
Glossary of terms

Aggregate Balance

The sum of balances in the clearing accounts and reserve accounts maintained by commercial banks with the central bank. In Hong Kong, this refers to the sum of the balances in the clearing accounts maintained by the banks with the HKMA for settling interbank payments and payments between banks and the HKMA. The Aggregate Balance represents the level of interbank liquidity, and is a part of the Monetary Base.

Authorized Institution (AI)

An institution authorized under the Banking Ordinance to carry on the business of taking deposits. Hong Kong maintains a Three-tier Banking System, which comprises licensed banks, restricted licence banks and deposit-taking companies.

Best Lending Rate

A benchmark interest rate that banks use to price loans. In Hong Kong, the Best Lending Rate is used as a base for quoting interest rates on mortgage loans.

Certificates of Indebtedness (CIs)

Certificates issued by the Financial Secretary under the Exchange Fund Ordinance, to be held by note-issuing banks as cover for the banknotes they issue.

Composite Consumer Price Index (CCPI)

The headline consumer price index (CPI) for Hong Kong. The Census and Statistics Department compiles three separate CPI series relating to households in different expenditure ranges. The CPI(A) relates to about 50% of households in the relatively low expenditure range; the CPI(B) relates to the next 30% of households in the medium expenditure range; and the CPI(C) relates to the next 10% of households in the relatively high expenditure range. The Composite CPI is compiled based on the aggregate expenditure pattern of all of the above households taken together.

Composite Interest Rate

The composite interest rate is a weighted average interest rate of all Hong Kong dollar interest bearing liabilities, which include deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments, and Hong Kong dollar non-interest bearing demand deposits on the books of banks. Data from retail banks, which account for about 90% of the total customers' deposits in the banking sector, are used in the calculation. It should be noted that the composite interest rate represents only average interest expenses. There are various other costs involved in the making of a loan, such as operating costs (e.g. staff and rental expenses), credit cost and hedging cost, which are not covered by the composite interest rate.

Convertibility Undertaking (CU)

An undertaking by a central bank or currency board to convert domestic currency into foreign currency and vice versa at a fixed exchange rate. In Hong Kong, the HKMA operates Convertibility Undertakings on both the strong side and the weak side. Under the strong-side Convertibility Undertaking, the HKMA undertakes

to buy US dollars from licensed banks at 7.75. Under the weak-side Convertibility Undertaking, the HKMA undertakes to sell US dollars at 7.85. Within the Convertibility Zone between 7.75 and 7.85, the HKMA may choose to conduct market operations consistent with Currency Board principles with the aim of promoting the smooth functioning of the money and foreign exchange markets.

Convertibility Zone

The Hong Kong dollar-US dollar exchange rate band, defined by the levels of the strong- and weak-side Convertibility Undertakings, within which the HKMA may choose to conduct market operations consistent with Currency Board principles.

Exchange Fund Bills and Notes (EFBNs)

Debt instruments issued by the HKMA for the account of the Exchange Fund. These instruments are fully backed by the foreign reserves. The HKMA has undertaken that new Exchange Fund paper will only be issued when there is an inflow of funds, thus enabling the additional paper to be fully backed by the foreign reserves. Since 1 April 1999, interest payments on Exchange Fund paper have been allowed to expand the Monetary Base. Additional Exchange Fund paper is issued to absorb such interest payments. This is consistent with the Currency Board discipline since interest payments on Exchange Fund paper are backed by interest income on the US dollar assets backing the Monetary Base.

Monetary Base

A part of the monetary liabilities of a central bank. The monetary base is defined, at the minimum, as the sum of the currency in circulation (banknotes and coins) and the balance of the banking system held with the central bank (the reserve balance or the clearing balance). In Hong Kong, the Monetary Base comprises Certificates of Indebtedness (for backing the banknotes issued by the note-issuing banks), government-issued currency in circulation, the balance of the clearing accounts of banks kept with the HKMA, and Exchange Fund Bills and Notes.

Nominal and Real Effective Exchange Rate (NEER and REER)

An indicator of the overall exchange rate value of the Hong Kong dollar against a basket of currencies of Hong Kong's principal trading partners. The nominal effective exchange rate (NEER) is a weighted average of the exchange rates between Hong Kong and its principal trading partners. The real effective exchange rate (REER) is obtained by adjusting the NEER for relative movements in the seasonally adjusted consumer price indices of those selected trading partners.

