AUC reached HK\$5.2 trillion and the total outstanding amount of debt securities lodged with the CMU reached the equivalent of around HK\$4.1 trillion (Chart 10). A total of 13 rounds of bond and bill issuance were conducted for the CMOF and the PBoC in 2025 with an aggregated issue size of RMB408 billion, compared with RMB330 billion in 2024.

Chart 8 New bond issuance through CMU



International Financial Centre

Chart 9 CMU average daily turnover

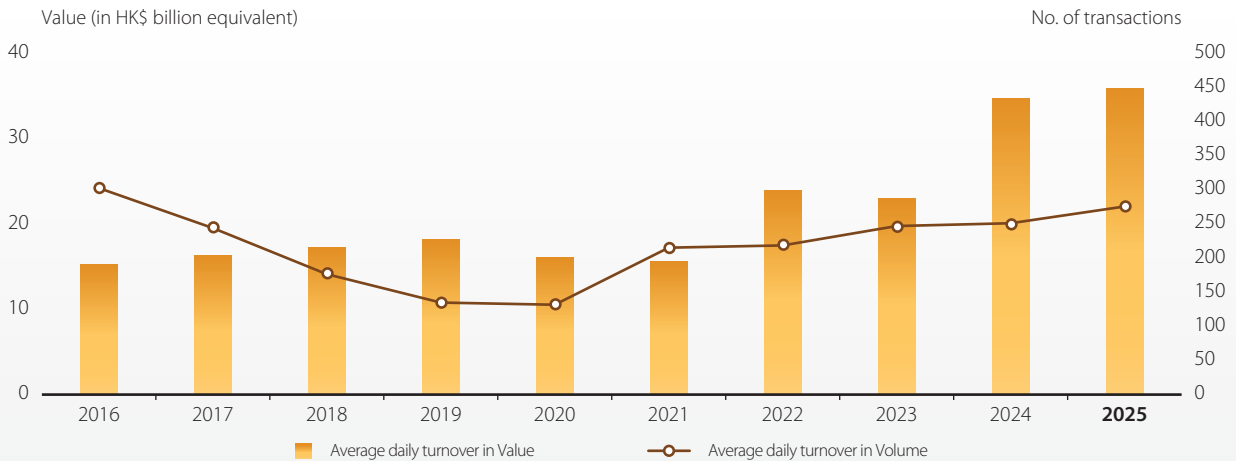
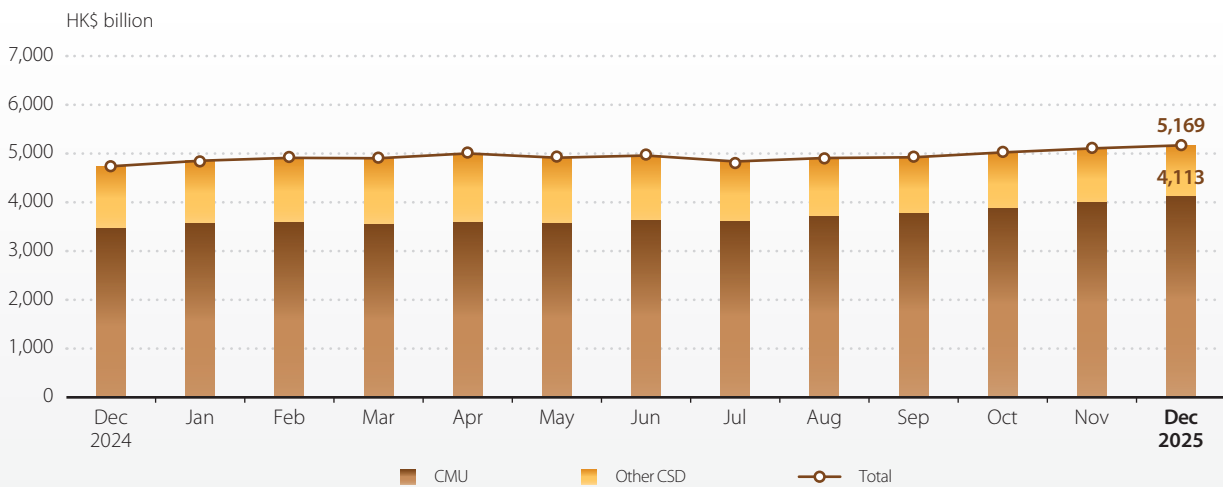


Chart 10 CMU assets under custody



Over the years, the CMU's linkages with international and regional CSDs have enabled investors outside Hong Kong to hold and settle securities lodged with the CMU, while local investors can hold and settle securities lodged with CSDs outside Hong Kong. In January, the direct linkage between the CMU and the CSD operated by Macao Central Securities Depository and Clearing Limited was successfully launched. This was followed by the expansion of the CMU's membership eligibility in March. Under the updated admission policy, in addition to regulated financial institutions in Hong Kong, eligible institutions such as financial institutions regulated or supervised by a recognised authority outside Hong Kong, sovereigns and supranational institutions, can also apply for CMU's membership to directly access CMU services.

In March, CMU OmniClear Limited (CMU OmniClear)¹¹, which carries out the operations and business development activities of the CMU, signed an MOU with Hong Kong Exchanges and Clearing Limited (HKEX). Subsequently, HKEX was introduced as a strategic shareholder in CMU OmniClear Holdings Limited, the parent company of CMU OmniClear, in December. These initiatives aim to forge strategic co-operation between the CSDs for debt securities and equities respectively in Hong Kong, enhancing the post-trade securities infrastructure of the city's capital markets. They also lay a strong foundation for transforming CMU into a multi-asset class platform that provides investors with one-stop access to equities and debt securities.

¹¹ To commercialise the CMU, the HKMA established CMU OmniClear in 2024 as a subsidiary of the Exchange Fund to take over the operations and business activities of the CMU.

International Financial Centre

Continuous system modernisation

The HKMA is progressing with a multi-year upgrade of the CMU, aiming to deliver an enhanced user experience. The first phase, launched in 2023, has been operating smoothly. The second phase, currently underway, aims to upgrade the CMU's system capabilities and enhance functionality to achieve higher settlement and operational efficiency. Other system enhancements to align with international standards and enhance cyber security also progressed well during the year, including the completion of the second phase of migrating money messages to the ISO 20022 standard¹².

Outreach and communication efforts were stepped up during the year to raise the CMU's international profile. Senior executives of CMU OmniClear actively participated in industry events as keynote speakers and panellists. Market presence was further reinforced through exhibition at Sibos 2025¹³, the publication of regular newsletters, and the launch of a dedicated LinkedIn page, while media visibility was strengthened through press releases, event engagements and media interviews.

Over-the-counter derivatives trade repository

The HKTR is a centralised registry operated by the HKMA that maintains an electronic database of OTC derivatives transaction records reported by market participants. This supports the HKMA and the SFC in carrying out their market surveillance responsibilities, which in turn contributes to the stability of Hong Kong's financial system. During the year, the HKMA actively participated in various international discussions and working groups on the latest reporting standards for trade repositories, keeping itself abreast of global developments and helping ensure that the HKTR continues to align with international standards and best practices. As of the end of 2025, the HKTR recorded 6,129,739 outstanding transactions, up from 4,691,446 at the end of 2024.



Signing ceremony between the HKMA, HKEX, and CMU OmniClear Holdings Limited for HKEX to become a strategic shareholder of the latter



Mr Stanley Chan (centre), Chief Executive Officer of CMU OmniClear, at the World Forum of Central Securities Depositories 2025



The CMU OmniClear delegation at Sibos 2025, Frankfurt, Germany

¹² ISO 20022 is an agreed framework and methodology used by the global financial industry to create consistent message standards across business processes.

¹³ Sibos is the annual conference, exhibition and networking event organised by Swift for the financial industry.

International Financial Centre

Ensuring the safety and soundness of the local retail payment industry

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

The HKMA regulates the stored value facility (SVF) licensees (Table 4) under a risk-based approach, taking into account relevant market developments.

In 2025, the HKMA continued to provide supervisory guidance to the industry on key issues such as the rollout of new functions and services. We also provided necessary supervisory 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.

In light of escalating cyber threats, the Cyber Resilience Assessment Framework for SVF licensees was enhanced to further strengthen licensees' ability to defend against and respond to potential cyber attacks.

The number of SVF accounts stood at 86.4 million as at the end of 2025, or around 11.5 accounts per resident. During the year, 8.6 billion transactions totalling HK\$1,115.5 billion were recorded (Chart 11).

Table 4 Register of SVF licensees
(in alphabetical order) (as at 31 December 2025)

SVF Licensees

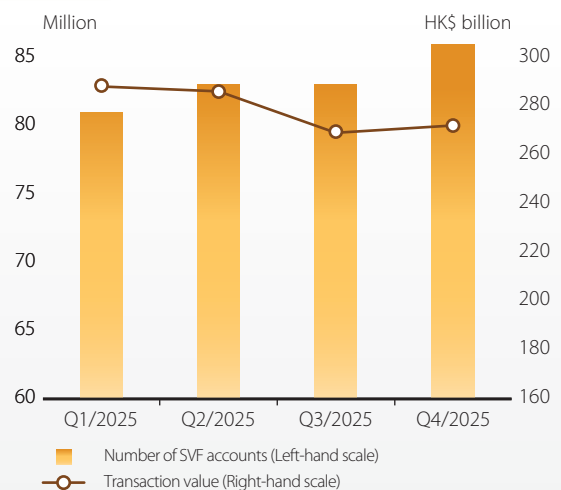
- 33 Financial Services Limited
- Alipay Financial Services (HK) Limited
- Autotoll Limited
- ePaylinks Technology Co., Limited
- HKT Payment Limited
- Octopus Cards Limited
- PayPal Hong Kong Limited
- RD Wallet Technologies Limited
- UniCard Solution Limited
- WeChat Pay Hong Kong Limited
- Yintran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

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

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

a. Pursuant to Section 8G of the Payment Systems and Stored Value Facilities Ordinance (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.

Chart 11 Growth trend of the SVF industry in 2025



International Financial Centre

Retail payment systems

In accordance with the Payment Systems and Stored Value Facilities Ordinance (PSSVFO), the Monetary Authority has designated six retail payment systems (RPSs) which process payment transactions involving participants in Hong Kong, on the ground that the proper functioning of these systems is of significant public interest (Table 5). The HKMA adopts a risk-based approach in its oversight of the designated RPSs, which are required under the PSSVFO to operate safely and efficiently.

Complaints and enquiries on stored value facilities and retail payment systems

The HKMA received a total of 1,432 complaints and enquiries regarding SVF licensees and RPS operators in 2025. Among the 608 SVF complaints received during the year, cases involving disputed transactions and account-related issues remained the two most common types (Chart 12). SVF licensees and RPS operators are required to regularly review their capacity and efficiency in responding to public complaints, while the HKMA continues to monitor the handling of such complaints to ensure they are being processed fairly and in a timely manner. We review all complaints and enquiries received, and follow up with relevant SVF licensees and RPS operators when potential supervisory issues are identified.

Performance Pledge

In fulfilling its regulatory functions, the HKMA pledges to be responsive to the public, the media, and other authorities. It has a performance pledge of issuing a preliminary response to complaints or enquiries within seven working days upon case validation. In 2025, the performance pledges regarding response times to complaints and enquiries were generally met (Table 6).

Table 5 System operators of designated RPSs (in alphabetical order)(as at 31 December 2025)

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

Chart 12 SVF complaints handled in 2025

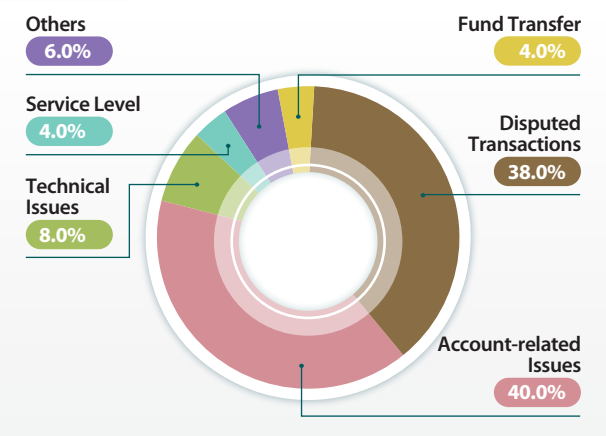


Table 6 Performance pledge of the HKMA in handling complaints and enquiries related to SVFs/RPSs

Item	Performance Pledge	Achievement Rate in 2025
Preliminary response to complaints or enquiries in relation to SVFs/RPSs	Seven working days	99.3% ^a

a. The response times of 44 emails were over seven working days due to an information technology system issue, which has been rectified.

International Financial Centre

Nurturing future financial leaders and strengthening applied research capabilities

The Hong Kong Academy of Finance (AoF)¹⁴ conducted a diverse range of activities under its Leadership Development Programme to strengthen knowledge sharing and collaboration among AoF members during the year.

Five seminars under the Distinguished Speakers Series were held in 2025 (Table 7). Each seminar featured a world-renowned speaker, who addressed topics pertinent to the global macroeconomic outlook and financial market developments, while also sharing insights from their leadership journey.

Table 7 Distinguished Speakers Series in 2025	
Date	Speaker
January	Dr Weijian Shan Executive Chairman and Co-Founder, PAG
June	Dr José Viñals Former Group Chairman and Senior Advisor, Standard Chartered PLC
November	Ms Jane Fraser Chair of the Board and Chief Executive Officer, Citi
December	Mr David Booth Founder and Chairman, Dimensional Fund Advisors
December	Mr Pablo Hernández de Cos General Manager, Bank for International Settlements



(From left) Mr Eddie Yue, Chief Executive of HKMA and Chairman of AoF; and Mr Pablo Hernández de Cos, General Manager of BIS



(From left) Mr Arthur Yuen, Deputy Chief Executive of HKMA and Deputy Chairman of AoF; and Ms Jane Fraser, Chair of the Board and Chief Executive Officer of Citi



(From left) Mr Howard Lee, Deputy Chief Executive of HKMA; and Mr Weijian Shan, Executive Chairman and Co-Founder of PAG

14 The AoF was set up with full collaboration amongst the HKMA, the SFC, the Insurance Authority and the Mandatory Provident Fund Schemes Authority to bring together the strengths of the academia, the industry, professionals and the regulatory community to develop financial leadership and promote research collaboration. Members of the AoF are senior management and promising talents from financial institutions, regulators, professional firms and academia in the field of finance.

International Financial Centre

The AoF also co-organised a number of events with other international, Mainland and local organisations on various topics during the year.

In addition, a total of 23 senior executives from across Hong Kong's financial industry participated in the AoF's 2025 Financial Leaders Programme¹⁵, which featured more than 20 dialogue sessions and a field trip to Riyadh, Saudi Arabia.

To further establish itself as a reputable platform for knowledge exchange and insights into economic and financial issues, particularly those relating to Hong Kong and the Chinese Mainland, the AoF continues to publicise its activities digitally through its YouTube channel, website, quarterly newsletters and social media channels.



Mr Paul Chan, Financial Secretary of the HKSAR Government and Honorary President of AoF, delivers his keynote at the "Conversations with Global Investors" investment forum of the Global Financial Leaders' Investment Summit



The HKMA and the AoF co-organise a panel session titled "Innovation-Driven Development in the Guangdong-Hong Kong-Macao Greater Bay Area" at the Tsinghua PBC School of Finance Global Finance Forum



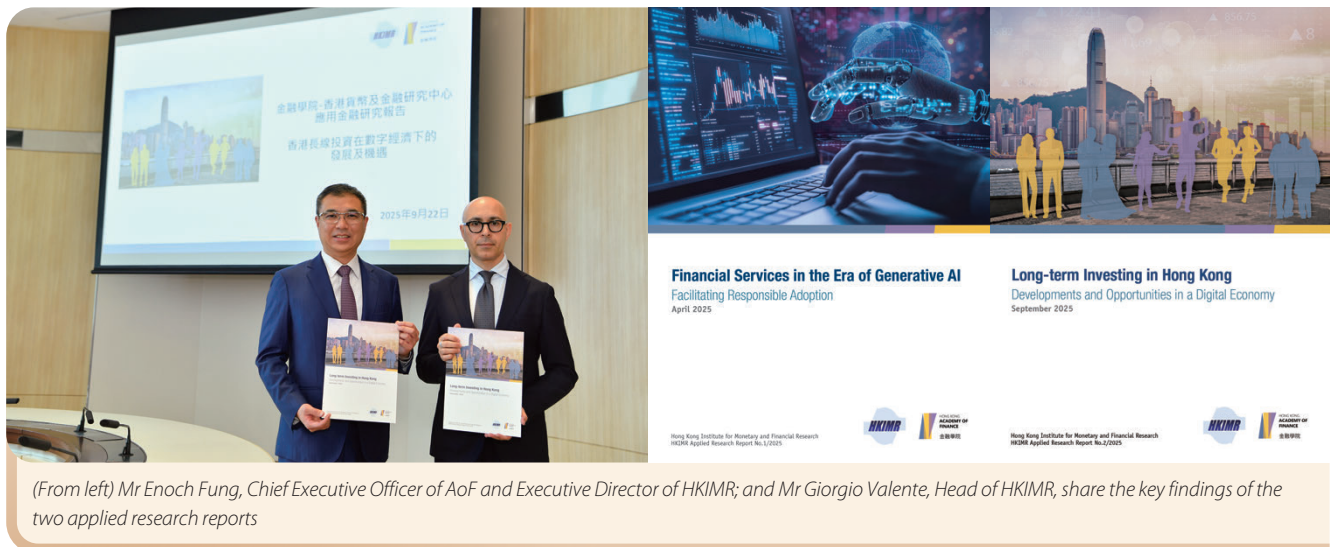
AoF's field trip to Riyadh

¹⁵ The Financial Leaders Programme aims to inspire financial senior executives, currently around one to two levels below the CEO position and showing potential to become future senior leaders in their own organisations and across the financial industry, by equipping them with a strategic leadership mindset, encouraging them to step beyond day-to-day business routines to view issues from a macro perspective, and helping them expand their professional networks.

International Financial Centre

The Hong Kong Institute for Monetary and Financial Research (HKIMR), a subsidiary and the research arm of the AoF, published two applied research reports during the year – the first on generative artificial intelligence in April and the second on long-term investing in September. The findings were shared through well-attended events jointly organised with leading industry associations in Hong Kong and international events held in Europe, Japan and the ASEAN region. Promotional videos were also produced featuring report collaborators and market experts, and shared via targeted social media campaigns. These efforts helped the HKIMR engage with more than 2,500 market practitioners and policy makers, fostered dialogues on emerging market trends, and enriched discussions on sustainable market development.

Furthermore, the HKIMR published two applied research papers in collaboration with external scholars on carbon emission trading and financial innovation. The findings have been widely referenced by market participants, regulators, and academics both locally and internationally, reflecting the financial community's favourable response.



(From left) Mr Enoch Fung, Chief Executive Officer of AoF and Executive Director of HKIMR; and Mr Giorgio Valente, Head of HKIMR, share the key findings of the two applied research reports



Reserves Management

The Exchange Fund

Under the Exchange Fund Ordinance, the Exchange Fund's primary objective 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 with a view to maintaining 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.

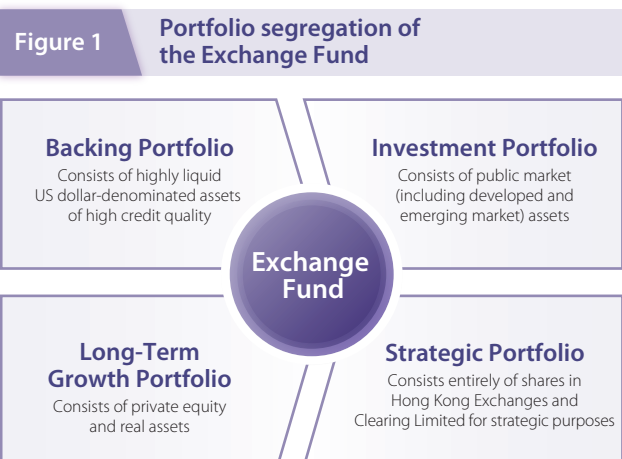
Management of the Exchange Fund

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).



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 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, including in emerging market and Mainland bonds and equities, private equity and real assets. Emerging market and Mainland bonds and equities are held under the IP, while private equity and real asset investments are held under the Long-Term Growth Portfolio (LTGP).

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 IP¹. A major exception is the Future Fund², 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 45:55 for 2025.

The investment process

The investment process of the Exchange Fund is underpinned by decisions on 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, tactical decisions are made with a view to achieving an excess return over the benchmark. This means the actual allocation is often different from the benchmark (or strategic) allocation, and the differences in allocations are “tactical deviations”. The benchmark and tracking error³ 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. About 71% of the investments of the Exchange Fund, comprising the entire BP and part of the IP, are managed in-house. These include portfolios investing in global fixed-income markets and various derivative overlay portfolios implementing macro risk management strategies for the Fund.

