



HONG KONG MONETARY AUTHORITY

## Briefing to the Legislative Council Panel on Financial Affairs

**3 May 2022**



### DISCUSSION TOPICS

Updates on

- Financial and Economic Environment
- Currency Stability
- Banking Stability
- Financial Infrastructure
- Hong Kong as an International Financial Centre
- Investment Environment and Performance of the Exchange Fund
- Hong Kong Mortgage Corporation



# FINANCIAL AND ECONOMIC ENVIRONMENT

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## GLOBAL ECONOMIC GROWTH FORECASTS

### Real GDP Growth

(% year-on-year)

	2021	2022 Forecasts	2023 Forecasts
<b>US</b>	5.7	3.2	2.2
<b>Euro area</b>	5.3	2.8	2.3
<b>Japan</b>	1.7	2.1	1.8
<b>Asia (ex-Japan)</b>	7.1	4.9	4.9
<b>Mainland China</b>	8.1	4.9	5.1
<b>Hong Kong</b>	6.4	1.2	3.5

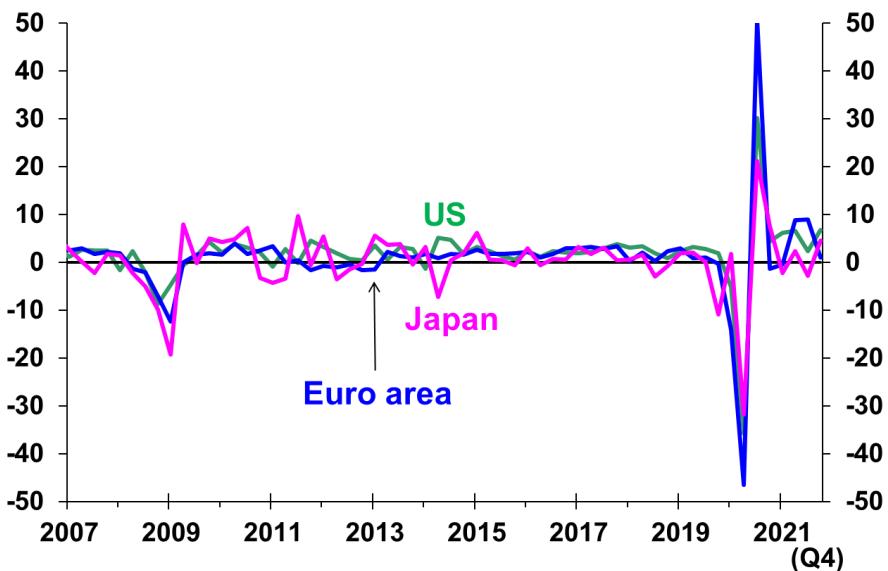
Source: April 2022 Consensus Forecasts

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## REAL GDP GROWTH IN SELECTED MAJOR ECONOMIES

% qoq, annualised



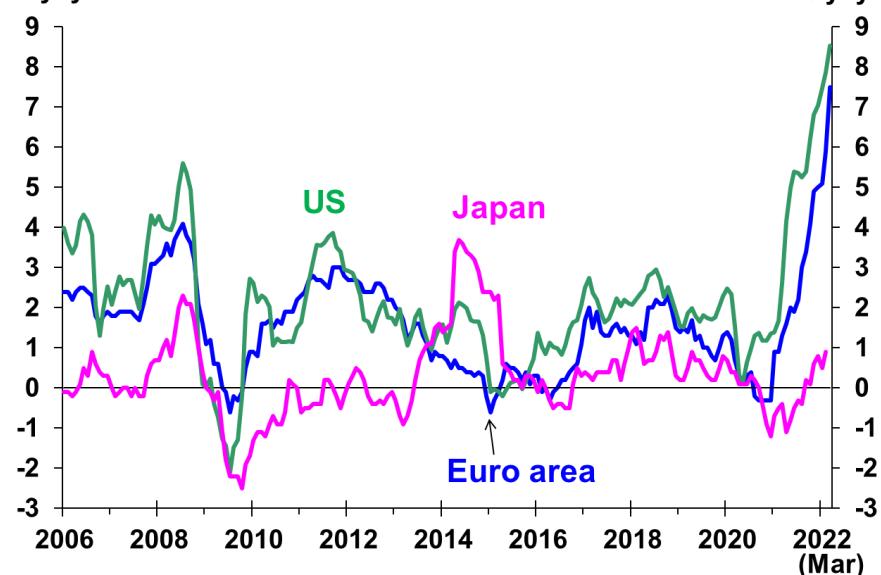
Source: CEIC

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## HEADLINE INFLATION IN SELECTED MAJOR ECONOMIES

% yoy

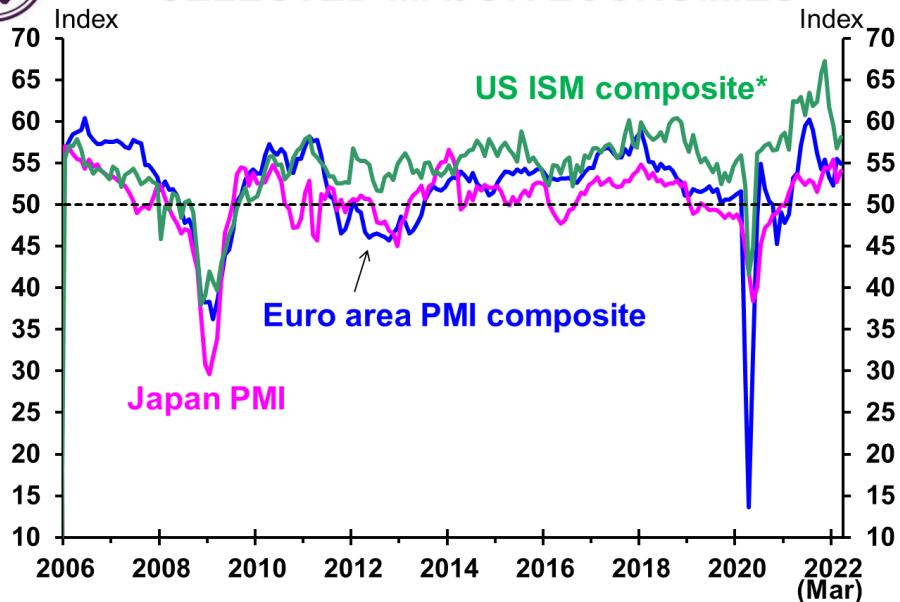


Source: CEIC

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## PURCHASING MANAGERS' INDEX IN SELECTED MAJOR ECONOMIES

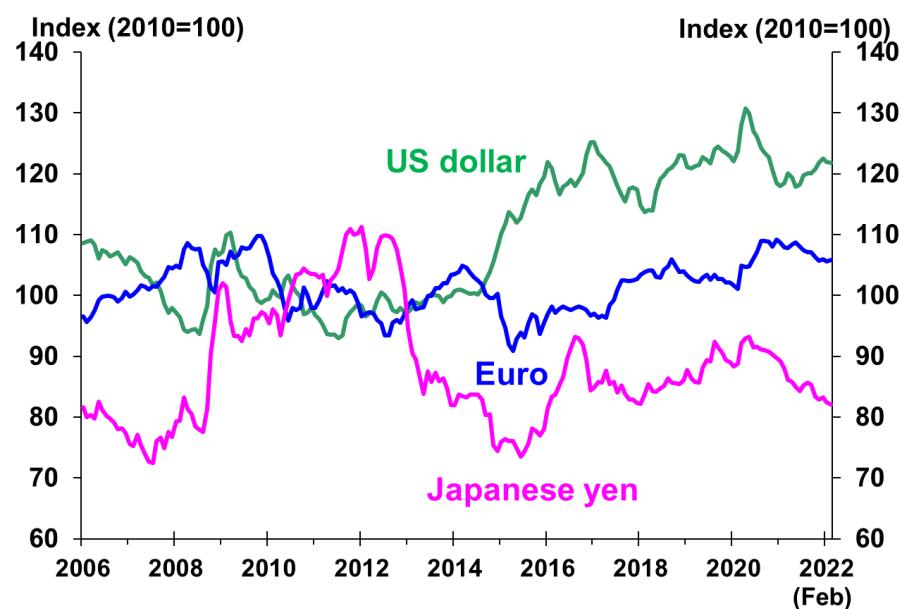


Source: CEIC

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## NOMINAL EFFECTIVE EXCHANGE RATE INDEX OF SELECTED MAJOR CURRENCIES

