

Highlights of 2021

Economic and Financial Environment



In 2021, the Hong Kong economy resumes positive growth on the back of strong merchandise exports, reviving domestic demand and a boost from the Government's supportive policy measures. The labour market also improves, while inflation remains moderate albeit having edged up.

The Hong Kong banking sector remains stable with robust capital and liquidity positions. Asset quality stays at a healthy level by both historical and international standards.

Monetary Stability



The Hong Kong dollar markets continue to function in a smooth and orderly manner, despite lingering uncertainties surrounding the COVID-19 pandemic and market concerns about the pace of US monetary tightening. The Linked Exchange Rate System continues to work well.

Reserves Management



With global financial markets having embarked on a recovery path in 2021, the Exchange Fund records an investment income of HK\$191.9 billion, representing an investment return of 4.1%.

The HKMA continues its effort in supporting responsible investments and asset diversification. The Long-Term Growth Portfolio records an annualised internal rate of return of 15.4% since its inception in 2009.

Banking Stability



The HKMA remains focused on the supervision of banks' risk management. In view of escalating cyber threats and accelerating digitalisation, the HKMA has stepped up supervision of banks' operational and cyber resilience. The Code of Banking Practice has also been revised to enhance consumer protection in digital financial services.

Kong–Macao Greater Bay Area is launched smoothly. The HKMA provides guidance to banks on distributing investment and insurance products through non-face-to-face channels in a way that is customer-friendly while according protection.

On anti-money laundering and counter-financing of terrorism (AML/CFT), the HKMA's priority has been to further strengthen banks' ability to prevent and detect illicit fund flows associated with increased online financial crimes during the pandemic. The HKMA has also scaled up information sharing via public-private partnerships, while supporting remote customer on-boarding and encouraging adoption of other technologies including network analytics through the launch of the first AML Regtech Lab.

Further efforts are made in the area of soft infrastructure, including on bank culture and talent development fronts.

Good progress is achieved in implementing international supervisory standards locally, including those on capital adequacy and disclosure. The HKMA also advances its work in establishing resolution standards, undertaking resolution planning and developing resolution execution capability to ensure a credible resolution regime for banks.

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International Financial Centre



The HKMA unveils its "Fintech 2025" strategy to promote wide adoption of fintech by the financial sector and strengthen Hong Kong's position as a fintech hub in Asia. On the Faster Payment System, its registrations and turnover have grown significantly and the usage continues to expand.

On enhancing connectivity, the Cross-boundary WMC and Southbound Trading under Bond Connect are launched, further consolidating Hong Kong's role as an offshore renminbi business hub.

Notable efforts are also devoted to creating new business opportunities to strengthen the competitiveness of Hong Kong's financial platform, including in areas of bond issuance, asset and wealth management, corporate treasury centres, as well as green and sustainable finance.

To promote Hong Kong's financial services, the HKMA steps up market outreach to various stakeholders to keep them informed about the resilience of Hong Kong's financial system and the prospects it presents. The Hong Kong Academy of Finance also launches a new Financial Leaders Programme designed to inspire Hong Kong's future financial leaders.

Corporate Functions



The HKMA maintains effective communication with the community and the market through various channels to enhance public understanding about its policies and operations. Within the institution, the HKMA conscientiously builds an agile and sustainable workforce, institutes rigorous financial discipline and upgrades information technology capabilities to adapt to changes and ensure effective implementation of its policies and initiatives.

Sustainability



The HKMA is committed to strengthening Hong Kong's financial system to support a greener and more sustainable future, driving actions to support the Government's climate goal and contributing to the global agenda. This year, the HKMA publishes its first sustainability report as an integral part of its *Annual Report 2021*, setting out how it embeds sustainability considerations across its main functions and in running its operations.

As a banking supervisor, the HKMA has formulated a regulatory framework setting out supervisory requirements for banks to manage and disclose climate risks, shared sound practices supporting transition to carbon neutrality, and undertaken a pilot exercise on climate risk stress test.

On an ongoing basis, the HKMA takes into account climate change in monitoring financial stability risks through various means including empirical analyses that assess the implications of climate change for the financial system.