Use of external managers

The HKMA also employs external fund managers to manage about 29% 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

The investment process of the Exchange Fund is also underpinned by a robust risk management and compliance monitoring framework. The HKMA sets stringent controls and investment guidelines for its internally and externally managed portfolios. Three lines of defence are in place for effective risk management and governance of investment activities. The HKMA regularly monitors key risk types, including credit, market, liquidity and operational risks.

Responsible investment

The HKMA believes that placing 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, we have 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 our responsible investment work, see the *Responsible Investment* chapter of our *Sustainability Report 2025*.

1 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).

2 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.

3 “Tracking error” measures how closely a portfolio follows its benchmark.

Reserves Management

Performance of the Exchange Fund

The financial markets in 2025

The global financial markets experienced significant volatility in the first half of 2025 due to factors such as trade conflicts and geopolitical tensions. In particular, following the announcement of a series of tariff measures by the US Government in early April, global equity and bond markets fell sharply. Going into the second half of the year, the investment environment improved notably, bolstered by the smaller-than-expected impact from trade conflicts as well as the swift advancement of artificial intelligence technology, which attracted investment flows. Policy rate cuts by major central banks during the year also helped boost market sentiment.

Overall, the global financial markets showed strong resilience in 2025. Major stock markets saw broad-based gains, with many of them setting record highs. US Treasuries also performed decently on the back of the US Federal Reserve's rate cuts. On foreign exchange, the US dollar depreciated against other major currencies.

The performance of major currencies, bond and equity markets in 2025 is shown in Table 1.

Table 1 2025 market returns

Currencies

Appreciation (+)/depreciation (-) against US dollar

Euro	+13.4%
Pound sterling	+7.7%
Renminbi	+4.5%
Yen	+0.3%

Bond markets

Relevant US Government Bond (1–30 years) Index	+6.2%
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Equity markets^a

Standard & Poor's 500 Index	+16.4%
DAX Index	+23.0%
FTSE 100 Index	+21.5%
TOPIX Index	+22.4%
MSCI Emerging Markets Index	+30.6%
Hang Seng Index	+27.8%

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\$337.4 billion in 2025, which included:

- gains on bonds of HK\$142.7 billion;
- gains on equities of HK\$108.7 billion (with gains of HK\$33.9 billion from Hong Kong equities and HK\$74.8 billion from other equities);
- a positive currency translation effect of HK\$38.5 billion on non-Hong Kong dollar assets; and
- gains of HK\$47.5 billion on other investments held by the investment-holding subsidiaries of the Fund.

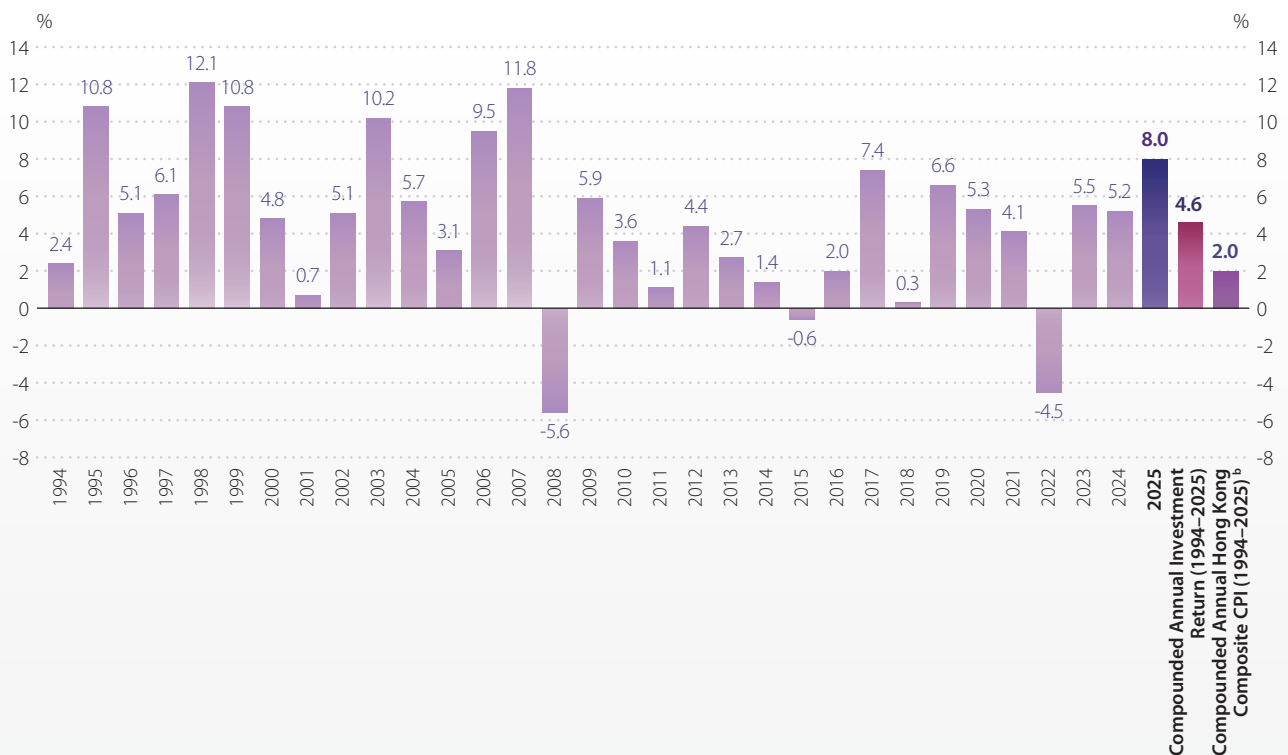
Separately, the Strategic Portfolio recorded a valuation gain of HK\$9.7 billion.

Total assets of the Exchange Fund reached HK\$4,161.2 billion at the end of the year. The market value of investments under the LTGP totalled HK\$578.4 billion, including HK\$417.1 billion in private equity and HK\$161.3 billion in real assets. Outstanding investment commitments of the LTGP amounted to HK\$296.4 billion.

The investment return of the Exchange Fund in 2025, excluding the Strategic Portfolio, was 8.0%. The returns of the IP and the BP were 12.4% and 5.2% respectively. The internal rate of return of the LTGP since its inception in 2009 was 10.9%.

The annual returns of the Exchange Fund from 1994 to 2025 are set out in Chart 1. Table 2 shows the 2025 investment return and the average investment returns of the Fund over different time horizons. Table 3 shows the currency mix of the Fund's assets on 31 December 2025. For details, see pages 171 to 279 for the audited 2025 financial statements of the Exchange Fund.

Chart 1 Investment return of the Exchange Fund (1994–2025)^a



a. 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^a

	Investment return ^{b,c}
2025	8.0%
3-year average (2023–2025)	6.2%
5-year average (2021–2025)	3.6%
10-year average (2016–2025)	3.9%
Average since 1994	4.6%

a. The investment returns for 2001 to 2003 are in US dollar terms.

b. Excludes holdings in the Strategic Portfolio.

c. The averages are calculated on an annually compounded basis.

Table 3 Currency mix of the Exchange Fund's assets on 31 December 2025 (including forward transactions)

	HK\$ million	%
US dollar	3,308,050	79.5
Hong Kong dollar	241,935	5.8
Others ^a	611,196	14.7
Total	4,161,181	100.0

a. Other currencies consisted mainly of the euro, renminbi, pound sterling and yen.



Corporate Functions

Overview

Corporate functions support the HKMA's operations with a high level of transparency, accountability, efficiency and professionalism. To enhance public understanding of our policies and operations, we communicate actively with the public through the media and various other channels.

Internally, the HKMA places strong emphasis on strengthening our workforce, maintaining rigorous financial discipline, and enhancing its digital capabilities. These efforts ensure that our policies and initiatives are implemented effectively, while keeping our organisation agile and well prepared for future challenges.

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 2025, we held or participated in a total of 266 events, which included 13 press conferences, seven media briefings, 12 stand-up interviews and 234 other public functions. We organised press conferences and media briefings to raise awareness of our key functions among local, Chinese Mainland and foreign media. Key topics included fintech, international financial centre development, and anti-scam initiatives, among many others. Throughout the year, we also arranged 22 media interviews, issued 796 bilingual press releases and responded to a large volume of media enquiries on a daily basis.

Media representatives actively participated in events organised by the HKMA in 2025, in particular the Global Financial Leaders' Investment Summit. The three-day event generated over 3,700 pieces of news coverage across local, Chinese Mainland and international media.



Mr Eddie Yue, Chief Executive, gives a live media interview at the 2025 Global Financial Leaders' Investment Summit



Mr Eddie Yue, Chief Executive, conducts a media stand-up at the Hong Kong FinTech Week 2025

Corporate Functions



Mr Arthur Yuen, Deputy Chief Executive, hosts a media workshop on the full launch of Money Safe



Mr Howard Lee, Deputy Chief Executive, hosts a press conference on "Fintech 2030"



Mr Darryl Chan, Deputy Chief Executive, gives opening remarks at the Treasury Markets Summit 2025

To enhance public engagement and broaden our audience base, the HKMA operates seven social media channels, including on Facebook, Instagram, LinkedIn, WeChat, X (formerly Twitter), YouTube, and the newly launched RedNote account. Together, these social media platforms have accumulated over 260,000 followers.

We craft innovative social media content by using a compelling storytelling approach and leveraging latest technologies, such as generative artificial intelligence. Insightful and thought-provoking narratives are delivered to professional audiences, while dynamic short videos and trendy content with appealing elements are produced for the general public. This differentiated approach helps disseminate information about the HKMA's initiatives to different audience groups more effectively.



Creative social media content effectively raises public awareness about HKMA initiatives

Corporate Functions

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 2025, the Public Enquiry Service handled 9,005 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 banking products and services, the Coin Collection Programme, registration of relevant individuals, regulatory regime for stablecoin issuers, banking-related guidelines and circulars, as well as the Retail Bond Issuance Programme.

Chart 1 Total number of public enquiries

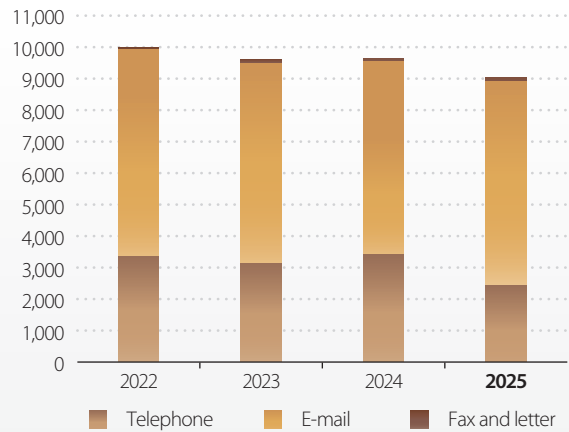


Table 1 Public enquiry service performance pledge and achievement rate

Service	Performance Pledge	Achievement Rate in 2025
Reply to enquiries	Answer or issue an interim reply within seven working days after the day an enquiry is received	100%

Chart 2 Nature of enquiries received in 2025



Corporate Functions

Publications

During the year, the HKMA published its *Annual Report 2024* and *Sustainability Report 2024*. The *Annual Report 2024* received the Bronze Award in the “Non-profit Making and Charitable Organizations” category at the Hong Kong Management Association’s 2025 Best Annual Reports Awards, while the *Sustainability Report 2024* won the ESG Special Mention Award in the “Public Sector/Not-for-profit Organizations (Large)” category of the Hong Kong Institute of Certified Public Accountants’ 2025 Best Corporate Governance and ESG Awards.

In 2025, we regularly updated our *Monthly Statistical Bulletin*¹ and published:

- ❑ two issues of the *Half-Yearly Monetary and Financial Stability Report*¹;
- ❑ four issues of the *Quarterly Bulletin*¹; and
- ❑ 20 *inSight*² articles.

Corporate website

The corporate website (www.hkma.gov.hk), with over 77,850 pages of content, is the public gateway to up-to-date information about the HKMA.

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 2025, we had opened up 180 sets of Open APIs³, in line with our 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 provides an overview of the HKMA’s work, as well as the development of the monetary and banking systems in Hong Kong. It includes useful information and exhibits that support the study of Hong Kong’s monetary, banking and financial affairs.

The library adjacent to the exhibition area houses over 26,000 books, journals and other publications on economics, finance and central banking topics.

Throughout the year, the Information Centre welcomed over 85,000 visitors. It also hosted more than 540 guided tours for schools and other groups.



Kindergarten students learn about the design of Hong Kong banknotes during a guided tour



Secondary school students participate in a guided tour to learn about the history of Hong Kong’s monetary, financial and banking systems

1 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.

2 *inSight* is the HKMA’s official column, featuring articles written by senior executives to introduce major new policies, initiatives and topical issues.

3 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

Community engagement and public education

Promotion of smart and responsible financial consumer practices

Through multiple channels, we endeavour to raise the public's financial knowledge and to promote smart and responsible financial consumer practices. In 2025, our activities recorded over 61,000 participant engagements.

Anti-scam campaign – “Click the Links, Fall for Scams”

In 2025, the HKMA launched the “Despicable Banana” campaign, a creative initiative featuring a cartoon character that serves as a metaphor for fraudsters, to raise public awareness about the risks of clicking on suspicious links. Through multi-channel promotion, the campaign effectively raised public awareness of related scams.



“Despicable Banana” successfully engaged citizens, broadening the reach of anti-scam messages in the community

Corporate Functions

Hong Kong Financial Literacy Championship

To promote financial literacy among secondary school students, the HKMA co-organised the “Hong Kong Financial Literacy Championship” with various stakeholders. In 2025, the Championship was awarded the “Highest Student Participation Award” by the Education Bureau’s Business-School Partnership Programme, underscoring its growing influence.

The Championship featured two components. The first was an online quiz testing students’ knowledge of money management and current financial issues, which achieved a record participation of 19,801 students in 2025. The second was the Young Financial Talent Runway, a mentorship initiative that paired seasoned professionals from diverse fields with students to tackle a Design Thinking Challenge covering fintech, artificial intelligence and financial innovation.

Education board games

We continued to leverage our award-winning financial education board game “\$mart Money Management 321” to promote financial learning among the youth. We conducted trial workshops in community centres and primary schools, alongside a train-the-trainer session to equip secondary school teachers with the tools to integrate the game into the new “Citizenship, Economics and Society” curriculum for junior secondary students. Altogether, we delivered 33 workshops, reaching more than 3,000 students, parents, teachers and social workers in 2025.



Students benefit from the mentorship experience while tackling the Design Thinking Challenge as part of the Young Financial Talent Runway



Engaging activities to promote the financial education board game to teachers, kids and parents



**HKSDA 2025
SILVER
CORPORATE**

The “\$mart Money Management 321” board game receives both international and local design awards

Meanwhile, we continued to support the work of the Investor and Financial Education Council in promoting financial literacy and financial capacity in Hong Kong.

Corporate Functions

Public education seminar for secondary school students

In 2025, we organised a webinar for more than 800 students and teachers from 43 secondary schools to introduce the work of the HKMA, general monetary and banking concepts, new developments in the banking industry, and career opportunities within it.

Promotion of electronic lai-see and good-as-new banknotes

To support digital payments and promote a greener lifestyle, we encouraged the use of electronic lai-see and good-as-new banknotes for physical lai-see during Chinese New Year through social media and radio.



Financial disclosure

To maintain a high level of transparency, the HKMA adopts international standards in financial disclosure wherever applicable to central banking operations. These include the Special Data Dissemination Standard of the International Monetary Fund and the Hong Kong Financial Reporting Standards, in accordance with which the Exchange Fund's financial statements are prepared and presented. The HKMA also provides detailed disclosures and thorough analyses of budgetary and expenditure information in its *Annual Report*.

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.

Corporate Functions

The HKMA maintains a robust risk management framework that addresses organisational risks at two levels: the entity level and the department level. Entity-level risks primarily relate to issues affecting the entire organisation over the medium term or those requiring a cross-departmental response. Department-level risks, including potential or emerging risks identified by business units, along with the adequacy of control measures and mitigating strategies, 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 determines appropriate follow-up actions.

Internal audit

The Internal Audit Division (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 2025, the IAD conducted 29 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 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 regularly. The administrative expenditure in 2025 and the budgeted expenditure for core activities in 2025 and 2026 are shown in Table 2.

Table 3 shows other expenses that are not related directly to the HKMA's own operations. During 2025, 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 green and sustainable finance, and fintech adoption. 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.

Corporate Functions

Table 2 Administrative expenditure

HK\$ million	2025 Budget	2025 Actual	2026 Budget
Staff costs	2,043		2,093
Salaries and other staff costs		1,776	
Retirement benefit costs		142	
Premises expenses			
Rental expenses	96	96	93
Other premises expenses (including management fees and utility charges)	118	107	116
General operating costs			
Maintenance of office and computer equipment	288	268	320
Financial information and communication services (including trading, dealing terminals and data link charges)	119	94	110
External relations (including international meetings)	98	61	96
Public education and publicity	52	26	52
Professional, consulting and other services	198	127	155
Training	26	8	22
Others	36	19	31
Total administrative expenditure	3,074	2,724	3,088

Table 3 Additional expenses

HK\$ million	2025 Budget	2025 Actual	2026 Budget
Financial support to international financial organisations	63	63	81
Financial support to the Hong Kong Academy of Finance and the Hong Kong Institute for Monetary and Financial Research	114	74	108
Funding to promote the development of Hong Kong's capital markets	155	118	135
Service fees for financial infrastructure	222	119	239

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. The scope of the online tests was expanded in 2025 to cover topics including data governance and information technology security, with the aim of strengthening staff's understanding of important topics.

Corporate Functions

Efficiency

Information technology

The Information Technology (IT) Division supports the safe and efficient operation of the HKMA by maintaining a reliable, secure and resilient IT operational environment. In 2025, all our critical systems maintained full operational uptime, enabling the continuous functioning of all essential business processes.

Meanwhile, the IT Division continued to accelerate the adoption of digital technology including artificial intelligence across the organisation. We expanded with proper guardrails the range of artificial intelligence tools available in-house, including solutions for data analysis, knowledge discovery, workflow automation, document handling, and other day-to-day operational tasks. These tools were integrated into workflows through close collaboration between technology teams and business users, and their usage was governed by a strengthened framework that includes clear usage guidance, defined approval processes, and ongoing monitoring, to ensure the safe and responsible use of the tools.

In 2025, we broadened the scope of the Common Submission Platform (CSP) beyond banking returns and surveys. This expansion has improved data quality control and enabled more comprehensive market monitoring. We also expanded the CSP's capability to incorporate new e-signature solution.

Furthermore, we improved the employee experience by revamping corporate service applications and building a unified collaboration suite that seamlessly integrates disparate applications and data sources, thereby enabling our staff to work and collaborate more efficiently. We also stepped up support for remote collaboration by improving staff access to corporate applications on mobile phones and tablets. These transformations lay a robust foundation for future innovations.

In 2025, we prioritised the strengthening of our IT infrastructure and cybersecurity resilience. We have reviewed and enhanced our framework for managing risks arising from third-party service providers, aligning it with international standards. Key cybersecurity milestones in 2025 included further strengthening identity governance and administration to tighten identity lifecycle management and access controls; the deployment of an enhanced continuous monitoring system for the timely detection and remediation of cyber vulnerabilities; and wider deployment of privileged access management to increase the security of privileged account credentials.

To cultivate a strong security-conscious culture, we provided IT staff and other colleagues with regular trainings to enhance their cybersecurity knowledge and introduce practical measures they could adopt to protect the organisation from cyber threats. We also made efforts to improve our preparedness for cyberattacks by conducting regular technical system drills and participating in external cybersecurity exercises.



Mr Howard Lee (left), Deputy Chief Executive, gives a keynote speech at the Artificial Intelligence Developer Day

Corporate Functions

Administration

The HKMA periodically assesses its corporate resources, such as available workspace, to ensure they align with our operational requirements. Robust office security measures, including access controls, surveillance system and on-site security personnel, are in place to safeguard the premises, staff and assets. We are part-way through a multi-year project to implement an electronic record-keeping system for transitioning the records classification scheme from paper-based to an electronic one. We also promote a green and caring workplace, where more information can be found in the *Sustainable HKMA* chapter of our *Sustainability Report 2025*.

Legal support

The Office of the General Counsel (OGC) provides legal advice to the HKMA on all aspects of its functions. In 2025, the OGC worked alongside other HKMA departments on a range of matters. These included the investment management of the Exchange Fund; the commencement of the pilot phase of Project Ensemble; the facilitation of the Government's digital green bond issuance; the review of tokenisation initiatives, including tokenised deposits; the implementation of the Basel standards for cryptoasset exposures; and the preparation and implementation of legislation including the Stablecoins Ordinance, the amendment of the Banking Ordinance, and the Protection of Critical Infrastructures (Computer Systems) 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.