Abbreviations

1m moving average	One-month moving average
3m moving average	Three-month moving average
3m-on-3m	Three-month-on-three-month
AEs	Advanced economies
AFC	Asian Financial Crisis
APP	Asset Purchase Programmes
ASEAN	Association of Southeast Asian Nations
Als	Authorized institutions
BIS	Bank for International Settlements
bn	Billion
BLR	Best lending rate
BoJ	Bank of Japan
BoP	Balance of Payments
BSD	Buyer's stamp duty
CAPE	Cyclically-adjusted price-to-earnings
CAR	Capital Adequacy Ratio
CBO	Congressional Budget Office
CBIRC	China Banking and Insurance Regulatory Commission
CBS	Central Bank Bills Swap
CCPI	Composite Consumer Price Index
CCyB	Countercyclical capital buffer
CDs	Certificates of deposits
CDS	Credit default swap
CET1	Common equity tier-one
CFR	Core Funding Ratio
ChiNext	The start-ups board in the Shenzhen Stock Exchange
CIs	Certificates of Indebtedness
CNH	Offshore renminbi in Hong Kong
CNY	Onshore renminbi
C&SD	Census and Statistics Department
CPI	Consumer Price Index

CU	Convertibility Undertaking
DaR	Debt-at-risk
DF	Deliverable forward
DI	Direct investment
DSD	Doubling of the ad valorem stamp duty rates
DSR	Debt-servicing ratio
DTD	Distance-to-default
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECB	European Central Bank
EFBNs	Exchange Fund Bills and Notes
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EMEs	Emerging Market Economies
EPIFs	External primary income flows
EPU	Economic policy uncertainty
ETFs	Exchange traded funds
EU	European Union
EUR	Euro
FDI	Foreign direct investment
Fed	Federal Reserve
FI	Financial Institutions
FOMC	Federal Open Market Committee
FSB	Financial Stability Board
FX	Foreign exchange
GBP	British Pound Sterling
GBs	Government Bonds
GDP	Gross Domestic Product
GFC	Global financial crisis
G-SIBs	Global systemically important banks
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HKD	Hong Kong dollar
HKEx	The Hong Kong Exchanges and Clearing Limited
HKMA	Hong Kong Monetary Authority
HKPC	Hong Kong Productivity Council

HK\$M3	Hong Kong dollar broad money supply
HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
ICR	Interest Coverage Ratio
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
IT	Information technology
JPY	Japanese Yen
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate
LEERS	Linked Exchange Rate System
LMR	Liquidity Maintenance Ratio
lhs	Left-hand side
LR	Leverage Ratio
IRB	Internal Ratings-Based Approach
LTD	Loan-to-deposit
LTV	Loan-to-value
mn	Million
MDBs	Multilateral Development Banks
MLF	Medium-term Lending Facility
MoF	Ministry of Finance
MPA	Macro Prudential Assessment
MRF	Mutual Recognition of Funds
MSCI	Morgan Stanley Capital International
MTN	Medium-term Note
NAFTA	North American Free Trade Agreement
NBER	National Bureau of Economic Research
NBS	National Bureau of Statistics
NCD	Negotiable certificate of deposit
NEER	Nominal effective exchange rate
NFIB	National Federation of Independent Business
NIE	Newly industrialised economies
NIM	Net interest margin
NPL	Non-performing loan
NSFR	Net Stable Funding Ratio

OECD	Organisation for Economic Co-operation and Development
OIS	Overnight indexed swap
OMDSR	Outstanding mortgage debt service ratio
OTC	Over-the-counter
p.a.	Per annum
P2P	Peer-to-peer
PBoC	People's Bank of China
PCE	Personal consumption expenditure
PD	Probability of Default
PMI	Purchasing Managers' Index
PPI	Producer Price Index
qoq	Quarter-on-quarter
qoqa	Quarter-on-quarter annualised
QE	Quantitative Easing
QQE	Quantitative and Qualitative Easing
R&VD	Rating and Valuation Department
REER	Real effective exchange rate
Repo	Repurchase operation
rhs	Right-hand side
RMB	Renminbi
ROA	Return on Asset
ROE	Return on equity
RRR	Required reserve ratio
RTGS	Real Time Gross Settlement
SAFE	State Administration of Foreign Exchange
SARS	Severe Acute Respiratory Syndrome
SDR	Special Drawing Rights
SHIBOR	Shanghai Interbank Offered Rate
SKEW	Chicago Board Options Exchange Skew Index
SLO	Short-term Liquidity operation
SMEs	Small and medium-sized enterprises
SOEs	State-owned enterprises
SPM	Supervisory Policy Manual
SSD	Special stamp duty
SSE	Shanghai Stock Exchange

SWIFTs	Society for Worldwide Interbank Financial Telecommunication
S&P	Sale and Purchase Agreements of Building Units
S&P 500	Standard & Poor's 500 Index
TMLF	Targeted Medium-term Lending Facility
TLTRO	Targeted Longer-Term Refinancing Operation
TWI	Trade Weighted Index
UK	United Kingdom
US	United States
USD	US dollar
VAR	Vector autoregressive
VHSI	HSI Volatility Index
VIX	Chicago Board Options Exchange Market Volatility Index
WMPs	Wealth management products
WTO	World Trade Organisation
yoy	Year-on-year

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