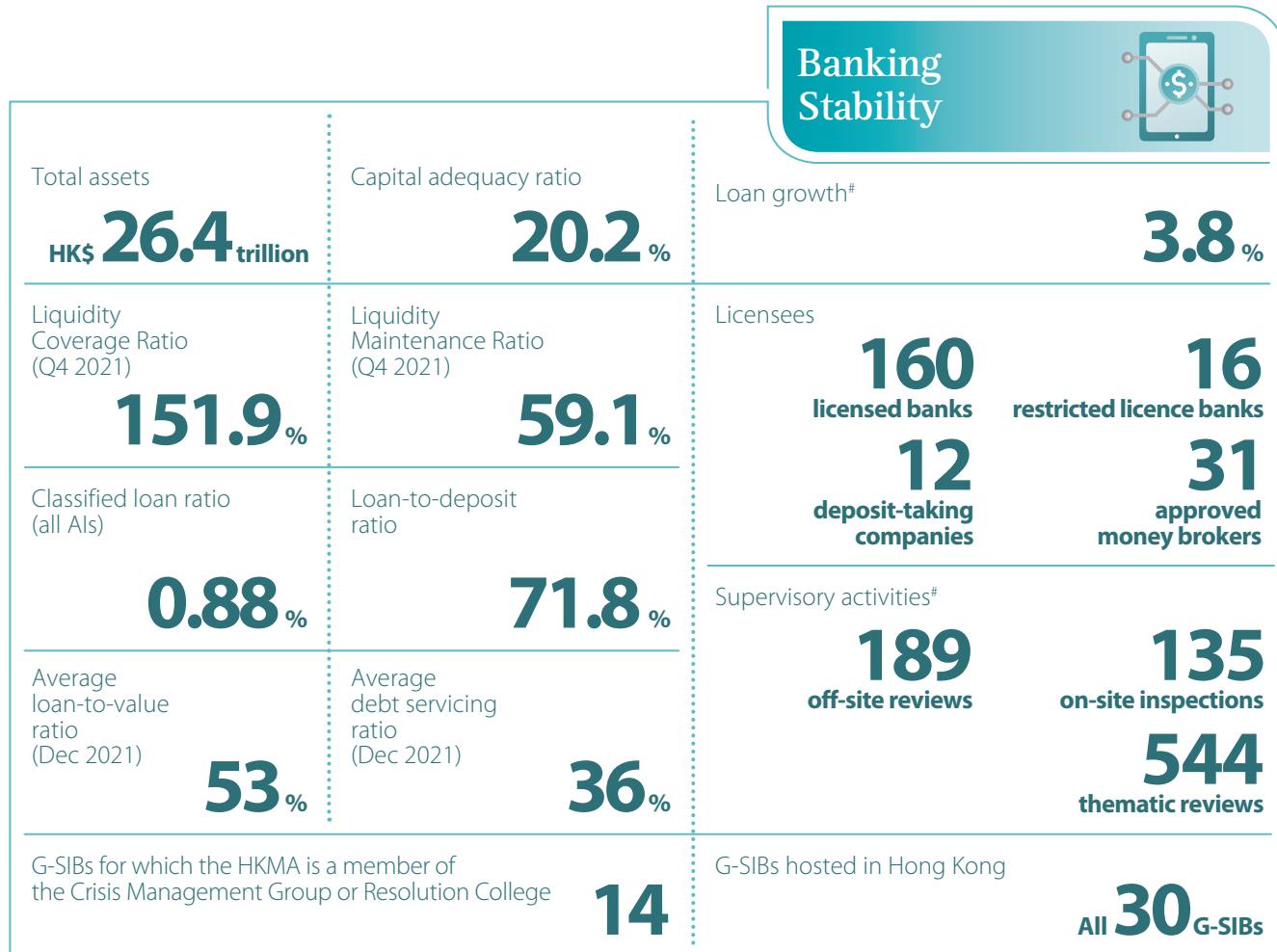
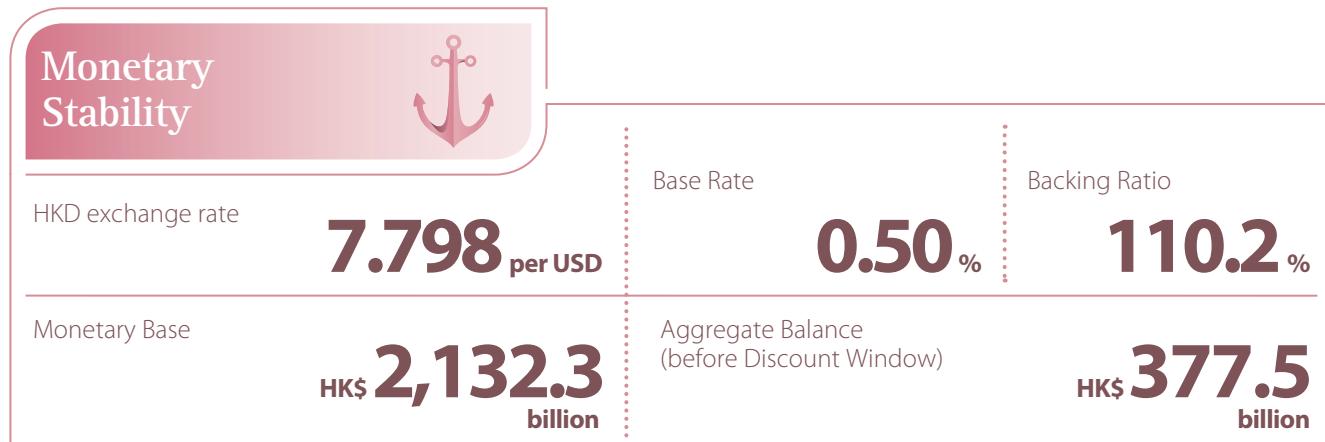
On the market development front, the HKMA has steered the launch of the Centre for Green and Sustainable Finance which co-ordinates cross-sector efforts in capacity building and policy development, and serves as a repository for resources and data. The Alliance for Green Commercial Banks, jointly launched by the HKMA and International Finance Corporation, helps banks develop solutions to address climate change across emerging markets. The HKMA has also assisted the Government in the issuance of close to US\$6.5 billion equivalent of institutional green bonds in 2021.