Settlement services

The Settlement Section provides reliable and efficient operational support to the HKMA's reserves management, monetary operations and other initiatives. In 2025, the Settlement Section continued to maintain a high level of operational resilience and efficiency to meet ongoing and new settlement service demands through implementation of a new Investment Management Platform and a new Management Information Reporting system.

Professional workforce

Establishment and strength

The HKMA recruits, develops and maintains a highly professional workforce to support its policy objectives and to respond in an agile manner to changing work priorities. In 2026, we will maintain the same establishment as in 2025, i.e. at 1,133, even as we continue to deliver new initiatives and tackle increasing workload. Resource needs will be met through internal redeployment and efficiency savings.

Table 4 provides a breakdown of the establishment and strength of the HKMA.

Corporate Functions

Table 4 Establishment and strength of the HKMA on 1 January 2026

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 authorized institutions (AIs)	1	1	99	98
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	51
Banking Supervision	To supervise operations of AIs	1	1	204	195
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	109
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	1	120	105
Risk and Compliance ^a	To oversee all risk-generating activities, including investment risks and non-investment-related corporate risks of the HKMA	1	1	44	40
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	64
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 stored value facilities, 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	96
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	29
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	176
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
Total		16	16	1,117	1,056

a. 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

HKMA's core values

The HKMA is committed to promoting a sound corporate culture that underpins the effective delivery of its key missions: 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

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 2025 are shown in Table 5.

Table 5 Remuneration packages of senior staff members in 2025^a

	Chief Executive	Deputy Chief Executive (average)	Executive Director (average)
Number of staff members ^b	1	3	14
(HK\$'000)			
Annualised pay			
Fixed pay	7,400	6,482	4,232
Variable pay	2,172	2,045	1,111
Other benefits ^c	911	730	538

- a. 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.
- b. 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 Deputy Chief Executive Officer of the Exchange Fund Investment Office.
- c. 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 staff capabilities to cater for both the organisation's needs and staff's own development, which in turn enhances their ability to adapt to new challenges. A structured training curriculum tailored to the respective ranks of staff is established. Considerable efforts are devoted to training each staff member's vertical (job-specific) and horizontal (general) skills according to identified individual and organisational needs. We organised thematic talks on key work priorities and emerging trends for our staff, including topics such as "Fintech 2030", sustainable investment and renminbi internationalisation, to keep them 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. Additionally, we organised study trips to enhance staff members' understanding of the latest development in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).



A workshop on assertive communication for general staff



A workshop on impactful presentation for senior managers



A workshop on crucial conversation in performance review for division heads



Study trips to GBA for managers

Corporate Functions

2025 Training Days: 4,407

- 3,225 days on vertical training
 - 1,182 days on horizontal training
- Average: **4.1** 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 HKMA's work, and reimburses membership fees for relevant professional bodies that support their work in the HKMA and professional development.

To enhance work exposure and promote cross-fertilisation of skills, we encourage staff members to rotate across different job areas, including postings to the HKMA's New York Representative Office and secondments to HKMA-related organisations, such as the Hong Kong Deposit Protection Board, Hong Kong FMI Services Limited and the Hong Kong Academy of Finance, and other regulatory authorities or the Government. We also arrange secondments to international organisations and peer regulatory authorities both in the Chinese Mainland and overseas to foster cross-border collaboration and knowledge exchange.

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.



MTs and GEs at a career networking session

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.



An overseas central banking course for MTs and GEs



MTs and GEs chat with senior executives



A familiarisation talk on fintech 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 177 to 279, which comprise the balance sheets of the Exchange Fund and of the Group as at 31 December 2025, 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 2025, and of their financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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 2025. 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
<p>Valuation of financial assets and financial liabilities at fair value Refer to notes 2.5, 2.6 and 37.1 to the financial statements.</p>	
<p>As at 31 December 2025, the Group had financial assets totalling HK\$4,013,750 million and financial liabilities totalling HK\$1,337,959 million valued at fair value.</p> <p>For 85% 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 15% 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\$589,682 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"> – obtaining an understanding of the procedures, including relevant controls, for valuing different categories of financial assets and financial liabilities; – evaluating and testing the controls, including relevant application controls of the computer systems; – obtaining external confirmations on the valuation, existence, rights and obligations and completeness of the financial assets and financial liabilities; – where quoted market prices were used, verifying the prices to independent sources; – 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 – 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.
<p>Valuation of investment properties at fair value Refer to notes 2.11, 17 and 18 to the financial statements.</p>	
<p>The Group's investment properties were stated at their fair values, totalling HK\$23,457 million as at 31 December 2025. The Group also had interests in associates and joint ventures whose principal activities were holding non-Hong Kong 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"> – 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; – assessing the independence and qualifications of the valuers; and – evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions and inputs.

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 2025 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 as 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

Audit Commission
6th Floor, High Block
Queensway Government Offices
66 Queensway
Hong Kong

24 April 2026

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Exchange Fund – Income and Expenditure Account

for the year ended 31 December 2025

(Expressed in millions of Hong Kong dollars)	Note	Group		Fund	
		2025	2024	2025	2024
INCOME					
Interest income		129,185	139,694	121,233	129,279
Dividend income		17,524	16,222	13,381	15,391
(Loss)/Income from investment properties		(61)	66	–	–
Net investment gains		159,849	117,199	128,626	88,231
Net exchange gain/(loss)		44,486	(39,937)	38,496	(35,576)
Investment income	4(a)	350,983	233,244	301,736	197,325
Bank licence fees		–	62	–	62
Other income		983	859	184	140
TOTAL INCOME		351,966	234,165	301,920	197,527
EXPENDITURE					
Interest expense on placements by Fiscal Reserves, HKSAR Government funds and statutory bodies	4(b)	(52,567)	(45,137)	(52,567)	(45,137)
Other interest expense	4(c)	(44,273)	(65,779)	(41,445)	(58,849)
Operating expenses	4(d)	(11,640)	(8,922)	(5,638)	(5,339)
Note and coin expenses	4(e)	(297)	(316)	(297)	(316)
Charge for impairment allowances	4(f)	(32)	(15)	(2)	(3)
TOTAL EXPENDITURE		(108,809)	(120,169)	(99,949)	(109,644)
SURPLUS BEFORE SHARE OF PROFIT/(LOSS) OF ASSOCIATES AND JOINT VENTURES					
		243,157	113,996	201,971	87,883
Share of profit/(loss) of associates and joint ventures, net of tax		1,996	(822)	–	–
SURPLUS BEFORE TAXATION		245,153	113,174	201,971	87,883
Income tax credit	5	130	197	–	–
SURPLUS FOR THE YEAR		245,283	113,371	201,971	87,883
SURPLUS FOR THE YEAR ATTRIBUTABLE TO:					
Owner of the Fund		245,173	113,233	201,971	87,883
Non-controlling interests		110	138	–	–
		245,283	113,371	201,971	87,883

The notes on pages 185 to 279 form part of these financial statements.

Exchange Fund – Statement of Comprehensive Income

for the year ended 31 December 2025

(Expressed in millions of Hong Kong dollars)	Group		Fund	
	2025	2024	2025	2024
SURPLUS FOR THE YEAR	245,283	113,371	201,971	87,883
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that will not be reclassified to income and expenditure account				
Equity securities measured at fair value through other comprehensive income				
– fair value changes	350	72	350	72
Items that are or may be reclassified subsequently to income and expenditure account				
Debt securities measured at fair value through other comprehensive income				
– fair value changes	57	15	–	–
Cash flow hedges				
– fair value changes	3	(20)	–	–
Net insurance finance (expense)/income	(122)	197	–	–
Deferred tax	18	(53)	–	–
Exchange difference on translation of financial statements of subsidiaries, associates and joint ventures	2,330	(1,282)	–	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	2,636	(1,071)	350	72
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	247,919	112,300	202,321	87,955
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owner of the Fund	247,787	112,175	202,321	87,955
Non-controlling interests	132	125	–	–
	247,919	112,300	202,321	87,955

The notes on pages 185 to 279 form part of these financial statements.

Exchange Fund – Balance Sheet

as at 31 December 2025

(Expressed in millions of Hong Kong dollars)	Note	Group		Fund	
		2025	2024	2025	2024
ASSETS					
Cash and money at call	7	212,926	207,009	207,792	202,830
Placements with banks and other financial institutions	8	286,392	182,243	221,706	130,095
Financial assets measured at fair value through income and expenditure account	9	3,995,711	3,902,643	3,459,427	3,398,963
Financial assets measured at fair value through other comprehensive income	10	11,386	5,157	1,786	1,436
Derivative financial instruments	11(a)	3,182	4,720	1,327	3,695
Debt securities measured at amortised cost	12	20,309	15,106	–	–
Loan portfolio	13	87,495	106,045	–	–
Gold	14	2,246	1,355	2,246	1,355
Other assets	15	35,808	114,443	30,126	108,499
Interests in subsidiaries	16	–	–	233,296	230,503
Interests in associates and joint ventures	17	36,736	31,684	154	154
Investment properties	18	23,457	21,132	–	–
Property, plant and equipment	19	4,048	4,073	3,321	3,445
TOTAL ASSETS		4,719,696	4,595,610	4,161,181	4,080,975
LIABILITIES AND EQUITY					
Certificates of Indebtedness	20	635,029	598,944	635,029	598,944
Government-issued currency notes and coins in circulation	20	12,946	12,994	12,946	12,994
Balance of the banking system	21	57,027	44,802	57,027	44,802
Placements by banks and other financial institutions	22	71,709	72,112	71,709	72,112
Placements by Fiscal Reserves	23	688,925	669,738	688,925	669,738
Placements by HKSAR Government funds and statutory bodies	24	273,759	391,073	273,759	391,073
Placements by subsidiaries	25	–	–	67,323	45,665
Exchange Fund Bills and Notes issued	26	1,335,121	1,383,658	1,335,121	1,383,658
Derivative financial instruments	11(a)	2,838	2,641	2,185	744
Bank loans	27	16,524	14,861	–	–
Other debt securities issued	28	155,859	148,931	–	–
Other liabilities	29	121,948	156,194	79,899	126,308
Total liabilities		3,371,685	3,495,948	3,223,923	3,346,038

Exchange Fund – Balance Sheet (continued)

as at 31 December 2025

(Expressed in millions of Hong Kong dollars)	Group		Fund	
	2025	2024	2025	2024
Accumulated surplus	1,346,341	1,101,168	935,965	733,994
Revaluation reserve	1,373	966	1,293	943
Hedging reserve	2	(1)	–	–
Insurance finance reserve	282	386	–	–
Translation reserve	(1,845)	(4,153)	–	–
Other reserves	207	–	–	–
Total equity attributable to owner of the Fund	1,346,360	1,098,366	937,258	734,937
Non-controlling interests	1,651	1,296	–	–
Total equity	1,348,011	1,099,662	937,258	734,937
TOTAL LIABILITIES AND EQUITY	4,719,696	4,595,610	4,161,181	4,080,975

Eddie Yue

Monetary Authority

24 April 2026

The notes on pages 185 to 279 form part of these financial statements.

Exchange Fund – Statement of Changes in Equity

for the year ended 31 December 2025

(Expressed in millions of Hong Kong dollars)	Attributable to owner of the Fund						Total attributable to owner of the Fund	Non- controlling interests	Total
	Accumulated surplus	Revaluation reserve	Hedging reserve	Insurance finance reserve	Translation reserve	Other reserves (note 16)			
Group									
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
At 1 January 2025	1,101,168	966	(1)	386	(4,153)	–	1,098,366	1,296	1,099,662
Surplus for the year	245,173	–	–	–	–	–	245,173	110	245,283
Other comprehensive income for the year	–	407	3	(104)	2,308	–	2,614	22	2,636
Total comprehensive income for the year	245,173	407	3	(104)	2,308	–	247,787	132	247,919
Capital injection from non-controlling interests	–	–	–	–	–	207	207	248	455
Capital distribution to non-controlling interests	–	–	–	–	–	–	–	(5)	(5)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(20)	(20)
At 31 December 2025	1,346,341	1,373	2	282	(1,845)	207	1,346,360	1,651	1,348,011

Exchange Fund – Statement of Changes in Equity (continued)

for the year ended 31 December 2025

(Expressed in millions of Hong Kong dollars)	Accumulated surplus	Revaluation reserve	Total attributable to owner of the Fund
Fund			
At 1 January 2024	646,111	871	646,982
Surplus for the year	87,883	–	87,883
Other comprehensive income for the year	–	72	72
Total comprehensive income for the year	87,883	72	87,955
At 31 December 2024	733,994	943	734,937
At 1 January 2025	733,994	943	734,937
Surplus for the year	201,971	–	201,971
Other comprehensive income for the year	–	350	350
Total comprehensive income for the year	201,971	350	202,321
At 31 December 2025	935,965	1,293	937,258

The notes on pages 185 to 279 form part of these financial statements.

Exchange Fund – Statement of Cash Flows

for the year ended 31 December 2025

(Expressed in millions of Hong Kong dollars)	Note	Group		Fund	
		2025	2024	2025	2024
Cash flows from operating activities					
Surplus before taxation		245,153	113,174	201,971	87,883
Adjustments for:					
Interest income	4(a)	(129,185)	(139,694)	(121,233)	(129,279)
Dividend income	4(a)	(17,524)	(16,222)	(13,381)	(15,391)
Change in fair value of investment properties	4(a)	1,186	1,039	–	–
Interest expense	4(b) & 4(c)	96,840	110,916	94,012	103,986
Depreciation	4(d)	639	488	453	348
Charge for impairment allowances	4(f)	32	15	2	3
Share of (profit)/loss of associates and joint ventures		(1,996)	822	–	–
Loss on disposal of property, plant and equipment		2	–	–	–
Exchange differences and other non-cash items		(16,417)	12,318	(5,903)	4,682
Interest received		129,939	138,928	121,878	128,628
Dividends received		17,062	16,522	10,000	11,624
Interest paid		(124,878)	(151,620)	(120,843)	(144,220)
Income tax paid		(288)	(121)	–	–
		200,565	86,565	166,956	48,264
Changes in fair value of derivatives and other debt securities issued		4,238	(4,391)	3,816	(4,029)
Changes in:					
– placements with banks and other financial institutions		(11,626)	14,328	(19,612)	23,860
– financial assets measured at fair value through income and expenditure account		(41,531)	(19,239)	(19,156)	15,044
– loan portfolio		18,786	13,937	–	–
– gold		(891)	(279)	(891)	(279)
– other assets		78,631	(71,616)	78,190	(72,313)
– Certificates of Indebtedness, government-issued currency notes and coins in circulation		36,037	5,762	36,037	5,762
– balance of the banking system		12,225	(148)	12,225	(148)
– placements by banks and other financial institutions		(403)	(27,008)	(403)	(27,008)
– placements by Fiscal Reserves		19,187	(25,688)	19,187	(25,688)
– placements by HKSAR Government funds and statutory bodies		(117,314)	(77,583)	(117,314)	(77,583)
– placements by subsidiaries		–	–	21,658	14,479
– net Exchange Fund Bills and Notes issued		(48,537)	139,196	(48,537)	139,196
– other liabilities		(5,743)	(5,134)	(19,517)	(10,479)
Net cash from operating activities		143,624	28,702	112,639	29,078

Exchange Fund – Statement of Cash Flows (continued)

for the year ended 31 December 2025

(Expressed in millions of Hong Kong dollars)	Note	Group		Fund	
		2025	2024	2025	2024
Cash flows from investing activities					
Proceeds from sale or redemption of financial assets measured at fair value through other comprehensive income		763	282	–	–
Purchase of financial assets measured at fair value through other comprehensive income		(6,478)	(1,512)	–	–
Purchase of financial assets measured at fair value through income and expenditure account		(176)	–	–	–
Proceeds from sale or redemption of debt securities measured at amortised cost		3,143	5,849	–	–
Purchase of debt securities measured at amortised cost		(8,202)	(6,434)	–	–
Investments in subsidiaries		–	–	(12,500)	(12,800)
Decrease in loans to subsidiaries		–	–	9,707	1,190
(Increase)/Decrease in interests in associates and joint ventures		(1,478)	455	–	5
Additions of investment properties		(1,355)	(606)	–	–
Additions of property, plant and equipment		(449)	(691)	(266)	(381)
Dividends received from subsidiaries		–	–	2,919	4,040
Net cash used in investing activities		(14,232)	(2,657)	(140)	(7,946)
Cash flows from financing activities					
Bank loans raised	30(c)	3,076	390	–	–
Repayment of bank loans	30(c)	(3,103)	(186)	–	–
Proceeds from issue of other debt securities	30(c)	70,399	103,114	–	–
Redemption of other debt securities issued	30(c)	(66,172)	(117,659)	–	–
Principal portion of lease payments	30(c)	(175)	(145)	(125)	(104)
Capital injection from non-controlling interests		455	–	–	–
Capital distribution to non-controlling interests		(5)	(78)	–	–
Dividends paid to non-controlling interests		(20)	(1)	–	–
Net cash from/(used in) financing activities		4,455	(14,565)	(125)	(104)
Net increase in cash and cash equivalents		133,847	11,480	112,374	21,028
Cash and cash equivalents at 1 January		412,948	406,238	367,160	350,885
Effect of foreign exchange rate changes		5,905	(4,770)	5,897	(4,753)
Cash and cash equivalents at 31 December	30(a)	552,700	412,948	485,431	367,160

The notes on pages 185 to 279 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 asset investments. The Strategic Portfolio holds shares in Hong Kong Exchanges and Clearing Limited acquired by the Government of the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR) 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 amended 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 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, 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 financial 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 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.

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.

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 rates 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 The Hong Kong Mortgage Corporation Limited, Hong Kong Note Printing Limited, Hong Kong FMI Services Limited and CMU OmniClear 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 amended HKFRS Accounting Standards that are first effective for the current accounting period of the Group. None of them has a material 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 39).

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	
	2025	2024	2025	2024
Interest income:				
– from financial assets measured at fair value through income and expenditure account	109,723	116,753	108,434	115,608
– from financial assets measured at fair value through other comprehensive income	208	107	–	–
– from derivative financial instruments	242	332	52	53
– from financial assets measured at amortised cost	19,012	22,502	12,747	13,618
	129,185	139,694	121,233	129,279
Dividend income:				
– from financial assets measured at fair value through income and expenditure account	17,506	16,206	10,444	11,335
– from financial assets measured at fair value through other comprehensive income	18	16	18	16
– from subsidiaries	–	–	2,919	4,040
	17,524	16,222	13,381	15,391
(Loss)/Income from investment properties:				
– rental income	1,125	1,105	–	–
– change in fair value on revaluation	(1,186)	(1,039)	–	–
	(61)	66	–	–
Net investment gains/(losses):				
– on financial assets and financial liabilities measured at fair value through income and expenditure account	149,478	122,151	120,516	93,474
– on derivative financial instruments	9,381	(5,020)	7,219	(5,522)
– on loan portfolio measured at fair value through income and expenditure account	99	(211)	–	–
– on gold	891	279	891	279
	159,849	117,199	128,626	88,231
Net exchange gain/(loss)	44,486	(39,937)	38,496	(35,576)
TOTAL	350,983	233,244	301,736	197,325

Net investment gains included a gain of HK\$2,590 million (2024: HK\$631 million) on hedging instruments designated as fair value hedge and a loss of HK\$2,527 million (2024: HK\$531 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	
	2025	2024
Interest expense on placements by Fiscal Reserves:		
– at a fixed rate determined annually ¹	16,488	13,188
– at market-based rates	5	3
– at a composite rate determined annually ²	21,290	16,148
	37,783	29,339
Interest expense on placements by HKSAR Government funds and statutory bodies:		
– at a fixed rate determined annually ¹	14,728	15,703
– at market-based rates	56	95
	14,784	15,798
TOTAL	52,567	45,137

¹ This rate was fixed at 4.4% per annum for 2025 (2024: 3.7%) – notes 23, 24 and 29.

² The composite rate was 7.0% per annum for 2025 (2024: 3.9%) – notes 23 and 29.

(c) Other interest expense

	Group		Fund	
	2025	2024	2025	2024
Interest expense on Exchange Fund Bills and Notes issued	36,437	52,851	36,437	52,851
Interest expense on placements by subsidiaries	–	–	3,174	1,375
Interest expense on derivative financial instruments	36	166	36	165
Interest expense on lease liabilities	26	25	9	8
Interest expense on other financial instruments	7,774	12,737	1,789	4,450
TOTAL	44,273	65,779	41,445	58,849

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

(d) Operating expenses

	Group		Fund	
	2025	2024	2025	2024
Staff costs				
Salaries and other staff costs	2,333	2,193	1,776	1,712
Retirement benefit costs	171	169	142	140
Premises and equipment expenses				
Depreciation	639	488	453	348
Other premises expenses	130	117	110	96
General operating costs				
Maintenance of office and computer equipment	303	251	268	221
Financial infrastructure operation	222	226	119	83
Professional, consulting and other services	242	194	127	112
Financial information and communication services	110	108	94	94
Public education and publicity	53	64	26	39
External relations	68	67	61	60
Training	13	12	8	9
Expenses relating to investment properties				
– Operating expenses	470	318	–	–
– Variable lease payment expenses	13	12	–	–
Others	208	100	251	152
Recovery of operating expenses for loans with full guarantee from the HKSAR Government (note 13)	(151)	(166)	–	–
Operating result of insurance business (note 4(d)(ii))	4,011	2,127	–	–
Investment management and custodian fees				
Management and custodian fees	1,643	1,513	1,249	1,294
Transaction costs	274	257	274	256
Withholding tax	577	608	577	608
Professional fees and others	311	264	103	115
TOTAL	11,640	8,922	5,638	5,339

(i) The aggregate emoluments of senior staff members (Executive Directors and above) of the Group are as follows:

	Group	
	2025	2024
Fixed pay	76.1	83.1
Variable pay	20.9	21.7
Other benefits	9.7	11.9
	106.7	116.7

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 (2024: 18).

HK\$	Group	
	2025	2024
500,000 or below	–	1
500,001 to 1,000,000	1	–
1,000,001 to 1,500,000	1	–
2,500,001 to 3,000,000	1	–
3,000,001 to 3,500,000	–	1
3,500,001 to 4,000,000	1	–
4,000,001 to 4,500,000	2	1
5,000,001 to 5,500,000	–	2
5,500,001 to 6,000,000	3	3
6,000,001 to 6,500,000	2	1
6,500,001 to 7,000,000	2	3
7,000,001 to 7,500,000	1	1
8,500,001 to 9,000,000	1	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
	18	18

(ii) Details of the operating result of insurance business are as follows:

	Group	
	2025	2024
Insurance revenue	(1,704)	(1,316)
Insurance service expenses	3,113	2,998
Net insurance finance expenses	2,602	445
	4,011	2,127

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 impairment allowances

	Group		Fund	
	2025	2024	2025	2024
Charge for impairment allowances				
Placements with banks and other financial institutions (note 36.3.3(a))	4	4	2	3
Debt securities measured at amortised cost (note 36.3.3(b)(ii))	2	–	–	–
Loan portfolio measured at amortised cost (note 36.3.3(c))	31	26	–	–
Provision on loan commitments (note 36.3.3(d))	(5)	(15)	–	–
TOTAL	32	15	2	3

5 INCOME TAX CREDIT

(a) Income tax credited to the income and expenditure account

	Group	
	2025	2024
Current tax		
Hong Kong profits tax:		
– current year	779	55
– (over-provision)/under-provision in prior years	(43)	1
Taxation outside Hong Kong:		
– current year	41	60
– over-provision in prior years	(10)	(19)
Deferred tax		
Credit for current year	(897)	(294)
TOTAL	(130)	(197)

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 2025, it is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year. Tax for subsidiaries incorporated outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries, which ranged from 15.0% to 25.0% (2024: 15.0% to 25.0%).

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	
	2025	2024
Surplus before taxation	245,153	113,174
Less: Surplus not subject to Hong Kong tax	(201,971)	(87,883)
Surplus subject to tax	43,182	25,291
Tax calculated at domestic tax rates in the respective countries	7,461	4,868
Tax effect of:		
– non-deductible expenses	2,468	2,455
– non-taxable income	(10,025)	(7,449)
– tax losses not recognised	14	5
– utilisation of tax losses previously not recognized	(31)	(10)
– over-provision in prior years	(53)	(18)
– others	36	(48)
Income tax credit	(130)	(197)

(b) Tax (recoverable)/payable

	Note	Group	
		2025	2024
Tax recoverable	15	(98)	(94)
Tax payable	29	1,122	639
		1,024	545

(c) Deferred tax

	Note	Group	
		2025	2024
Deferred tax assets	15	(712)	–
Deferred tax liabilities	29	366	535
		(346)	535

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 2024	478	32	(149)	450	(7)	804
(Credited)/Charged to the income and expenditure account	(173)	36	(137)	(14)	(6)	(294)
Charged to other comprehensive income	–	–	–	53	–	53
Exchange differences	(28)	–	–	–	–	(28)
At 31 December 2024	277	68	(286)	489	(13)	535
At 1 January 2025	277	68	(286)	489	(13)	535
(Credited)/Charged to the income and expenditure account	(2)	8	(248)	(652)	(3)	(897)
Credited to other comprehensive income	–	–	–	(18)	–	(18)
Exchange differences	34	–	–	–	–	34
At 31 December 2025	309	76	(534)	(181)	(16)	(346)

There was no significant unprovided deferred tax as at 31 December 2025 and 2024.

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 – 2025					
	Total	Derivative financial instruments	Financial assets and 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	212,926	–	–	–	212,926	–
Placements with banks and other financial institutions	286,392	–	–	–	286,392	–
Financial assets measured at fair value through income and expenditure account	3,995,711	–	3,995,711	–	–	–
Financial assets measured at fair value through other comprehensive income	11,386	–	–	11,386	–	–
Derivative financial instruments	3,182	3,182	–	–	–	–
Debt securities measured at amortised cost	20,309	–	–	–	20,309	–
Loan portfolio	87,495	–	3,471	–	84,024	–
Others	33,130	–	–	–	33,130	–
FINANCIAL ASSETS	4,650,531	3,182	3,999,182	11,386	636,781	–
Certificates of Indebtedness	635,029	–	–	–	–	635,029
Government-issued currency notes and coins in circulation	12,946	–	–	–	–	12,946
Balance of the banking system	57,027	–	–	–	–	57,027
Placements by banks and other financial institutions	71,709	–	–	–	–	71,709
Placements by Fiscal Reserves	688,925	–	–	–	–	688,925
Placements by HKSAR Government funds and statutory bodies	273,759	–	–	–	–	273,759
Exchange Fund Bills and Notes issued	1,335,121	–	1,335,121	–	–	–
Derivative financial instruments	2,838	2,838	–	–	–	–
Bank loans	16,524	–	–	–	–	16,524
Other debt securities issued	155,859	–	–	–	–	155,859
Others	82,484	–	–	–	–	82,484
FINANCIAL LIABILITIES	3,332,221	2,838	1,335,121	–	–	1,994,262

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	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	–
FINANCIAL ASSETS	4,535,634	4,720	3,905,240	5,157	620,517	–
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
FINANCIAL LIABILITIES	3,468,194	2,641	1,383,658	–	–	2,081,895

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2025					
	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	207,792	–	–	–	207,792	–
Placements with banks and other financial institutions	221,706	–	–	–	221,706	–
Financial assets measured at fair value through income and expenditure account	3,459,427	–	3,459,427	–	–	–
Financial assets measured at fair value through other comprehensive income	1,786	–	–	1,786	–	–
Derivative financial instruments	1,327	1,327	–	–	–	–
Others	30,010	–	–	–	30,010	–
FINANCIAL ASSETS	3,922,048	1,327	3,459,427	1,786	459,508	–
Certificates of Indebtedness	635,029	–	–	–	–	635,029
Government-issued currency notes and coins in circulation	12,946	–	–	–	–	12,946
Balance of the banking system	57,027	–	–	–	–	57,027
Placements by banks and other financial institutions	71,709	–	–	–	–	71,709
Placements by Fiscal Reserves	688,925	–	–	–	–	688,925
Placements by HKSAR Government funds and statutory bodies	273,759	–	–	–	–	273,759
Placements by subsidiaries	67,323	–	–	–	–	67,323
Exchange Fund Bills and Notes issued	1,335,121	–	1,335,121	–	–	–
Derivative financial instruments	2,185	2,185	–	–	–	–
Others	79,746	–	–	–	–	79,746
FINANCIAL LIABILITIES	3,223,770	2,185	1,335,121	–	–	1,886,464

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	–
FINANCIAL ASSETS	3,845,421	3,695	3,398,963	1,436	441,327	–
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
FINANCIAL LIABILITIES	3,345,887	744	1,383,658	–	–	1,961,485

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	
	2025	2024	2025	2024
At amortised cost				
Balance with central banks	2,734	2,661	2,734	2,661
Balance with banks	210,192	204,348	205,058	200,169
TOTAL	212,926	207,009	207,792	202,830

8 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Fund	
	2025	2024	2025	2024
At amortised cost				
Placements in respect of reverse repurchase agreements:				
– with central banks	16,014	7,876	16,014	7,876
– with banks and other financial institutions	37,159	6,843	37,159	6,843
Other placements:				
– with central banks	–	4,661	–	4,661
– with banks	233,231	162,871	168,538	110,718
	286,404	182,251	221,711	130,098
Less: allowances for expected credit losses	(12)	(8)	(5)	(3)
TOTAL	286,392	182,243	221,706	130,095

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	
	2025	2024	2025	2024
At fair value				
Debt securities				
Treasury bills and commercial papers				
Listed outside Hong Kong	94,476	20,790	94,476	20,790
Unlisted	1,316,202	1,141,710	1,316,202	1,141,710
Certificates of deposit				
Listed outside Hong Kong	11,727	–	11,727	–
Unlisted	17,321	127,885	17,321	127,885
Other debt securities				
Listed in Hong Kong	11,562	11,282	11,552	11,272
Listed outside Hong Kong	1,357,923	1,466,003	1,357,923	1,466,003
Unlisted	55,294	57,352	55,103	57,352
Total debt securities	2,864,505	2,825,022	2,864,304	2,825,012
Equity securities				
Listed in Hong Kong	171,078	132,936	171,078	132,936
Listed outside Hong Kong	304,394	310,416	301,777	304,848
Unlisted	128,177	144,041	122,268	136,167
Total equity securities	603,649	587,393	595,123	573,951
Investment funds				
Unlisted	527,557	490,228	–	–
TOTAL	3,995,711	3,902,643	3,459,427	3,398,963

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	
	2025	2024	2025	2024
At fair value				
Debt securities				
Listed in Hong Kong	5,022	1,846	–	–
Listed outside Hong Kong	3,915	1,759	–	–
Unlisted	663	116	–	–
	9,600	3,721	–	–
Equity securities				
Unlisted	1,786	1,436	1,786	1,436
TOTAL	11,386	5,157	1,786	1,436

The Group's investment in unlisted equity securities as at 31 December 2025 represents a holding of 4,285 shares (2024: 4,285 shares) in the Bank for International Settlements. As at 31 December 2025 and 2024, 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			
	2025		2024		2025		2024	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives categorised as held for trading								
Interest rate derivatives								
Interest rate swap contracts	1,370	157	1,467	314	1,155	138	1,074	311
Interest rate futures contracts	1	1	10	4	1	1	10	4
Interest rate cap contracts	2	–	–	–	–	–	–	–
Equity derivatives								
Equity index futures contracts	71	311	82	137	71	311	82	137
Equity index option contracts	–	–	27	8	–	–	27	8
Currency derivatives								
Forward foreign exchange contracts	72	1,290	2,335	206	64	1,200	2,328	47
Currency swap contracts	87	146	153	8	–	–	–	–
Bond derivatives								
Bond futures contracts	17	123	75	125	17	123	75	125
Total return swap contracts	3	46	–	–	3	46	–	–
Commodity derivatives								
Commodity futures contracts	16	366	99	112	16	366	99	112
	1,639	2,440	4,248	914	1,327	2,185	3,695	744
Derivatives designated as hedging instruments in fair value hedges								
Interest rate derivatives								
Interest rate swap contracts	817	169	212	597	–	–	–	–
Currency derivatives								
Currency swap contracts	724	229	259	1,128	–	–	–	–
	1,541	398	471	1,725	–	–	–	–
Derivatives designated as hedging instruments in cash flow hedges								
Currency derivatives								
Currency swap contracts	2	–	1	2	–	–	–	–
TOTAL	3,182	2,838	4,720	2,641	1,327	2,185	3,695	744

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									
	Total	2025				2024				
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	
Derivatives categorised as held for trading										
Interest rate derivatives										
Interest rate swap contracts	41,149	1,341	4,362	23,801	11,645	34,681	3,441	2,523	18,433	10,284
Interest rate futures contracts	19,498	576	14,166	4,756	–	36,682	10,043	13,712	12,927	–
Interest rate cap contracts	170	–	–	170	–	–	–	–	–	–
Equity derivatives										
Equity index futures contracts	54,465	54,465	–	–	–	51,454	51,454	–	–	–
Equity index option contracts	–	–	–	–	–	1,662	–	1,662	–	–
Currency derivatives										
Forward foreign exchange contracts	108,721	105,008	3,713	–	–	124,627	121,268	2,124	1,235	–
Currency swap contracts	16,333	634	2,681	11,291	1,727	8,110	1,353	871	5,672	214
Bond derivatives										
Bond futures contracts	128,444	128,444	–	–	–	219,788	219,788	–	–	–
Total return swap contracts	3,157	3,157	–	–	–	–	–	–	–	–
Commodity derivatives										
Commodity futures contracts	18,001	13,773	4,191	37	–	15,472	11,134	4,338	–	–
	389,938	307,398	29,113	40,055	13,372	492,476	418,481	25,230	38,267	10,498
Derivatives designated as hedging instruments in fair value hedges										
Interest rate derivatives										
Interest rate swap contracts	124,594	20,344	35,746	65,374	3,130	110,629	17,211	25,563	65,275	2,580
Currency derivatives										
Currency swap contracts	51,268	5,040	8,064	34,913	3,251	52,465	9,180	9,995	29,333	3,957
	175,862	25,384	43,810	100,287	6,381	163,094	26,391	35,558	94,608	6,537
Derivatives designated as hedging instruments in cash flow hedges										
Currency derivatives										
Currency swap contracts	389	156	–	233	–	388	–	–	388	–
TOTAL	566,189	332,938	72,923	140,575	19,753	655,958	444,872	60,788	133,263	17,035

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									
	Total	2025				2024				
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	
Derivatives categorised as held for trading										
Interest rate derivatives										
Interest rate swap contracts	25,770	1,061	2,128	11,797	10,784	24,323	3,141	600	11,292	9,290
Interest rate futures contracts	19,498	576	14,166	4,756	-	36,682	10,043	13,712	12,927	-
Equity derivatives										
Equity index futures contracts	54,465	54,465	-	-	-	51,454	51,454	-	-	-
Equity index option contracts	-	-	-	-	-	1,662	-	1,662	-	-
Currency derivatives										
Forward foreign exchange contracts	99,756	99,756	-	-	-	120,507	120,507	-	-	-
Bond derivatives										
Bond futures contracts	128,444	128,444	-	-	-	219,788	219,788	-	-	-
Total return swap contracts	3,157	3,157	-	-	-	-	-	-	-	-
Commodity derivatives										
Commodity futures contracts	18,001	13,773	4,191	37	-	15,472	11,134	4,338	-	-
TOTAL	349,091	301,232	20,485	16,590	10,784	469,888	416,067	20,312	24,219	9,290

12 DEBT SECURITIES MEASURED AT AMORTISED COST

	Group	
	2025	2024
At amortised cost		
Debt securities		
Listed in Hong Kong	6,958	5,716
Listed outside Hong Kong	10,411	6,191
Unlisted	2,947	3,204
	20,316	15,111
Less: allowances for expected credit losses	(7)	(5)
TOTAL	20,309	15,106

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	
	2025	2024
At fair value		
Mortgage loans	3,435	2,573
Other loans	36	24
	3,471	2,597
At amortised cost		
Loans with full guarantee from the HKSAR Government		
– Special 100% guarantee under the SME Financing Guarantee Scheme ¹	63,158	82,555
– Dedicated 100% Loan Guarantee Schemes ¹	356	228
Mortgage loans	2,861	2,817
Other loans	17,804	18,100
	84,179	103,700
Less: allowances for expected credit losses	(155)	(252)
	84,024	103,448
TOTAL	87,495	106,045

¹ 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	
	2025	2024
At fair value		
Gold		
66,798 ounces (2024: 66,798 ounces)	2,246	1,355

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	
	2025	2024	2025	2024
Unsettled sales and redemption of securities	7,894	91,227	7,894	91,227
Interest and dividends receivable	18,127	18,847	15,378	15,561
Prepayments, receivables and other assets	7,505	2,968	6,616	1,486
Staff housing loans	238	225	238	225
Reinsurance contract assets	1,234	1,082	–	–
Tax recoverable	98	94	–	–
Deferred tax assets	712	–	–	–
TOTAL	35,808	114,443	30,126	108,499

16 INTERESTS IN SUBSIDIARIES

	Fund	
	2025	2024
Unlisted shares, at cost	40,262	27,762
Loans to subsidiaries	193,034	202,741
TOTAL	233,296	230,503

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 Limited¹, CMU OmniClear Holdings Limited² and its wholly owned subsidiary, CMU OmniClear Limited) as at 31 December 2025:

Name of company	Principal activities	Issued share capital
The Hong Kong Mortgage Corporation Limited	Investment in mortgages and loans	HK\$39,000,000,000
HKMC Annuity Limited ³	Long term insurance	HK\$25,000,000,000
HKMC Insurance Limited ³	General insurance	HK\$15,000,000,000
HKMC Mortgage Management Limited ³	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	Operating the financial market infrastructure	HK\$167,000,000
Hong Kong Academy of Finance Limited	Financial leadership development	HK\$150,000,000
CMU OmniClear Holdings Limited	Investment holding	HK\$1,255,000,000
CMU OmniClear Limited ⁴	Operations and business development activities 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

¹ 55% equity interest held by the Fund.

² 80% equity interest held by the Fund.

³ Subsidiaries indirectly held by the Fund through The Hong Kong Mortgage Corporation Limited.

⁴ Subsidiary indirectly held by the Fund through CMU OmniClear Holdings Limited.

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 (2024: 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, capital injection of HK\$12.5 billion (2024: Nil) to The Hong Kong Mortgage Corporation Limited was made under this arrangement and there was no outstanding commitment as at 31 December 2025 (2024: HK\$12.5 billion). After the end of the reporting period, the Fund committed in January 2026 to inject additional funds up to HK\$25 billion to The Hong Kong Mortgage Corporation Limited for the same purpose.

The Fund has provided The Hong Kong Mortgage Corporation Limited with a revolving credit facility of HK\$80 billion (2024: HK\$80 billion) at prevailing market interest rates. As at 31 December 2025, there was no outstanding balance due from The Hong Kong Mortgage Corporation Limited under this facility (2024: Nil).

In October 2025, the Fund established CMU OmniClear Holdings Limited to wholly own CMU OmniClear Limited, established in 2024 to carry out the operations and business development activities of the Central Moneymarkets Unit. In December 2025, CMU OmniClear Holdings Limited issued new shares to a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited as a strategic shareholder at a consideration of HK\$455 million. This transaction led to a dilution of the Fund's interest to 80%, and resulted in an increase in the Group's other reserves by HK\$207 million as at 31 December 2025.

The Fund has provided CMU OmniClear Limited with an interest-free credit facility of HK\$900 million (2024: Nil). As at 31 December 2025, there was no outstanding balance due from CMU OmniClear Limited under this facility (2024: 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 17% (2024: 16%) and 7% (2024: 6%) of the Group's total assets and total liabilities, respectively.

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group		Fund	
	2025	2024	2025	2024
Associates ¹	5,815	4,072	154	154
Joint ventures ²	30,921	27,612	–	–
TOTAL	36,736	31,684	154	154

¹ 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 (2024: HK\$5,000).

² The Fund does not directly hold investment in joint ventures.

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 non-Hong Kong 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	
	2025	2024
Share of profit for the year	1,255	284
Share of other comprehensive income/(loss)	504	(35)
Share of total comprehensive income	1,759	249
Aggregate carrying amount of interests in associates	5,815	4,072

As at 31 December 2025, the Group has no outstanding investment commitments to associates (2024: Nil).

The Fund has provided an associate with non-revolving credit facilities for developing financial infrastructure. The facilities are unsecured and interest-free. The facility of HK\$22 million which has expired in June 2025 is repayable by October 2035. During the year, there was no loan drawdown or repayment (2024: HK\$7 million drawn and HK\$12 million repaid respectively). As at 31 December 2025, there was no outstanding commitment of the facilities (2024: Nil) and the outstanding balance due from this associate under the facilities was HK\$154 million (2024: HK\$154 million).

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

17.2 Interests in joint ventures

The Group holds investments in 21 joint ventures, which are all incorporated outside Hong Kong. The principal activities of these joint ventures are holding non-Hong Kong 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 2025, the aggregate interest in these joint ventures amounted to 0.66% (2024: 0.60%) of the Group's total assets.