As a responsible investor, the HKMA makes its inaugural disclosures on climate scenario analysis and carbon footprint metrics of the Exchange Fund's portfolios aligning with recommendations of the Task Force on Climate-related Financial Disclosures.

The HKMA also steps up its own green office initiatives, and enhances corresponding disclosures. In addition, the HKMA holds itself to high standards of corporate social responsibility, and continues to promote a sustainable, financially inclusive and environmentally friendly marketplace, support the wider community, protect the environment and nurture a caring workplace.

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KEY FIGURES FOR 2021



Sources: Bank for International Settlements, International Capital Market Association, SWIFT and HKMA.

Unless specified, figures are as at the end of 2021.

[#] Figures for the year of 2021 as a whole.

CMU – Central Moneymarkets Unit
CPI – Consumer Price Index
EF – Exchange Fund
FPS – Faster Payment System

G-SIBs – Global systemically important banks
HKD – Hong Kong dollar
IFFO – Infrastructure Financing Facilitation Office
LTGP – Long-Term Growth Portfolio

RMB – Renminbi
RTGS – Real Time Gross Settlement
SVF – Stored value facility
USD – US dollar

Highlights of 2021

International Financial Centre			
RMB deposits (incl. outstanding certificates of deposit)	RMB 944.7 billion (+25%)	Registered Limited Partnership Funds	Availability of four RTGS systems and CMU ¹
#1 largest offshore RMB liquidity pool		409	100% ¹
Hong Kong's share of RMB SWIFT payments globally [#]		RMB RTGS average daily turnover [#]	HKD RTGS average daily turnover [#]
> 70%		RMB 1,522.6 billion (+28%)	HK\$ 939.7 billion
Asian international bond issuance [#]	#1 largest arranging hub	Outstanding RMB loans	Offshore RMB bond issuance [#]
us\$ 206.8 billion equivalent		RMB 163.6 billion	RMB 109.6 billion (+87%)
Asian international green and sustainable bond issuance [#]	#1 largest arranging hub	FPS registrations	Average daily real-time transactions of FPS [#]
us\$ 31.3 billion equivalent		9.6 million (+40%)	673,000 (+90%)
Northbound Bond Connect investors	Average daily turnover under Northbound Bond Connect [#]	IFFO partners	SVF accounts
3,233	RMB 25.8 billion	95	66.4 million
			Value of SVF transactions [#]
			HK\$ 275.6 billion

Reserves Management	
EF investment income [#]	EF investment return [#]
HK\$ 191.9 billion	4.1%
EF assets	Market value of LTGP investments
HK\$ 4,570.2 billion	HK\$ 515.3 billion
	EF compounded annual investment return (since 1994)
	(>2.0% increase in HK composite CPI over the same period)
	LTGP annualised internal rate of return (since 2009)
	15.4%

¹ About 99.98% if including downtime caused by external factors.