Aggregate information of the Group's joint ventures, which are not individually material, is summarised below:

	Group	
	2025	2024
Share of profit/(loss) for the year	741	(1,106)
Share of other comprehensive income/(loss)	1,046	(982)
Share of total comprehensive income/(loss)	1,787	(2,088)
Aggregate carrying amount of interests in joint ventures	30,921	27,612

The Group's share of outstanding investment commitments to joint ventures is shown below:

	Group	
	2025	2024
Commitments to contribute funds	6,444	6,803

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

18 INVESTMENT PROPERTIES

	Group	
	2025	2024
At fair value		
At 1 January	21,132	22,449
Additions	1,355	606
Change in fair value on revaluation	(1,186)	(1,039)
Exchange differences	2,156	(884)
At 31 December	23,457	21,132

The carrying amount of the Group's investment properties is analysed as follows:

	Group	
	2025	2024
Held outside Hong Kong		
on freehold	11,726	9,962
on long-term lease (over 50 years)	11,731	11,170
TOTAL	23,457	21,132

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	
	2025	2024
Gross rental income	1,125	1,105
Direct expenses	(483)	(330)
Net rental income	642	775

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	
	2025	2024
Within one year	837	861
After one year but not later than two years	866	906
After two years but not later than three years	670	740
After three years but not later than four years	634	545
After four years but not later than five years	729	530
After five years	7,410	8,757
TOTAL	11,146	12,339

As at 31 December 2025, investment properties with a fair value of HK\$23,058 million (2024: HK\$20,762 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 market approach with reference to market transaction or quotes/bids from third parties, or if no reliable market data is available, income approach with reference to comparable market evidence. 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, the valuation 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. 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 5.00% to 8.00% (2024: 4.63% to 8.05%), equivalent yields which ranged from 5.68% to 6.61% (2024: 5.68% to 6.20%) and terminal capitalisation rates which ranged from 4.00% to 6.00% (2024: 4.25% to 6.80%). 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\$1,186 million (2024: HK\$1,039 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	
	Premises	Plant and equipment	Computer software licences and system development costs	Premises	Total
Cost					
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
At 1 January 2025	3,870	2,648	1,305	1,096	8,919
Additions	3	256	216	141	616
Disposals/write-offs	(1)	(54)	–	(3)	(58)
At 31 December 2025	3,872	2,850	1,521	1,234	9,477
Accumulated depreciation					
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
At 1 January 2025	1,865	1,786	568	627	4,846
Charge for the year	89	251	96	203	639
Written back on disposals/write-offs	(1)	(52)	–	(3)	(56)
At 31 December 2025	1,953	1,985	664	827	5,429
Net book value					
At 31 December 2025	1,919	865	857	407	4,048
At 31 December 2024	2,005	862	737	469	4,073

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	
	Premises	Plant and equipment	Computer software licences and system development costs	Premises	Total
Cost					
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
At 1 January 2025	3,843	1,329	1,305	799	7,276
Additions	–	58	208	63	329
At 31 December 2025	3,843	1,387	1,513	862	7,605
Accumulated depreciation					
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
At 1 January 2025	1,855	903	568	505	3,831
Charge for the year	88	124	96	145	453
At 31 December 2025	1,943	1,027	664	650	4,284
Net book value					
At 31 December 2025	1,900	360	849	212	3,321
At 31 December 2024	1,988	426	737	294	3,445

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	
	2025	2024	2025	2024
In Hong Kong				
Leasehold land and the building situated thereon (leasehold between 10 and 50 years)	1,898	1,984	1,879	1,967
Outside Hong Kong				
Freehold land and the building situated thereon	21	21	21	21
TOTAL	1,919	2,005	1,900	1,988

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	
	2025	2024	2025	2024
Carrying amount	635,029	598,944	12,946	12,994
Reconciliation with face value:				
Hong Kong dollar face value	636,375	601,415	12,973	13,047
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\$81,587 million	US\$77,104 million	US\$1,663 million	US\$1,673 million
Market exchange rate for translation into Hong Kong dollars	US\$1=HK\$7.78350	US\$1=HK\$7.76795	US\$1=HK\$7.78350	US\$1=HK\$7.76795
Carrying amount	635,029	598,944	12,946	12,994

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	
	2025	2024
At amortised cost		
Placements by banks and other financial institutions in respect of repurchase agreements	1,907	2,328
Other placements:		
– by central banks	51,580	21,284
– by banks	18,222	48,500
TOTAL	71,709	72,112

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	
	2025	2024
Placements by Operating and Capital Reserves		
(i) with interest payable at a fixed rate determined annually		
General Revenue Account	208,768	176,186
Capital Works Reserve Fund	118,419	123,518
Civil Service Pension Reserve Fund	60,478	57,929
Innovation and Technology Fund	23,764	23,980
Lotteries Fund	24,242	23,808
Capital Investment Fund	11,571	12,769
Loan Fund	6,434	5,636
Disaster Relief Fund	150	146
	453,826	423,972
(ii) with interest payable at market-based rates		
General Revenue Account	4	4
	453,830	423,976
Placements by Future Fund with interest payable at a composite rate determined annually		
Land Fund	230,295	240,962
General Revenue Account	4,800	4,800
	235,095	245,762
TOTAL	688,925	669,738

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 4.4% per annum for 2025 (2024: 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 2025 was 7.0% (2024: 3.9%). 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	
	2025	2024
Placements with interest payable at a fixed rate¹ determined annually		
Bond Fund	178,958	229,944
Elite Athletes Development Fund	6,167	5,907
Employees Retraining Board	10,042	11,054
Environment and Conservation Fund	6,167	6,182
Hong Kong Housing Authority	40,959	39,233
Hospital Authority	–	13,578
Language Fund	–	7,007
Research Endowment Fund	9,397	52,541
Trading Funds	10,087	9,662
Other funds ²	9,909	13,916
	271,686	389,024
Placements with interest payable at market-based rates		
Deposit Protection Scheme Fund	2,073	2,049
TOTAL	273,759	391,073

¹ 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 4.4% per annum for 2025 (2024: 3.7%).

² This is a collective placement by 12 HKSAR Government funds (2024: 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	
	2025	2024
Placements by:		
HKMC Annuity Limited ¹	50,838	29,875
HKMC Insurance Limited ²	16,485	15,790
TOTAL	67,323	45,665

¹ Placements by HKMC Annuity Limited are unsecured, interest-bearing and have fixed repayment terms from 6 to 10 years.

² 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	
	2025	2024
At fair value		
Exchange Fund Bills and Notes issued		
Exchange Fund Bills	1,322,209	1,368,440
Exchange Fund Notes	14,407	15,418
	1,336,616	1,383,858
Exchange Fund Bills held	(1,495)	(200)
TOTAL	1,335,121	1,383,658

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			
	2025		2024	
	Exchange Fund Bills	Exchange Fund Notes	Exchange Fund Bills	Exchange Fund Notes
Issued by the Currency Board Operations segment				
Nominal value at 1 January	1,378,017	15,600	1,236,980	18,400
Issuance	4,259,619	4,800	4,184,601	4,800
Redemption	(4,310,071)	(6,000)	(4,043,564)	(7,600)
Nominal value at 31 December	1,327,565	14,400	1,378,017	15,600
Long positions held by the Financial Stability and Other Activities segment				
Nominal value at 31 December	(1,500)	–	(200)	–
Total nominal value	1,326,065	14,400	1,377,817	15,600
Carrying amount, at fair value	1,320,714	14,407	1,368,240	15,418
Difference	5,351	(7)	9,577	182

The fair value changes of EFBN issued are attributable to changes in benchmark interest rates.

27 BANK LOANS

	Group	
	2025	2024
At amortised cost		
Bank loans repayable:		
Within one year	4,304	1,845
After one year but not later than two years	7,939	3,894
After two years but not later than five years	4,281	9,122
TOTAL	16,524	14,861

As at 31 December 2025, the banking facilities of the Group were secured by mortgage over the investment properties with a fair value of HK\$23,058 million (2024: HK\$20,762 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	
	2025	2024
Debt securities issued, carried at amortised cost	7,215	6,431
Debt securities issued, designated as hedged items under fair value hedge	148,644	142,500
TOTAL	155,859	148,931

An analysis of the nominal value of other debt securities issued at the beginning and the end of year is set out below:

	Group	
	2025	2024
Total debt securities issued		
Nominal value at 1 January	150,529	164,438
Issuance	70,479	103,508
Redemption	(66,172)	(117,659)
Exchange differences	50	242
Nominal value at 31 December	154,886	150,529
Carrying amount	155,859	148,931
Difference	(973)	1,598

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

29 OTHER LIABILITIES

	Group		Fund	
	2025	2024	2025	2024
Accrued interest on placements by Fiscal Reserves (Future Fund) ¹	49,166	77,376	49,166	77,376
Accrued interest on placements by a subsidiary	–	–	5,095	3,580
Other interest payable	3,323	3,938	332	461
Unsettled purchases of securities	19,458	37,055	19,458	37,055
Accrued charges and other liabilities	11,033	10,785	5,659	7,579
Insurance contract liabilities	36,678	25,046	–	–
Lease liabilities	792	805	189	257
Tax payable	1,122	639	–	–
Deferred tax liabilities	366	535	–	–
Provision for expected credit losses on loan commitments	10	15	–	–
TOTAL	121,948	156,194	79,899	126,308

¹ 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	
	2025	2024	2025	2024
Cash and money at call	212,926	207,009	207,792	202,830
Placements with banks and other financial institutions	255,689	163,162	193,554	121,553
Treasury bills and commercial papers	75,540	11,391	75,540	11,391
Certificates of deposit	8,545	31,386	8,545	31,386
TOTAL	552,700	412,948	485,431	367,160

(b) Reconciliation of cash and cash equivalents

	Note	Group		Fund	
		2025	2024	2025	2024
Amounts shown in the balance sheet					
Cash and money at call	7	212,926	207,009	207,792	202,830
Placements with banks and other financial institutions	8	286,404	182,251	221,711	130,098
Treasury bills and commercial papers	9	1,410,678	1,162,500	1,410,678	1,162,500
Certificates of deposit	9	29,048	127,885	29,048	127,885
		1,939,056	1,679,645	1,869,229	1,623,313
Less: Amounts with original maturity beyond 3 months		(1,386,356)	(1,266,697)	(1,383,798)	(1,256,153)
Cash and cash equivalents in the statement of cash flows		552,700	412,948	485,431	367,160

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 2024	15,359	162,363	802	226
Changes from financing cash flows				
Bank loans raised	390	–	–	–
Repayment of bank loans	(186)	–	–	–
Proceeds from issue of other debt securities	–	103,114	–	–
Redemption of other debt securities issued	–	(117,659)	–	–
Principal portion of lease payments	–	–	(145)	(104)
Non-cash changes				
Increase in lease liabilities relating to new leases	–	–	157	135
Amortisation	25	340	25	8
Exchange differences	(727)	242	(9)	–
Change in fair value	–	531	–	–
Other changes				
Interest portion of lease payments	–	–	(25)	(8)
At 31 December 2024	14,861	148,931	805	257
At 1 January 2025	14,861	148,931	805	257
Changes from financing cash flows				
Bank loans raised	3,076	–	–	–
Repayment of bank loans	(3,103)	–	–	–
Proceeds from issue of other debt securities	–	70,399	–	–
Redemption of other debt securities issued	–	(66,172)	–	–
Principal portion of lease payments	–	–	(175)	(125)
Non-cash changes				
Increase in lease liabilities relating to new leases	–	–	134	57
Amortisation	191	124	26	9
Exchange differences	1,499	50	28	–
Change in fair value	–	2,527	–	–
Other changes				
Interest portion of lease payments	–	–	(26)	(9)
At 31 December 2025	16,524	155,859	792	189

The total cash outflows for leases of the Group and the Fund in 2025 were HK\$215 million (2024: HK\$185 million) and HK\$134 million (2024: HK\$112 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	
	2025	2024	2025	2024	2025	2024	2025	2024
Income								
Interest and dividend income	93,674	98,230	46,291	48,950	6,744	8,736	146,709	155,916
Investment gains/(losses)	17,420	(8,525)	183,848	87,809	3,006	(1,956)	204,274	77,328
Other income	–	–	211	97	772	824	983	921
	111,094	89,705	230,350	136,856	10,522	7,604	351,966	234,165
Expenditure								
Interest expense	36,471	53,015	54,623	49,561	5,746	8,340	96,840	110,916
Other expenses	1,626	1,608	2,349	2,010	7,994	5,635	11,969	9,253
	38,097	54,623	56,972	51,571	13,740	13,975	108,809	120,169
Surplus/(Deficit) before share of profit/ (loss) of associates and joint ventures	72,997	35,082	173,378	85,285	(3,218)	(6,371)	243,157	113,996
Share of profit/(loss) of associates and joint ventures, net of tax	–	–	1,901	(892)	95	70	1,996	(822)
Surplus/(Deficit) before taxation	72,997	35,082	175,279	84,393	(3,123)	(6,301)	245,153	113,174

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	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Assets										
Backing Assets										
Investment in designated US dollar assets	2,244,059	2,155,871	-	-	-	-	-	-	2,244,059	2,155,871
Interest receivable on designated										
US dollar assets	6,872	6,945	-	-	-	-	-	-	6,872	6,945
Net accounts (payable)/receivable	(10)	(18,202)	-	-	-	-	10	18,202	-	-
Other investments	-	-	2,108,352	2,068,708	322,663	247,995	1,584	(200)	2,432,599	2,316,503
Other assets	-	-	24,946	20,471	11,208	9,955	12	85,865	36,166	116,291
TOTAL ASSETS	2,250,921	2,144,614	2,133,298	2,089,179	333,871	257,950	1,606	103,867	4,719,696	4,595,610
Liabilities										
Monetary Base										
Certificates of Indebtedness	635,029	598,944	-	-	-	-	-	-	635,029	598,944
Government-issued currency notes and										
coins in circulation	12,946	12,994	-	-	-	-	-	-	12,946	12,994
Balance of the banking system	57,027	44,802	-	-	-	-	-	-	57,027	44,802
Exchange Fund Bills and Notes issued	1,336,616	1,383,858	-	-	-	-	(1,495)	(200)	1,335,121	1,383,658
Interest payable on Exchange Fund Notes	98	124	-	-	-	-	-	-	98	124
Net accounts (receivable)/payable	(3,060)	(85,692)	-	-	-	-	3,091	85,865	31	173
Placements by banks and other										
financial institutions	-	-	20,129	48,500	51,580	23,612	-	-	71,709	72,112
Placements by Fiscal Reserves	-	-	688,925	669,738	-	-	-	-	688,925	669,738
Placements by HKSAR Government										
funds and statutory bodies	-	-	271,686	389,024	2,073	2,049	-	-	273,759	391,073
Bank loans	-	-	16,524	14,861	-	-	-	-	16,524	14,861
Other debt securities issued	-	-	690	631	155,169	148,300	-	-	155,859	148,931
Other liabilities	-	-	74,898	99,650	49,749	40,686	10	18,202	124,657	158,538
TOTAL LIABILITIES	2,038,656	1,955,030	1,072,852	1,222,404	258,571	214,647	1,606	103,867	3,371,685	3,495,948

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 August 2025 and September 2024. 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 110.34% as at 31 December 2025 (2024: 109.56%).

(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 2025, deductions from the Backing Assets comprised liabilities of HK\$10 million (2024: HK\$18,202 million). The amount refers to accounts payable for bond futures contracts (2024: 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 2025, deductions from the Monetary Base comprising assets of HK\$3,091 million (2024: HK\$85,865 million) consisted of three components:
 - as Hong Kong dollar interest rate swaps have been used as a means to manage the cost of issuing Exchange Fund Notes, unrealised gains of HK\$12 million (2024: Nil) on these interest rate swaps are included in "net accounts (receivable)/payable" to reduce the Monetary Base;
 - when Hong Kong dollar overnight advances secured on EFBN have been made to banks under the Discount Window Operations, the advances of HK\$3,079 million (2024: Nil) are included in "net accounts (receivable)/payable" to reduce the Monetary Base; and
 - EFBN issued on tender date but not yet settled are included in "net accounts (receivable)/payable" to reduce the Monetary Base. There was no such receivable as at 31 December 2025 (2024: HK\$85,865 million).

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

(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.

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.

	Note	Group		Fund	
		2025	2024	2025	2024
Assets pledged					
Cash and money at call		6,000	5,967	6,000	5,967
Financial assets measured at fair value through income and expenditure account		8,286	6,099	8,286	6,099
Equity interests in associates		1,316	1,308	–	–
Equity interests in joint ventures		2,449	2,230	–	–
Investment properties	18	23,058	20,762	–	–
Secured liabilities					
Derivative financial instruments		1,744	174	1,744	174
Bank loans	27	16,524	14,861	–	–
Other debt securities issued		690	632	–	–

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 to ensure that the Group collected sufficient financial collaterals to fully cover its counterparty credit exposure.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

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	
	2025	2024	2025	2024
Contracted for	44	64	33	35
Authorised but not yet contracted for	1,028	965	959	885
TOTAL	1,072	1,029	992	920

(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 2025, the Fund had an undertaking under the NAB to lend foreign currencies to the IMF up to HK\$7,247 million equivalent (2024: HK\$6,877 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 (2024: Nil).

(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 (2024: HK\$220 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 2025, there was no outstanding balance due from the HKDPB under this facility (2024: 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\$44,755 million equivalent (2024: HK\$44,666 million equivalent). The arrangement allows each organisation to enhance the liquidity of its foreign reserve portfolio with minimal additional risk. As at 31 December 2025, there was no outstanding transaction with any central bank under this arrangement (2024: Nil).

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

(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 (2024: US\$240 billion). Hong Kong, through the HKMA, participates in the CMIM and has undertaken to commit up to US\$8.4 billion (2024: US\$8.4 billion) out of the Fund. Hong Kong has the right to request liquidity support up to US\$8.4 billion (2024: US\$8.4 billion) from the CMIM in case of emergency. Up to 31 December 2025, there had been no request to activate the CMIM (2024: 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 2025, the amount drawn under the arrangement was RMB46 billion (2024: RMB20 billion).

(g) Investment commitments

The Group's subsidiaries with principal activities of holding investments, including properties, had outstanding investment commitment of HK\$303 billion equivalent as at 31 December 2025 (2024: HK\$296 billion equivalent).

(h) Other commitments

A subsidiary of the Group, The Hong Kong Mortgage Corporation Limited, had outstanding undrawn loan commitments of HK\$1,277 million as at 31 December 2025 (2024: HK\$476 million).

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

34 CONTINGENT LIABILITIES

(a) Uncalled portion of investment in the Bank for International Settlements

As at 31 December 2025, the Fund had a contingent liability of up to 16.1 million SDRs or HK\$171 million equivalent (2024: 16.1 million SDRs or HK\$162 million equivalent), in respect of the uncalled portion of its 4,285 shares (2024: 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 2025, 1 SDR was valued at US\$1.3695 (2024: US\$1.3018).

(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 2025 was HK\$3,790 million equivalent (2024: HK\$4,730 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 EFAC and its Sub-Committees are appointed by the Financial Secretary. Transactions with companies related to members of 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 EFAC in his control of the Fund. 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 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.

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 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 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 EFIO, carrying out the risk management activities of the Fund.

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

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 EFAC.

The Fund's target asset and currency mix are as follows:

	2025	2024
Asset type		
Bonds	70%	72%
Equities and related investments	30%	28%
	100%	100%
Currency		
US dollar and Hong Kong dollar	79%	80%
Others ¹	21%	20%
	100%	100%

¹ Other currencies included mainly euro, renminbi, pound sterling and yen.

In addition to the investment benchmark, 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 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 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 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	
	2025	2024	2025	2024
Loan commitments, guarantees and other credit related commitments	343,597	343,873	418,283	416,793

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	
	2025	2024	2025	2024
Credit rating¹				
AA- to AA+	106,693	83,828	94,336	75,233
A- to A+	165,524	86,225	123,823	54,104
Lower than A-	14,187	12,198	3,552	761
Gross carrying amount	286,404	182,251	221,711	130,098
Less: allowances for expected credit losses	(12)	(8)	(5)	(3)
Carrying amount	286,392	182,243	221,706	130,095

¹ 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 2024	4	–
Increase in loss allowances recognised in the income and expenditure account	4	3
At 31 December 2024	8	3
At 1 January 2025	8	3
Increase in loss allowances recognised in the income and expenditure account	4	2
At 31 December 2025	12	5

(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 2025, approximately 54% (2024: 53%) 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	
	2025	2024	2025	2024
Credit rating¹				
Debt securities measured at fair value through income and expenditure account				
AAA	360,755	273,964	360,755	273,964
AA- to AA+	1,194,671	1,213,406	1,194,671	1,213,406
A- to A+	483,809	521,361	483,809	521,361
Lower than A- or un-rated ²	825,270	816,291	825,069	816,281
TOTAL	2,864,505	2,825,022	2,864,304	2,825,012
Debt securities measured at fair value through other comprehensive income				
AAA	1,548	182	–	–
AA- to AA+	4,887	2,745	–	–
A- to A+	3,165	794	–	–
TOTAL	9,600	3,721	–	–

¹ This is the lowest of ratings designated by Moody's, Standard & Poor's and Fitch.

² This included mainly debt securities issued by the Bank for International Settlements which are not rated.

(ii) Debt securities measured at amortised cost

	Group	
	2025	2024
Credit rating¹		
AAA	1,858	666
AA- to AA+	11,135	6,790
A- to A+	7,109	7,153
Lower than A-	214	502
Gross carrying amount	20,316	15,111
Less: allowances for expected credit losses	(7)	(5)
Carrying amount	20,309	15,106

¹ 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.)

There were no movements in loss allowances for debt securities measured at fair value through other comprehensive income in 2025 and 2024. The movements in loss allowances for debt securities measured at amortised cost during the year are as follows:

	Group	
	2025	2024
At 1 January	5	5
Increase in loss allowances recognised in the income and expenditure account	2	–
At 31 December	7	5

(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 – 2025			
	Stage 1	Stage 2	Stage 3	Total
Loan portfolio with external credit rating¹				
BBB- to BBB+	2,526	–	–	2,526
BB- to BB +	3,207	–	–	3,207
Lower than BB-	3,095	83	53	3,231
Gross carrying amount	8,828	83	53	8,964
Less: allowances for expected credit losses	(41)	(4)	(38)	(83)
	8,787	79	15	8,881
Loan portfolio with internal credit rating				
Gross carrying amount	11,688	4	9	11,701
Less: allowances for expected credit losses	(72)	–	–	(72)
	11,616	4	9	11,629
TOTAL	20,403	83	24	20,510

	Group – 2024			
	Stage 1	Stage 2	Stage 3	Total
Loan portfolio with external credit rating¹				
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
Loan portfolio with internal credit rating				
Gross carrying amount	10,167	4	8	10,179
Less: allowances for expected credit losses	(60)	–	(2)	(62)
	10,107	4	6	10,117
TOTAL	20,449	147	69	20,665

¹ 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 2024	89	19	118	226
Increase/(Decrease) in loss allowances for change in net exposures	22	(2)	–	20
(Decrease)/Increase in loss allowances for change in credit risk	(6)	(2)	15	7
Transfers into Stage 1	6	(6)	–	–
Transfers into Stage 3	(1)	–	1	–
Exchange differences	(1)	–	–	(1)
At 31 December 2024	109	9	134	252
At 1 January 2025	109	9	134	252
Decrease in loss allowances for change in net exposures	(3)	(1)	–	(4)
Increase/(Decrease) in loss allowances for change in credit risk	1	(1)	35	35
Transfers into Stage 1	6	(4)	(2)	–
Transfers into Stage 2	(1)	1	–	–
Exchange differences	1	–	1	2
Write-offs	–	–	(130)	(130)
At 31 December 2025	113	4	38	155

(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 2024	24	6	–	30
Decrease in provision for expected credit losses recognised in the income and expenditure account	(15)	–	–	(15)
Transfers into Stage 1	6	(6)	–	–
At 31 December 2024	15	–	–	15
At 1 January 2025	15	–	–	15
Decrease in provision for expected credit losses recognised in the income and expenditure account	(5)	–	–	(5)
At 31 December 2025	10	–	–	10

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	
	2025	2024	2025	2024
Governments and government agencies	1,782,812	1,804,321	1,714,220	1,718,621
Supra-nationals	254,022	227,738	253,230	227,157
States, provinces and public-sector entities	366,921	278,641	442,901	355,599
Financial institutions	564,181	567,768	483,854	501,432
Others ¹	889,903	919,650	1,042,410	1,086,916
TOTAL	3,857,839	3,798,118	3,936,615	3,889,725

¹ 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 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 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 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 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 assets) is grouped under the Long-Term Growth Portfolio. The investment risks of the less liquid assets are managed at the aggregate level through measures such as limits on allocation 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 – 2025							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	211,980	–	–	–	–	–	211,980	946
Placements with banks and other financial institutions	198,919	71,048	16,403	–	–	–	286,370	22
Financial assets measured at fair value through income and expenditure account	318,320	607,706	805,190	668,164	345,824	98,565	2,843,769	1,151,942
Financial assets measured at fair value through other comprehensive income	624	1,872	469	5,934	701	–	9,600	1,786
Debt securities measured at amortised cost	397	1,233	820	11,379	5,940	540	20,309	–
Loan portfolio	72,897	5,681	5,176	23	259	3,459	87,495	–
Interest-bearing assets	803,137	687,540	828,058	685,500	352,724	102,564	3,459,523	
Liabilities								
Placements by banks and other financial institutions	53,991	11,367	6,351	–	–	–	71,709	–
Placements by Fiscal Reserves with interest payable at market-based rates ¹	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates ¹	2,073	–	–	–	–	–	2,073	–
Exchange Fund Bills and Notes issued	337,086	642,936	346,717	8,382	–	–	1,335,121	–
Bank loans	8,075	1,330	2,974	4,145	–	–	16,524	–
Other debt securities issued	2,677	24,372	43,677	75,259	5,209	4,665	155,859	–
Interest-bearing liabilities	403,906	680,005	399,719	87,786	5,209	4,665	1,581,290	
Net interest-bearing assets	399,231	7,535	428,339	597,714	347,515	97,899	1,878,233	
Interest rate derivatives (net position, notional amounts)	11,403	(18,627)	5,992	(2,814)	5,051	(869)	136	
Interest rate sensitivity gap	410,634	(11,092)	434,331	594,900	352,566	97,030	1,878,369	

¹ 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 2025, such placements amounted to HK\$960,607 million.

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	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 ¹	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates ¹	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	

¹ 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.)

	Fund – 2025							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	207,512	-	-	-	-	-	207,512	280
Placements with banks and other financial institutions	187,225	18,784	15,697	-	-	-	221,706	-
Financial assets measured at fair value through income and expenditure account	318,320	607,706	805,000	668,164	345,824	98,565	2,843,579	615,848
Interest-bearing assets	713,057	626,490	820,697	668,164	345,824	98,565	3,272,797	
Liabilities								
Placements by banks and other financial institutions	53,991	11,367	6,351	-	-	-	71,709	-
Placements by Fiscal Reserves with interest payable at market-based rates ¹	4	-	-	-	-	-	4	-
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates ¹	2,073	-	-	-	-	-	2,073	-
Exchange Fund Bills and Notes issued	337,086	642,936	346,717	8,382	-	-	1,335,121	-
Interest-bearing liabilities	393,154	654,303	353,068	8,382	-	-	1,408,907	
Net interest-bearing assets/(liabilities)	319,903	(27,813)	467,629	659,782	345,824	98,565	1,863,890	
Interest rate derivatives								
(net position, notional amounts)	7,708	(6,879)	(35)	(3,381)	3,456	(869)	-	
Interest rate sensitivity gap	327,611	(34,692)	467,594	656,401	349,280	97,696	1,863,890	

¹ 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 2025, such placements amounted to HK\$1,027,930 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	
Assets								
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
Interest-bearing assets	786,777	499,329	693,434	715,417	321,530	121,944	3,138,431	
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 ¹	4	–	–	–	–	–	4	–
Placements by HKSAR Government funds and statutory bodies with interest payable at market-based rates ¹	2,049	–	–	–	–	–	2,049	–
Exchange Fund Bills and Notes issued	335,147	696,960	342,134	9,417	–	–	1,383,658	–
Interest-bearing liabilities	393,637	712,635	342,134	9,417	–	–	1,457,823	
Net interest-bearing assets/(liabilities)	393,140	(213,306)	351,300	706,000	321,530	121,944	1,680,608	
Interest rate derivatives (net position, notional amounts)	1,475	(7,574)	650	3,568	1,037	844	–	
Interest rate sensitivity gap	394,615	(220,880)	351,950	709,568	322,567	122,788	1,680,608	

¹ 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.)

(b) Currency risk

The currency exposure of the Group is summarised below:

	Group			
	2025		2024	
	Assets	Liabilities	Assets	Liabilities
Hong Kong dollar	347,930	2,577,709	381,058	2,756,984
US dollar	3,670,148	705,492	3,543,205	681,005
	4,018,078	3,283,201	3,924,263	3,437,989
Others ¹	701,618	88,484	671,347	57,959
TOTAL	4,719,696	3,371,685	4,595,610	3,495,948

	Fund			
	2025		2024	
	Assets	Liabilities	Assets	Liabilities
Hong Kong dollar	241,935	2,500,097	260,243	2,672,276
US dollar	3,308,050	670,914	3,230,422	652,068
	3,549,985	3,171,011	3,490,665	3,324,344
Others ¹	611,196	52,912	590,310	21,694
TOTAL	4,161,181	3,223,923	4,080,975	3,346,038

¹ Other currencies included mainly euro, renminbi, pound sterling and yen.

(c) Equity price risk

As at 31 December 2025 and 2024, 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	
	2025	2024
Value-at-Risk		
At 31 December ¹	34,293	46,197
During the year		
Average	45,242	51,229
Maximum	64,177	55,377
Minimum	34,293	46,197

¹ The amount represented 0.8% of the Fund's investments which were subject to VaR measurement as at 31 December 2025 (2024: 1.1%).

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 – 2025						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	
Non-derivative cash outflows							
Certificates of Indebtedness	635,029	–	–	–	–	–	635,029
Government-issued currency notes and coins in circulation	12,946	–	–	–	–	–	12,946
Balance of the banking system	57,027	–	–	–	–	–	57,027
Placements by banks and other financial institutions	54,262	11,420	6,446	–	–	–	72,128
Placements by Fiscal Reserves	453,830	–	–	235,095	–	–	688,925
Placements by HKSAR Government funds and statutory bodies	215,608	12,600	3,530	32,573	9,448	–	273,759
Exchange Fund Bills and Notes issued	337,404	645,248	349,733	8,614	–	–	1,340,999
Bank loans	94	66	4,853	13,215	–	–	18,228
Other debt securities issued	2,325	24,768	48,199	82,013	6,347	7,477	171,129
Lease liabilities	11	32	155	265	45	1,967	2,475
Other liabilities (excluding lease liabilities)	28,164	598	67	49,540	–	27	78,396
Loan commitments, guarantees and other credit related commitments	343,597	–	–	–	–	–	343,597
TOTAL	2,140,297	694,732	412,983	421,315	15,840	9,471	3,694,638
Derivative cash outflows/(inflows)							
Derivative financial instruments settled:							
– on net basis	843	180	(185)	129	43	39	1,049
– on gross basis							
Total outflows	61,641	42,007	15,314	48,621	5,365	–	172,948
Total inflows	(60,783)	(41,691)	(15,804)	(49,276)	(5,404)	–	(172,958)
TOTAL	1,701	496	(675)	(526)	4	39	1,039

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	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	
Non-derivative cash outflows							
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
TOTAL	2,135,038	748,314	415,430	191,312	338,536	4,916	3,833,546
Derivative cash outflows/(inflows)							
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)
TOTAL	819	159	132	388	237	18	1,753

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2025						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	
Non-derivative cash outflows							
Certificates of Indebtedness	635,029	-	-	-	-	-	635,029
Government-issued currency notes and coins in circulation	12,946	-	-	-	-	-	12,946
Balance of the banking system	57,027	-	-	-	-	-	57,027
Placements by banks and other financial institutions	54,262	11,420	6,446	-	-	-	72,128
Placements by Fiscal Reserves	453,830	-	-	235,095	-	-	688,925
Placements by HKSAR Government funds and statutory bodies	215,608	12,600	3,530	32,573	9,448	-	273,759
Placements by subsidiaries	4,783	-	-	31,298	31,242	-	67,323
Exchange Fund Bills and Notes issued	337,404	645,248	349,733	8,614	-	-	1,340,999
Lease liabilities	6	18	91	81	-	-	196
Other liabilities (excluding lease liabilities)	26,084	511	17	52,614	-	-	79,226
Credit related commitments	418,283	-	-	-	-	-	418,283
TOTAL	2,215,262	669,797	359,817	360,275	40,690	-	3,645,841
Derivative cash outflows/(inflows)							
Derivative financial instruments settled:							
– on net basis	847	8	15	39	39	39	987
– on gross basis							
Total outflows	58,522	33,550	-	-	-	-	92,072
Total inflows	(57,719)	(33,210)	-	-	-	-	(90,929)
TOTAL	1,650	348	15	39	39	39	2,130

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	
Non-derivative cash outflows							
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
TOTAL	2,206,624	722,222	378,029	104,568	360,934	–	3,772,377
Derivative cash outflows/(inflows)							
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)
TOTAL	413	38	63	122	100	18	754

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 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.

The Risk and Compliance Department oversees operational risk management of EFIO. Key elements of the oversight include identification and monitoring of key risk indicators; handling of incidents; and issuing regular operational risk reports to 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 – 2025			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through income and expenditure account				
Treasury bills and commercial papers	125,922	1,284,756	–	1,410,678
Certificates of deposit	–	29,048	–	29,048
Other debt securities	1,315,637	108,951	191	1,424,779
Equity securities	474,074	72,898	56,677	603,649
Investment funds	–	–	527,557	527,557
	1,915,633	1,495,653	584,425	3,995,711
Financial assets measured at fair value through other comprehensive income				
Debt securities	8,937	663	–	9,600
Equity securities	–	–	1,786	1,786
	8,937	663	1,786	11,386
Derivative financial instruments	105	3,077	–	3,182
Loan portfolio	–	–	3,471	3,471
TOTAL	1,924,675	1,499,393	589,682	4,013,750
Liabilities				
Exchange Fund Bills and Notes issued	–	1,335,121	–	1,335,121
Derivative financial instruments	801	2,037	–	2,838
TOTAL	801	1,337,158	–	1,337,959

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Group – 2024			Total
	Level 1	Level 2	Level 3	
Assets				
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
TOTAL	2,033,077	1,329,789	552,251	3,915,117
Liabilities				
Exchange Fund Bills and Notes issued	–	1,383,658	–	1,383,658
Derivative financial instruments	378	2,263	–	2,641
TOTAL	378	1,385,921	–	1,386,299

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

	Fund – 2025			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through income and expenditure account				
Treasury bills and commercial papers	125,922	1,284,756	–	1,410,678
Certificates of deposit	–	29,048	–	29,048
Other debt securities	1,315,627	108,951	–	1,424,578
Equity securities	472,855	72,898	49,370	595,123
	1,914,404	1,495,653	49,370	3,459,427
Financial assets measured at fair value through other comprehensive income				
Equity securities	–	–	1,786	1,786
Derivative financial instruments	105	1,222	–	1,327
TOTAL	1,914,509	1,496,875	51,156	3,462,540
Liabilities				
Exchange Fund Bills and Notes issued	–	1,335,121	–	1,335,121
Derivative financial instruments	801	1,384	–	2,185
TOTAL	801	1,336,505	–	1,337,306

	Fund – 2024			
	Level 1	Level 2	Level 3	Total
Assets				
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
TOTAL	2,025,413	1,328,648	50,033	3,404,094
Liabilities				
Exchange Fund Bills and Notes issued	–	1,383,658	–	1,383,658
Derivative financial instruments	378	366	–	744
TOTAL	378	1,384,024	–	1,384,402

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 end of the reporting period during which they have occurred. During the year, there were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy (2024: 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:

	2025			
	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 2025	550,815	1,436	48,597	1,436
Net gains recognised in the income and expenditure account	19,068	–	4,755	–
Net gains recognised in other comprehensive income	–	350	–	350
Purchases	63,392	–	3,107	–
Sales	(46,071)	–	(7,774)	–
Exchange differences	7	–	–	–
Transfers into Level 3	1,494	–	1,494	–
Transfers out of Level 3	(809)	–	(809)	–
At 31 December 2025	587,896	1,786	49,370	1,786
Net gains recognised in the income and expenditure account relating to revaluation of those assets held at the reporting date	19,683	–	5,364	–
	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	–

In 2025 and 2024, 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	
	2025	2024
Price multiples of similar companies	1.3 – 32.9	1.7 – 39.4
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\$58,790 million (2024: HK\$55,082 million) and in other comprehensive income of HK\$179 million (2024: HK\$144 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 – 2025			
		Carrying value	Fair value		
	Note		Level 1	Level 2	Total
Financial assets					
Debt securities measured at amortised cost	12	20,309	17,484	2,993	20,477
Financial liabilities					
Other debt securities issued	28	155,859	–	156,018	156,018

		Group – 2024			
		Carrying value	Fair value		
	Note		Level 1	Level 2	Total
Financial assets					
Debt securities measured at amortised cost	12	15,106	11,615	3,205	14,820
Financial liabilities					
Other debt securities issued	28	148,931	–	148,696	148,696

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 2025 and 2024.

Exchange Fund – Notes to the Financial Statements (continued)

(Amounts expressed in millions of Hong Kong dollars, unless otherwise stated.)

38 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Financial Secretary proposed in his 2026-27 Budget Speech in February 2026 that, in pursuance of the power vested in him under section 8 of the Exchange Fund Ordinance and on the premise that the Fund's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised, a sum of HK\$150 billion would be transferred from the Fund to the Capital Works Reserve Fund in two tranches of HK\$75 billion each to support the infrastructure projects in the Northern Metropolis and other areas. The proposal was approved by EFAC and subsequently approved by the Chief Executive in Council of the HKSAR Government in April 2026.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 18 "Presentation and Disclosure in Financial Statements"	1 January 2027

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 in the process of assessing the possible 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.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Financial Secretary on the advice of the Exchange Fund Advisory Committee on 24 April 2026.

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Annex Authorized Institutions and Local Representative Offices

at 31.12.2025

Licensed Banks

Incorporated in Hong Kong

Airstar Bank Limited	DAH SING BANK, LIMITED	Nanyang Commercial Bank, Limited
Ant Bank (Hong Kong) Limited	DBS BANK (HONG KONG) LIMITED	OCBC Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited	FUBON BANK (HONG KONG) LIMITED	PAO Bank Limited
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	Fusion Bank Limited	PUBLIC BANK (HONG KONG) LIMITED
Bank of East Asia, Limited (The)	Bank of Dongguan International Limited	Shanghai Commercial Bank Limited
China CITIC Bank International Limited	Hang Seng Bank, Limited	Standard Chartered Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited	Hongkong and Shanghai Banking Corporation Limited (The)	Tai Sang Bank Limited
Chiyu Banking Corporation Limited	Industrial and Commercial Bank of China (Asia) Limited	Tai Yau Bank, Limited
Chong Hing Bank Limited	Livi Bank Limited	Welab Bank Limited
CITIBANK (HONG KONG) LIMITED	Morgan Stanley Bank Asia Limited	ZA Bank Limited
CMB WING LUNG BANK LIMITED	Mox 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 Zentral-Genossenschaftsbank, Frankfurt am Main
Bank of India	Chiba Bank, Ltd. (The)	
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		

Annex Authorized Institutions and Local Representative Offices at 31.12.2025 (continued)

E.Sun Commercial Bank, Ltd.	MALAYAN BANKING BERHAD	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
EAST WEST BANK	Mashreq Bank - Public Shareholding Company	TAISHIN INTERNATIONAL BANK CO., LTD
EFG Bank AG	also known as Mashreqbank psc	Taiwan Business Bank, Ltd.
also known as:	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	Taiwan Cooperative Bank, Ltd.
EFG Bank SA	MELLI BANK PLC	Taiwan Shin Kong Commercial Bank Co., Ltd.
EFG Bank Ltd	Mitsubishi UFJ Trust and Banking Corporation	Toronto-Dominion Bank
ERSTE GROUP BANK AG	Mizuho Bank, Ltd.	UBS AG
FAR EASTERN INTERNATIONAL BANK	MUFG Bank, Ltd.	UCO Bank
First Abu Dhabi Bank PJSC	National Bank of Pakistan	UNION BANCAIRE PRIVÉE, UBP SA
First Commercial Bank, Ltd.	NATIXIS	also known as UNITED PRIVATE BANK, UBP LTD
HDFC BANK LIMITED	NongHyup Bank	United Overseas Bank Ltd.
HONG LEONG BANK BERHAD	O-Bank Co., Ltd.	Wells Fargo Bank, National Association
HSBC Bank plc	Oversea-Chinese Banking Corporation Limited	Woori Bank
HSBC Bank USA, National Association	Philippine National Bank	Yuanta Commercial Bank Co., Ltd
Hua Nan Commercial Bank, Ltd.	Ping An Bank Co., Ltd.	
HUA XIA BANK CO., Limited	PT. Bank Negara Indonesia (Persero) Tbk.	
ICICI BANK LIMITED	Qatar National Bank (Q.P.S.C.)	
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	Sumitomo Mitsui Trust Bank, Limited	
also known as:		
LGT Bank Ltd.		
LGT Bank SA		

Deletion in 2025

UniCredit Bank GmbH

Annex Authorized Institutions and Local Representative Offices at 31.12.2025 (continued)

Restricted Licence Banks

Incorporated in Hong Kong

ALLIED BANKING CORPORATION (HONG KONG) LIMITED	Habib Bank Zurich (Hong Kong) Limited
Bank of China International Limited	J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
Bank of Shanghai (Hong Kong) Limited	KDB Asia Limited
Citicorp International Limited	ORIX ASIA LIMITED
Goldman Sachs Asia Bank Limited	

Incorporated outside Hong Kong

ABN AMRO Clearing Bank N.V. [#]	Siam Commercial Bank Public Company Limited (The)
ACCESS BANK UK LIMITED (THE)	Thanakharn Kasikorn Thai Chamkat (Mahachon)
EUROCLEAR BANK	also known as KASIKORNBANK PUBLIC COMPANY LIMITED
Korea Development Bank (The)	
PT. BANK MANDIRI (PERSERO) Tbk	

Deposit-taking Companies

Incorporated in Hong Kong

BCOM Finance (Hong Kong) Limited	FUBON CREDIT (HONG KONG) LIMITED
BPI WEALTH HONG KONG LIMITED	KEB Hana Global Finance Limited
Chau's Brothers Finance Company Limited	KEXIM ASIA LIMITED
Chong Hing Finance Limited	PUBLIC FINANCE LIMITED
Corporate Finance (D.T.C.) Limited	Vietnam Finance Company Limited
	WOORI GLOBAL MARKETS ASIA LIMITED

Incorporated outside Hong Kong

NIL

[#] Addition in 2025

Annex Authorized Institutions and Local Representative Offices at 31.12.2025 (continued)

Local Representative Offices

ABC BANKING CORPORATION LTD
 Ashikaga Bank, Ltd. (The)
 BANCO BPM SOCIETA' PER AZIONI
 Banco Bradesco S.A.
 BANK OF BEIJING CO., LTD.
 Bank of Fukuoka, Ltd. (The)
 Bank of Kyoto, Ltd. (The)
 Bank of Yokohama, Ltd. (The)
 Banque Cantonale de Genève
 Banque Transatlantique S.A.
 BENDURA BANK AG
 CAIXABANK S.A.
 Canadia Bank Plc.*
 CLEARSTREAM BANKING S.A.
 Dukascopy Bank SA
 Export-Import Bank of China (The)
 also known as China Exim Bank

Habib Bank A.G. Zurich
 Manulife Bank of Canada
 Metropolitan Bank and Trust Company
 National Bank of Canada
 Nishi-Nippon City Bank, Ltd. (The)
 Oita Bank, Ltd. (The)
 P.T. Bank Rakyat Indonesia (Persero)
 Resona Bank, Limited
 Shoko Chukin Bank, Ltd. (The)
 Swissquote Bank SA
 also known as :
 Swissquote Bank AG
 Swissquote Bank Inc.
 Swissquote Bank Ltd
 Yamaguchi Bank, Ltd. (The)

Deletion in 2025

Banco Security
 PT BANK CENTRAL ASIA Tbk
 (formerly known as P.T. Bank Central
 Asia)
 Shinkin Central Bank

* Addition in 2025

Table A Five-year Financial Summary

(HK\$ billion)	2021	2022	2023	2024	2025
For the year					
Total income	198.6	(202.2)	237.9	234.2	352.0
Total expenditure	122.4	69.3	118.1	120.2	108.8
<i>Of which include interest expense on placements by Fiscal Reserves, HKSAR Government funds and statutory bodies</i>	109.9	48.1	52.1	45.1	52.6
Surplus/(Deficit)	79.6	(276.9)	112.2	113.4	245.3
At year end					
Total assets	5,060.3	4,475.2	4,532.4	4,595.6	4,719.7
Total liabilities	3,908.5	3,601.0	3,545.0	3,495.9	3,371.7
<i>Of which include:</i>					
<i>Certificates of Indebtedness</i>	592.4	606.0	593.2	598.9	635.0
<i>Balance of the banking system</i>	377.5	96.3	45.0	44.8	57.0
<i>Exchange Fund Bills and Notes issued</i>	1,148.6	1,200.3	1,244.5	1,383.7	1,335.1
<i>Placements by Fiscal Reserves, HKSAR Government funds and statutory bodies</i>	1,367.6	1,214.2	1,164.1	1,060.8	962.7
Accumulated surplus	1,150.0	875.4	987.9	1,101.2	1,346.3

Table B Major Economic Indicators

	2021	2022	2023	2024	2025
I. Gross Domestic Product					
Real GDP growth (%)	6.5	(3.7)	3.2	2.6	3.5 ^(a)
Nominal GDP growth (%)	7.2	(2.1)	6.1	6.9	4.5 ^(a)
Real growth of major expenditure components of GDP (%)					
– Private consumption expenditure	5.6	(2.2)	6.8	(0.2)	1.7 ^(a)
– Government consumption expenditure	5.9	8.0	(3.9)	0.7	1.6 ^(a)
– Gross domestic fixed capital formation	8.3	(7.4)	11.4	1.9	4.3 ^(a)
of which					
– Building and construction	(0.5)	7.4	9.1	4.8	(9.4) ^(a)
– Machinery, equipment and intellectual property products	15.2	(18.9)	19.5	(4.4)	24.7 ^(a)
– Exports ^(b)	17.0	(12.5)	(6.5)	5.1	11.2 ^(a)
– Imports ^(b)	15.8	(12.2)	(5.2)	3.9	11.6 ^(a)
GDP at current market prices (US\$ billion)	368.9	358.7	380.8	408.4	427.3 ^(a)
Per capita GDP at current market prices (US\$)	49,768	48,824	50,526	54,278	56,979 ^(a)
II. External Trade (HK\$ billion) ^(b)					
Trade in goods ^(c)					
– Exports of goods	5,236.0	4,812.5	4,512.4	4,952.6	5,758.8 ^(a)
– Imports of goods	5,211.3	4,853.0	4,638.7	4,967.1	5,832.0 ^(a)
– Balance of trade in goods	24.7	(40.5)	(126.3)	(14.4)	(73.2) ^(a)
Trade in services					
– Exports of services	615.1	650.5	760.0	835.5	896.7 ^(a)
– Imports of services	480.0	495.2	618.4	698.1	727.9 ^(a)
– Balance of trade in services	135.0	155.4	141.6	137.4	168.9 ^(a)
III. Fiscal Expenditure and Revenue (HK\$ million, fiscal year)					
Total government expenditure ^(d)	693,339	810,477	722,101	775,214	840,857 ^(a)
Total government revenue ^(e)	722,700	688,139	621,896	694,945	843,762 ^(a)
Consolidated surplus/(deficit)	29,361	(122,338)	(100,205)	(80,269)	2,905 ^(a)
Reserve balance as at end of fiscal year ^(f)	957,128	834,790	734,585	654,317	657,222 ^(a)
IV. Prices (annual change,%)					
Consumer Price Index (A)	2.9	2.2	2.3	2.1	1.9
Composite Consumer Price Index	1.6	1.9	2.1	1.7	1.4
Trade Unit Value Indices					
– Domestic exports	4.9	2.7	1.5	2.6	3.7
– Re-exports	5.4	7.9	4.4	3.6	2.2
– Imports	5.5	8.1	3.9	3.2	2.2
Property Price Indices ^(g)					
– Residential flats	3.0	(5.9)	(8.7)	(11.5)	(2.9) ^(a)
– Office premises	7.2	(1.3)	(5.5)	(20.3)	(17.3) ^(a)
– Retail premises	4.7	(3.7)	(6.6)	(13.4)	(15.0) ^(a)
– Flatted factory premises	6.4	0.1	(4.3)	(14.8)	(13.7) ^(a)

Table B Major Economic Indicators (continued)

	2021	2022	2023	2024	2025
V. Labour					
Labour force (annual change,%)	(1.2)	(2.4)	1.2	(0.4)	0.1
Employment (annual change,%)	(0.6)	(1.6)	2.7	(0.4)	(0.6)
Unemployment rate (annual average,%)	5.2	4.3	2.9	3.0	3.7
Underemployment rate (annual average,%)	2.6	2.3	1.1	1.2	1.5
Employment ('000)	3,670.2	3,613.2	3,709.6	3,693.6	3,672.0
VI. Money Supply (HK\$ billion)					
HK\$ money supply					
– M1	2,078.9	1,708.4	1,533.3	1,552.9	1,734.4
– M2 ^(h)	8,044.0	8,096.5	8,250.1	8,474.5	8,830.9
– M3 ^(h)	8,057.4	8,109.0	8,262.8	8,490.5	8,844.3
Total money supply					
– M1	3,490.9	2,769.3	2,598.2	2,748.5	3,109.9
– M2	16,272.6	16,536.6	17,195.3	18,458.4	20,602.3
– M3	16,310.9	16,569.4	17,234.1	18,501.6	20,648.5
VII. Interest Rates (end of period,%)					
Three-month interbank rate ⁽ⁱ⁾	0.26	4.99	5.15	4.37	2.93
Savings deposit	0.00	0.55	0.79	0.22	0.00
One-month time deposit	0.02	0.23	0.57	0.32	0.10
Banks' 'Best lending rate'	5.00	5.63	5.88	5.25	5.00
Banks' 'Composite rate'	0.21	2.11	2.94	2.24	1.36
VIII. Exchange Rates (end of period)					
USD/HKD	7.798	7.808	7.811	7.764	7.784
Trade-weighted Effective Exchange Rate Index (Jan 2020=100)	95.3	102.0	103.5	107.8	103.0
IX. Foreign Currency Reserve Assets (US\$ billion) ⁽ⁱ⁾	496.9	424.1	425.7	421.6	428.1
X. Stock Market (end of period figures)					
Hang Seng Index	23,398	19,781	17,047	20,060	25,631
Average price/earnings ratio	15.1	10.3	10.3	12.3	14.6
Market capitalisation (HK\$ billion)	42,272.8	35,581.7	30,985.5	35,264.8	47,319.7

(a) The estimates are preliminary.

(b) Compiled based on the change of ownership principle in recording goods sent abroad for processing and merchandising.

(c) Includes non-monetary gold.

(d) Includes repayment of bonds and notes issued in July 2004.

(e) Includes net proceeds from issuance of institutional Government Bonds under the Infrastructure Bond Programme and Government Sustainable Bond Programme.

(f) Includes changes in provision for loss in investments with the Exchange Fund.

(g) Refers to the change in the annual average of the monthly property price indices.

(h) Adjusted to include foreign currency swap deposits.

(i) Refers to three-month Hong Kong Dollar Interest Settlement Rates.

(j) Excludes unsettled forward transactions but includes gold.

Table C Performance Ratios of the Banking Sector^(a)

	All Authorized Institutions					Retail Banks				
	2021 %	2022 %	2023 %	2024 %	2025 %	2021 %	2022 %	2023 %	2024 %	2025 %
Asset Quality^(b)										
As % of total credit exposures ^(c)										
Total outstanding provisions/impairment allowances	0.60	0.76	0.81	0.85	0.88	0.51	0.69	0.78	0.83	0.84
Classified ^(d) exposures:										
– Gross	0.66	0.98	1.10	1.40	1.40	0.59	0.96	1.15	1.53	1.52
– Net of specific provisions/individual impairment allowances	0.38	0.56	0.58	0.87	0.90	0.35	0.57	0.62	0.99	1.02
– Net of all provisions/impairment allowances	0.07	0.22	0.29	0.55	0.52	0.08	0.27	0.37	0.70	0.67
As % of total loans ^(e)										
Total outstanding provisions/impairment allowances	0.85	1.10	1.17	1.23	1.30	0.77	1.05	1.18	1.24	1.28
Classified ^(d) loans:										
– Gross	0.89	1.40	1.57	1.96	2.01	0.85	1.42	1.68	2.18	2.19
– Net of specific provisions/individual impairment allowances	0.50	0.81	0.83	1.21	1.30	0.49	0.83	0.90	1.39	1.46
– Net of all provisions/impairment allowances	0.04	0.30	0.39	0.73	0.71	0.07	0.37	0.50	0.94	0.92
Overdue > 3 months and rescheduled loans	0.56	0.85	1.24	1.55	1.54	0.50	0.79	1.30	1.70	1.64
Profitability										
Return on assets (operating profit)	0.62	0.66	0.92	1.02	1.04	0.59	0.67	1.06	1.18	1.21
Return on assets (post-tax profit)	0.55	0.55	0.77	0.87	0.88	0.53	0.57	0.88	0.99	1.02
Net interest margin	0.86	1.10	1.37	1.26	1.24	0.98	1.31	1.67	1.52	1.52
Cost-to-income ratio	55.3	50.6	43.8	43.0	42.2	54.7	48.0	38.9	38.2	38.3
Loan impairment charges to total assets	0.07	0.17	0.22	0.19	0.19	0.08	0.20	0.26	0.22	0.21
Liquidity										
Loan to deposit ratio (all currencies)	71.7	68.5	62.8	57.0	52.2	60.8	59.6	56.7	52.5	49.5
Loan to deposit ^(f) ratio (Hong Kong dollar)	86.7	88.4	84.2	77.1	72.9	79.0	80.1	78.1	71.4	69.1
						Surveyed Institutions				
						2021 %	2022 %	2023 %	2024 %	2025 %
Asset Quality										
Delinquency ratio of residential mortgage loans						0.04	0.06	0.08	0.11	0.14
Credit card receivables										
– Delinquency ratio						0.20	0.23	0.30	0.35	0.35
– Charge-off ratio						1.75	1.49	1.74	2.18	2.37
						Locally Incorporated Licensed Banks				
						2021 %	2022 %	2023 %	2024 %	2025 %
Profitability										
Operating profit to shareholders' funds						6.0	7.0	10.5	11.9	12.4
Post-tax profit to shareholders' funds						5.4	5.9	8.8	10.0	10.5
Capital Adequacy										
Equity to assets ratio ^(b)						8.9	8.7	8.9	8.7	8.7
						All Locally Incorporated Authorized Institutions				
						2021 %	2022 %	2023 %	2024 %	2025 %
Capital Adequacy^(g)										
Common Equity Tier 1 capital ratio						16.2	16.2	17.2	17.9	20.7
Tier 1 capital ratio						18.2	18.1	18.9	19.9	23.0
Total capital ratio						20.2	20.1	21.1	21.8	25.1

(a) Figures are related to Hong Kong offices only unless otherwise stated.

(b) Figures are related to Hong Kong offices. For locally incorporated AIs, 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

	2021	2022	2023	2024	2025
Licensed Banks					
(i) Incorporated in Hong Kong	31	31	31	32	32
(ii) Incorporated outside Hong Kong	129	124	120	118	117
Total	160	155	151	150	149
Restricted Licence Banks					
(i) Subsidiaries of licensed banks:					
(a) incorporated in Hong Kong	–	–	–	–	–
(b) incorporated outside Hong Kong	4	3	4	3	3
(ii) Subsidiaries or branches of banks incorporated outside Hong Kong which are not licensed banks in Hong Kong	8	8	8	8	9
(iii) Bank related	2	2	2	2	2
(iv) Others	2	2	2	2	2
Total	16	15	16	15	16
Deposit-taking Companies					
(i) Subsidiaries of licensed banks:					
(a) incorporated in Hong Kong	3	3	3	3	3
(b) incorporated outside Hong Kong	3	3	3	3	3
(ii) Subsidiaries of banks incorporated outside Hong Kong which are not licensed banks in Hong Kong	3	3	3	3	3
(iii) Bank related	–	–	–	–	–
(iv) Others	3	3	3	2	2
Total	12	12	12	11	11
All Authorized Institutions	188	182	179	176	176
Local Representative Offices	39	37	31	29	27

**Table E Authorized Institutions:
Region/Economy of Beneficial Ownership**

Region/Economy	Licensed Banks					Restricted Licence Banks					Deposit-taking Companies				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Asia & Pacific															
Hong Kong, China	9	9	9	9	9	–	–	–	–	–	1	1	1	1	1
Australia	5	4	3	2	2	–	–	–	–	–	–	–	–	–	–
Chinese Mainland	32	32	33	34	34	2	2	2	2	2	2	2	2	2	2
India	9	7	6	6	6	–	–	–	–	–	1	1	1	–	–
Indonesia	1	1	1	1	1	1	1	1	1	1	–	–	–	–	–
Japan	10	10	10	9	9	1	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	6	6	6	6	6	2	2	2	2	2	3	3	3	3	3
Singapore	6	6	6	6	6	–	–	–	–	–	–	–	–	–	–
Taiwan, China	20	20	20	21	21	–	–	–	–	–	1	1	1	1	1
Thailand	1	1	1	1	1	2	2	2	2	2	–	–	–	–	–
Vietnam	–	–	–	–	–	–	–	–	–	–	1	1	1	1	1
Sub-Total	106	103	102	102	102	10	10	10	10	10	12	12	12	11	11
Europe															
Austria	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Belgium	1	1	1	1	1	1	1	1	1	1	–	–	–	–	–
France	7	6	6	6	6	–	–	–	–	–	–	–	–	–	–
Germany	3	3	2	2	2	–	–	–	–	–	–	–	–	–	–
Italy	2	2	2	2	1	–	–	–	–	–	–	–	–	–	–
Liechtenstein	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Netherlands	3	3	2	2	2	–	–	–	–	1	–	–	–	–	–
Spain	2	2	2	2	2	–	–	–	–	–	–	–	–	–	–
Sweden	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Switzerland	7	6	6	5	5	–	–	–	–	–	–	–	–	–	–
United Kingdom	6	6	5	5	5	–	–	–	–	–	–	–	–	–	–
Sub-Total	34	32	29	28	27	1	1	1	1	2	0	0	0	0	0
Middle East															
Iran	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Qatar	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
United Arab Emirates	2	2	2	2	2	–	–	–	–	–	–	–	–	–	–
Sub-Total	4	4	4	4	4	0	0	0	0	0	0	0	0	0	0
North America															
Canada	5	5	5	5	5	1	0	0	0	0	–	–	–	–	–
United States	10	10	10	10	10	4	4	4	3	3	–	–	–	–	–
Sub-Total	15	15	15	15	15	5	4	4	3	3	0	0	0	0	0
Brazil	1	1	1	1	1	–	–	–	–	–	–	–	–	–	–
Nigeria	–	–	–	–	–	–	–	1	1	1	–	–	–	–	–
Sub-Total	1	1	1	1	1	0	0	1	1	1	0	0	0	0	0
Grand Total	160	155	151	150	149	16	15	16	15	16	12	12	12	11	11

Table F Presence of World's Largest 500 Banks in Hong Kong

Positions at 31.12.2025	Number of Banks Incorporated outside Hong Kong ^(b)					Licensed Banks ^(c)					Restricted Licence Banks ^(c)					Deposit-Taking Companies ^(c)					Local Representative Offices				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
World Ranking ^(a)																									
1-20	19	19	19	19	19	30	29	29	29	29	4	4	4	3	4	1	1	1	1	1	-	-	-	-	-
21-50	28	28	26	26	24	29	28	29	29	27	2	1	1	1	0	-	-	-	-	-	2	3	1	1	1
51-100	31	30	28	26	29	28	29	25	24	25	1	1	1	1	2	2	2	2	2	2	5	3	5	4	5
101-200	36	33	30	28	26	24	23	22	19	20	4	4	4	4	2	2	2	2	2	2	10	8	6	7	5
201-500	34	36	37	35	33	23	23	24	26	29	1	1	2	1	1	2	2	2	2	3	8	10	9	7	6
Sub-total	148	146	140	134	131	134	132	129	127	130	12	11	12	10	9	7	7	7	7	8	25	24	21	19	17
Others	25	20	17	19	21	26	23	22	23	19	4	4	4	5	7	5	5	5	4	3	14	13	10	10	10
Total	173	166	157	153	152	160	155	151	150	149	16	15	16	15	16	12	12	12	11	11	39	37	31	29	27

(a) Top 500 banks/banking groups in the world ranked by total assets. Figures are extracted from The Banker, July 2025 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)	2021			2022			2023			2024			2025		
	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total
Assets															
Loans to customers	6,426	4,467	10,893	6,603	3,968	10,571	6,421	3,771	10,191	6,046	3,861	9,908	5,934	4,202	10,136
– Inside Hong Kong ^(a)	5,537	2,175	7,712	5,719	1,991	7,710	5,702	1,925	7,628	5,513	1,977	7,490	5,479	2,156	7,635
– Outside Hong Kong ^(b)	889	2,292	3,181	884	1,977	2,861	718	1,845	2,563	533	1,885	2,418	455	2,045	2,501
Interbank lending	486	5,040	5,526	516	5,134	5,649	568	5,327	5,895	661	5,317	5,978	822	5,883	6,705
– Inside Hong Kong	246	585	832	238	510	747	267	531	798	333	509	842	334	554	888
– Outside Hong Kong	240	4,455	4,694	278	4,624	4,902	301	4,796	5,097	327	4,808	5,136	489	5,329	5,817
Negotiable certificates of deposit (NCDs)	123	336	459	136	398	534	162	448	610	162	618	780	222	536	759
Negotiable debt instruments, other than NCDs	1,452	4,279	5,731	1,598	4,080	5,678	1,725	4,442	6,168	1,787	5,206	6,993	1,859	6,177	8,035
Other assets	1,189	2,569	3,758	1,287	3,312	4,599	1,195	3,224	4,419	1,484	3,314	4,798	1,388	3,614	5,002
Total assets	9,676	16,691	26,367	10,139	16,892	27,031	10,071	17,212	27,283	10,141	18,317	28,457	10,226	20,412	30,638
Liabilities															
Deposits from customers ^(c)	7,414	7,772	15,186	7,468	7,971	15,440	7,624	8,598	16,222	7,839	9,534	17,373	8,137	11,294	19,431
Interbank borrowing	771	4,688	5,459	792	3,944	4,736	778	3,574	4,351	686	3,033	3,719	764	3,174	3,938
– Inside Hong Kong	373	628	1,002	397	557	955	411	568	979	328	529	857	320	578	898
– Outside Hong Kong	398	4,059	4,457	394	3,387	3,781	366	3,006	3,372	359	2,504	2,863	444	2,596	3,040
Negotiable certificates of deposit	176	597	773	177	619	796	123	503	626	125	575	700	154	628	782
Other liabilities	2,059	2,890	4,949	2,457	3,603	6,060	2,483	3,601	6,084	2,948	3,718	6,666	2,831	3,655	6,486
Total liabilities	10,420	15,947	26,367	10,894	16,137	27,031	11,008	16,275	27,283	11,598	16,859	28,457	11,887	18,751	30,638

Retail banks

(HK\$ billion)	2021			2022			2023			2024			2025		
	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total	HK\$	F/CY	Total
Assets															
Loans to customers	5,282	2,250	7,532	5,401	2,040	7,441	5,301	1,965	7,266	5,004	2,130	7,134	4,942	2,346	7,288
– Inside Hong Kong ^(a)	4,711	1,242	5,953	4,845	1,095	5,941	4,872	1,052	5,924	4,694	1,143	5,836	4,680	1,257	5,937
– Outside Hong Kong ^(b)	572	1,008	1,579	556	945	1,500	429	912	1,342	310	988	1,298	262	1,088	1,351
Interbank lending	265	2,204	2,469	325	2,267	2,592	364	2,397	2,761	458	2,343	2,801	498	2,248	2,747
– Inside Hong Kong	176	343	519	195	269	465	220	304	525	291	307	599	269	324	593
– Outside Hong Kong	88	1,861	1,950	130	1,997	2,127	144	2,093	2,237	167	2,035	2,202	229	1,924	2,153
Negotiable certificates of deposit (NCDs)	110	136	246	108	133	241	82	162	244	80	295	375	117	235	352
Negotiable debt instruments, other than NCDs	1,188	3,012	4,199	1,343	2,901	4,244	1,444	3,234	4,678	1,559	3,835	5,395	1,631	4,554	6,185
Other assets	951	2,088	3,039	992	2,623	3,614	952	2,645	3,597	1,222	2,647	3,869	1,165	2,949	4,114
Total assets	7,795	9,689	17,485	8,168	9,964	18,132	8,143	10,402	18,546	8,323	11,251	19,574	8,354	12,332	20,686
Liabilities															
Deposits from customers ^(c)	6,688	5,709	12,397	6,741	5,754	12,495	6,790	6,016	12,807	7,009	6,567	13,577	7,152	7,564	14,716
Interbank borrowing	323	1,014	1,338	334	746	1,079	293	829	1,122	170	648	818	187	699	885
– Inside Hong Kong	191	270	461	210	211	421	199	219	419	71	173	243	74	224	298
– Outside Hong Kong	132	744	876	123	535	658	94	610	704	100	475	575	113	475	587
Negotiable certificates of deposit	77	86	164	92	65	157	18	53	71	14	55	69	10	58	68
Other liabilities	1,705	1,882	3,586	1,995	2,405	4,400	2,024	2,522	4,545	2,503	2,608	5,111	2,393	2,623	5,016
Total liabilities	8,793	8,691	17,485	9,161	8,971	18,132	9,126	9,420	18,546	9,696	9,878	19,574	9,742	10,944	20,686

(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)		Chinese Mainland	Japan	US	Europe	Others	Total
Total Assets	2024	10,535	1,016	1,406	3,875	11,626	28,457
	2025	11,345	1,010	1,419	4,592	12,273	30,638
Deposits from Customers	2024	6,547	402	895	2,387	7,141	17,373
	2025	7,189	472	941	3,013	7,816	19,431
Loans to Customers	2024	4,330	309	322	1,102	3,845	9,908
	2025	4,512	275	327	1,140	3,882	10,136
Loans to Customers Inside Hong Kong ^(a)	2024	3,208	197	246	698	3,141	7,490
	2025	3,370	172	256	720	3,117	7,635
Loans to Customers Outside Hong Kong ^(b)	2024	1,121	112	76	404	704	2,418
	2025	1,142	102	71	421	765	2,501

(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)	2024			2025		
	HK\$	F/CY	Total	HK\$	F/CY	Total
Assets						
Loans to customers	(374)	91	(284)	(112)	340	228
– Inside Hong Kong ^(a)	(189)	51	(138)	(34)	180	145
– Outside Hong Kong ^(b)	(185)	40	(146)	(78)	161	83
Interbank lending	93	(10)	83	162	566	727
– Inside Hong Kong	66	(22)	44	0	46	46
– Outside Hong Kong	26	13	39	161	520	681
All other assets	351	1,024	1,375	36	1,189	1,225
Total assets	69	1,105	1,174	85	2,095	2,180
Liabilities						
Deposits from customers ^(c)	215	935	1,151	298	1,761	2,059
Interbank borrowing	(91)	(541)	(632)	78	141	219
– Inside Hong Kong	(84)	(39)	(123)	(7)	49	42
– Outside Hong Kong	(8)	(501)	(509)	85	92	177
All other liabilities	466	189	655	(87)	(10)	(97)
Total liabilities	590	584	1,174	289	1,892	2,180
Net Interbank Borrowing/(Lending)	(184)	(531)	(715)	(84)	(425)	(509)
Net Customer Lending/(Borrowing)	(590)	(844)	(1,434)	(409)	(1,421)	(1,830)

Retail Banks

Increase/(Decrease) in (HK\$ billion)	2024			2025		
	HK\$	F/CY	Total	HK\$	F/CY	Total
Assets						
Loans to customers	(297)	166	(131)	(62)	215	154
– Inside Hong Kong ^(a)	(178)	90	(88)	(14)	115	101
– Outside Hong Kong ^(b)	(119)	75	(44)	(48)	101	53
Interbank lending	94	(54)	39	41	(95)	(54)
– Inside Hong Kong	71	3	74	(22)	17	(5)
– Outside Hong Kong	23	(57)	(34)	63	(111)	(49)
All other assets	383	737	1,121	52	961	1,012
Total assets	180	849	1,028	30	1,081	1,112
Liabilities						
Deposits from customers ^(c)	219	551	770	143	997	1,140
Interbank borrowing	(123)	(181)	(304)	17	51	67
– Inside Hong Kong	(129)	(47)	(176)	4	51	55
– Outside Hong Kong	6	(134)	(129)	13	(1)	12
All other liabilities	475	88	563	(114)	19	(95)
Total liabilities	571	458	1,028	45	1,066	1,112
Net Interbank Borrowing/(Lending)	(217)	(127)	(343)	(24)	145	121
Net Customer Lending/(Borrowing)	(516)	(385)	(901)	(205)	(781)	(986)

(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 ^(a)			
	HK\$	F/CY	Total	%	HK\$	F/CY	Total	%
2021								
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	–
Total	6,426	4,467	10,893	100	7,414	7,772	15,186	100
2022								
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	–
Total	6,603	3,968	10,571	100	7,468	7,971	15,440	100
2023								
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	–
Total	6,421	3,771	10,191	100	7,624	8,598	16,222	100
2024								
Licensed banks	6,020	3,813	9,833	99	7,827	9,515	17,342	100
Restricted licence banks	21	41	61	1	7	19	26	–
Deposit-taking companies	5	8	13	–	4	–	5	–
Total	6,046	3,861	9,908	100	7,839	9,534	17,373	100
2025								
Licensed banks	5,912	4,149	10,061	99	8,127	11,274	19,401	100
Restricted licence banks	17	44	61	1	6	20	25	–
Deposit-taking companies	6	9	14	–	4	–	5	–
Total	5,934	4,202	10,136	100	8,137	11,294	19,431	100

(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)	2021		2022		2023		2024		2025	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Hong Kong's visible trade	485	6	420	5	365	5	381	5	391	5
Manufacturing	313	4	313	4	299	4	295	4	307	4
Transport and transport equipment	330	4	292	4	268	4	294	4	286	4
Building, construction and property development, and investment	1,710	22	1,712	22	1,679	22	1,552	21	1,438	19
Wholesale and retail trade	325	4	312	4	301	4	293	4	279	4
Financial concerns (other than authorized institutions)	908	12	923	12	899	12	840	11	940	12
Individuals:										
– to purchase flats in the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme	106	1	106	1	126	2	133	2	153	2
– to purchase other residential property	1,735	22	1,808	23	1,854	24	1,874	25	1,920	25
– other purposes	830	11	792	10	800	10	789	11	849	11
Others	970	13	1,033	13	1,038	14	1,039	14	1,073	14
Total^(a)	7,712	100	7,710	100	7,628	100	7,490	100	7,635	100

Retail Banks

Sector (HK\$ billion)	2021		2022		2023		2024		2025	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Hong Kong's visible trade	336	6	280	5	252	4	272	5	286	5
Manufacturing	192	3	201	3	202	3	193	3	195	3
Transport and transport equipment	224	4	204	3	194	3	211	4	201	3
Building, construction and property development, and investment	1,282	22	1,291	22	1,270	21	1,153	20	1,065	18
Wholesale and retail trade	220	4	209	4	204	3	208	4	200	3
Financial concerns (other than authorized institutions)	488	8	443	7	424	7	419	7	474	8
Individuals:										
– to purchase flats in the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme	106	2	106	2	126	2	133	2	153	3
– to purchase other residential property	1,732	29	1,806	30	1,851	31	1,871	32	1,918	32
– other purposes	665	11	675	11	692	12	684	12	732	12
Others	706	12	725	12	709	12	693	12	714	12
Total^(a)	5,953	100	5,941	100	5,924	100	5,836	100	5,937	100

(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
Hong Kong Dollar^(a)								
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
2024	968	2,428	4,443	7,839	882	2,387	3,740	7,009
2025	1,111	2,837	4,188	8,137	1,003	2,764	3,385	7,152
Foreign currency								
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
2024	1,196	2,615	5,723	9,534	827	2,199	3,541	6,567
2025	1,376	3,111	6,808	11,294	931	2,597	4,036	7,564
Total								
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
2024	2,163	5,043	10,166	17,373	1,709	4,586	7,281	13,577
2025	2,487	5,948	10,997	19,431	1,934	5,361	7,421	14,716

(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 ^{(a) (b)} (HK\$ billion)	2024			2025		
	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	472	1,571	2,042	680	1,922	2,602
Japan	459	780	1,239	701	902	1,603
United Kingdom ^(c)	292	201	493	515	279	794
Australia	303	132	435	450	182	632
Republic of Korea	237	159	396	250	228	478
France	129	103	232	272	148	419
Singapore	207	(66)	141	390	(105)	285
United Arab Emirates	157	30	187	233	50	283
Germany	84	90	174	156	110	267
Canada	83	92	175	132	98	230
Qatar	135	35	170	189	37	226
Switzerland	168	11	179	149	22	171
Saudi Arabia	13	42	55	31	111	142
Spain	(17)	1	(16)	128	(2)	126
Luxembourg	86	27	112	87	32	119
Netherlands	(51)	57	6	18	81	99
India	51	70	121	29	66	94
Ireland	(1)	53	51	11	80	91
Malaysia	79	(4)	75	77	(7)	70
Brazil	40	7	46	48	11	60
Thailand	69	(14)	55	69	(14)	55
Indonesia	9	33	42	6	47	53
Liechtenstein	23	(1)	23	29	(0)	28
Sweden	2	15	17	2	21	23
Chile	10	7	17	11	9	21
Turkey	4	1	5	13	3	17
Egypt	11	6	17	8	7	15
New Zealand	(13)	21	8	(3)	15	12
Venezuela	12	(0)	11	12	0	12
Vietnam	(13)	21	7	(12)	23	12
Norway	(11)	2	(9)	3	8	11
South Africa	8	(1)	8	12	(1)	11
Austria	3	1	4	10	0	11
Jersey	(0)	4	4	0	10	10
Bahrain	10	2	12	6	2	8
Peru	4	5	10	3	5	8
Hungary	1	1	2	3	3	6
Mexico	0	(24)	(23)	1	5	6
Argentina	(1)	2	1	2	3	5
Côte d'Ivoire	(0)	4	4	0	5	5
Finland	1	2	3	1	4	5
Bangladesh	4	1	5	3	1	4
Panama	7	1	8	4	0	4
Mauritius	(4)	3	(1)	(1)	4	3
Poland	0	2	3	0	3	3
Colombia	(0)	1	1	1	1	2
Bermuda	0	(0)	(0)	0	2	2
Kenya	(1)	(2)	(2)	2	(0)	2
Liberia	0	1	1	0	2	2
Greece	(0)	1	1	(0)	1	1
Cambodia	5	3	8	(1)	2	1

Table M Geographical Breakdown of Net External Claims/(Liabilities) of All Authorized Institutions (continued)

Region/Economy ^{(a) (b)} (HK\$ billion)	2024			2025		
	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)
Denmark	1	(0)	1	1	1	1
Israel	0	(1)	(0)	1	(0)	1
Isle of Man	0	1	1	0	1	1
Curacao	0	1	1	0	1	1
Bahamas	1	3	3	4	(4)	1
Sri Lanka	(4)	1	(3)	(0)	1	1
Kuwait	(4)	(2)	(6)	5	(4)	1
Oman	(2)	0	(2)	(0)	1	0
Czech Republic	(0)	0	0	(0)	1	0
Mongolia	(1)	1	(1)	(1)	1	0
Portugal	1	(1)	0	0	(1)	(0)
Vanuatu	(0)	(0)	(0)	(0)	(0)	(1)
Kazakhstan	1	(9)	(8)	1	(1)	(1)
Ghana	0	0	0	0	(1)	(1)
St. Christopher/St. Kitts – Nevis	0	(0)	(0)	0	(1)	(1)
Papua New Guinea	(0)	0	0	(1)	(0)	(1)
Algeria	(1)	(0)	(1)	(1)	(0)	(1)
Maldives	(0)	0	0	0	(1)	(1)
Pakistan	0	(2)	(2)	1	(2)	(1)
Fiji	(1)	(0)	(1)	(1)	(0)	(1)
Suriname	(0)	(1)	(1)	(0)	(1)	(1)
Brunei Darussalam	(2)	(0)	(2)	(0)	(1)	(2)
Barbados	0	(3)	(3)	0	(2)	(2)
Laos	2	(1)	2	(1)	(1)	(2)
Russia	(8)	(10)	(18)	2	(5)	(3)
Anguilla	0	(4)	(4)	0	(3)	(3)
Cyprus	0	(2)	(2)	(0)	(4)	(4)
Philippines	16	(9)	7	4	(8)	(4)
Nepal	(9)	(0)	(9)	(4)	(0)	(4)
Belgium	(7)	0	(7)	(4)	0	(4)
Nigeria	(10)	(3)	(13)	(10)	3	(7)
Myanmar	(4)	(3)	(7)	(5)	(3)	(8)
Cayman Islands	10	(36)	(26)	12	(33)	(21)
Samoa	0	(31)	(31)	0	(29)	(29)
British Virgin Islands	1	30	31	2	(64)	(62)
Macao, China	(52)	(36)	(88)	(22)	(40)	(62)
Italy	(52)	1	(51)	(65)	1	(64)
Taiwan, China	131	(393)	(262)	115	(441)	(326)
Chinese Mainland	21	(763)	(742)	(730)	(1,071)	(1,801)
Others	(6)	(36)	(42)	(2)	(28)	(30)
International organisations	0	298	298	0	463	463
Overall Total	3,088	2,481	5,570	4,029	3,140	7,169

(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. Besides, some balance sheet figures have been restated to reflect authorized institutions' reclassification of intragroup assets and liabilities. Hence, figures are not directly comparable with positions before December 2024.

(b) West Indies UK has been separated into Anguilla, Antigua and Barbuda, British Virgin Islands, Montserrat and St. Christopher/St. Kitts – Nevis since December 2024.

(c) Excluding figures for Guernsey, Isle of Man and Jersey since March 2004

Figures may not add up to total because of rounding.

Abbreviations

AB	– Aggregate Balance	HIBOR	– Hong Kong Interbank Offered Rate
AI	– Authorized institution	HKAB	– The Hong Kong Association of Banks
AML/CFT	– Anti-money laundering and counter-financing of terrorism	HKCBA	– Chinese Banking Association of Hong Kong
AMRO	– ASEAN+3 Macroeconomic Research Office	HKD	– Hong Kong dollar
APAC	– Asia Pacific	HKEX	– Hong Kong Exchanges and Clearing Limited
AoF	– Hong Kong Academy of Finance	HKIB	– Hong Kong Institute of Bankers
ASEAN	– Association of Southeast Asian Nations	HKIMR	– Hong Kong Institute for Monetary and Financial Research
Basel Committee	– Basel Committee on Banking Supervision	HKMA	– Hong Kong Monetary Authority
BIS	– Bank for International Settlements	HKSAR	– Hong Kong Special Administrative Region
BO	– Banking Ordinance	HKTR	– Hong Kong Trade Repository
BP	– Backing Portfolio	IA	– Insurance Authority
CDI	– Commercial Data Interchange	IP	– Investment Portfolio
CHATS	– Clearing House Automated Transfer System	LegCo	– Legislative Council
CLS	– Continuous Linked Settlement	LERS	– Linked Exchange Rate System
CMG	– Crisis Management Group	LTGP	– Long-Term Growth Portfolio
CMOF	– Ministry of Finance of the People’s Republic of China	MoU	– Memorandum of Understanding
CMU	– Central Moneymarkets Unit	MPF	– Mandatory Provident Fund
CSD	– Central securities depository	MPFA	– Mandatory Provident Fund Schemes Authority
CSS	– Clearing and settlement system	OTC	– Over-the-counter
CU	– Convertibility Undertaking	OTCC	– OTC Clearing Hong Kong Limited
Cyberport	– Hong Kong Cyberport Management Company Limited	PBoC	– People’s Bank of China
DLT	– Distributed ledger technology	PFMI	– Principles for Financial Market Infrastructures
D-SIB	– Domestic systemically important bank	Police	– Hong Kong Police Force
EFAC	– Exchange Fund Advisory Committee	PSSVFO	– Payment Systems and Stored Value Facilities Ordinance
EFBNs	– Exchange Fund Bills and Notes	PvP	– Payment-versus-payment
e-HKD	– Central Bank Digital Currency in Hong Kong	repo	– Repurchase
EMEAP	– Executives’ Meeting of East Asia-Pacific Central Banks	RMB	– Renminbi
FIC	– Fixed income and currency	RTGS	– Real Time Gross Settlement
FIC Roadmap	– Roadmap for the Development of Fixed Income and Currency Markets	SFC	– Securities and Futures Commission
fintech	– Financial technology	SFO	– Securities and Futures Ordinance
FIRO	– Financial Institutions (Resolution) Ordinance	SME	– Small and medium-sized enterprise
FMI	– Financial market infrastructure	SO	– Stablecoins Ordinance
FPS	– Faster Payment System	SPM	– Supervisory Policy Manual
FSB	– Financial Stability Board	Suptech	– Supervisory technology
G20	– Group of Twenty	SVF	– Stored value facility
GBA	– Guangdong-Hong Kong-Macao Greater Bay Area	Swift	– Society for Worldwide Interbank Financial Telecommunication
GDP	– Gross domestic product	WMC	– Wealth Management Connect
GenAI	– Generative artificial intelligence	USD	– US dollar
GSC	– Governance Sub-Committee of the Exchange Fund Advisory Committee		
G-SIB	– Global systemically important bank		

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)

Monthly Statistical Bulletin

(published in two batches on the third and sixth business days of each month; specific quarterly data are released on the ninth business day of the relevant month)

Bulletin

(published on a flexible schedule to provide regular updates and discuss timely topical issues)

Most HKMA publications are available for downloading free of charge from the HKMA website (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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