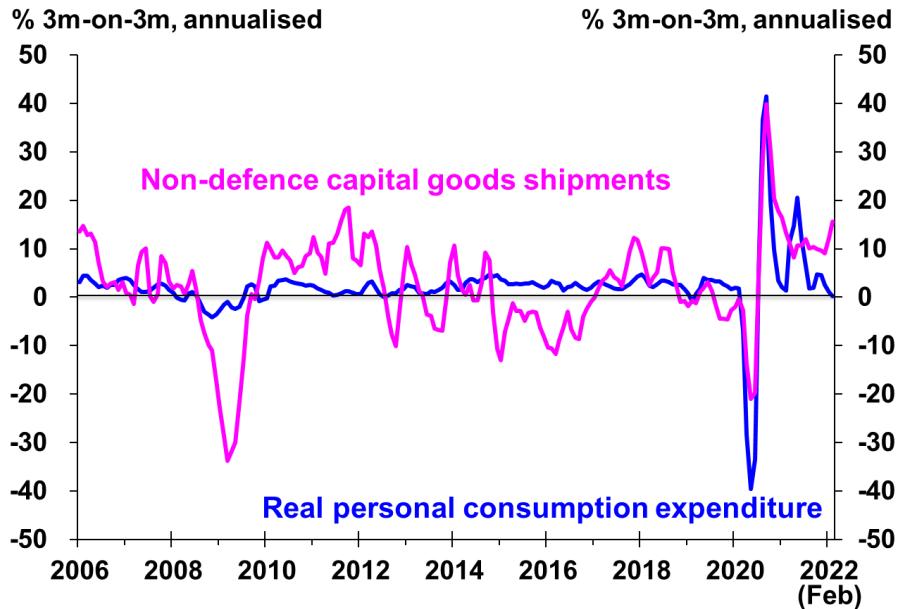


Source: CEIC

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## US: CONSUMPTION GROWTH & BUSINESS INVESTMENT ACTIVITY

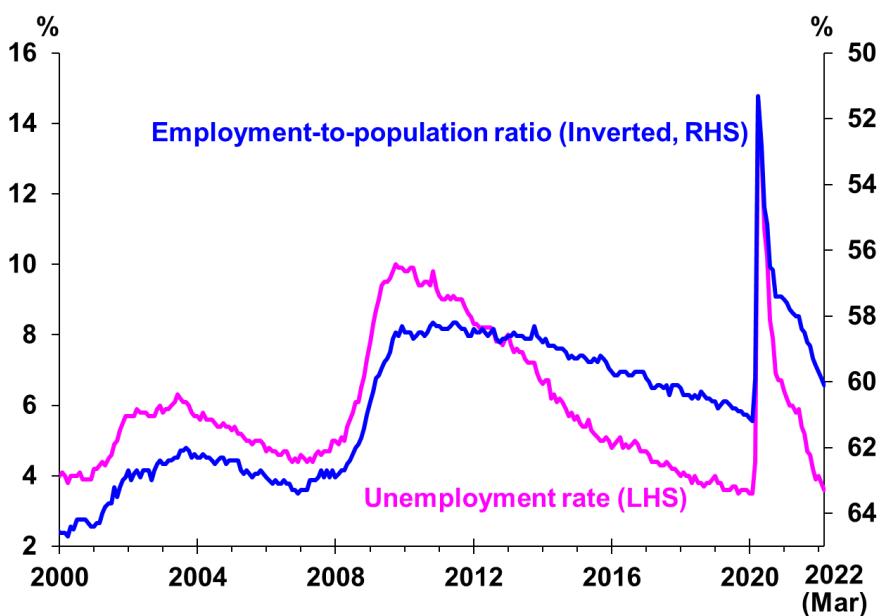


Source: CEIC

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## US: LABOUR MARKET SITUATION

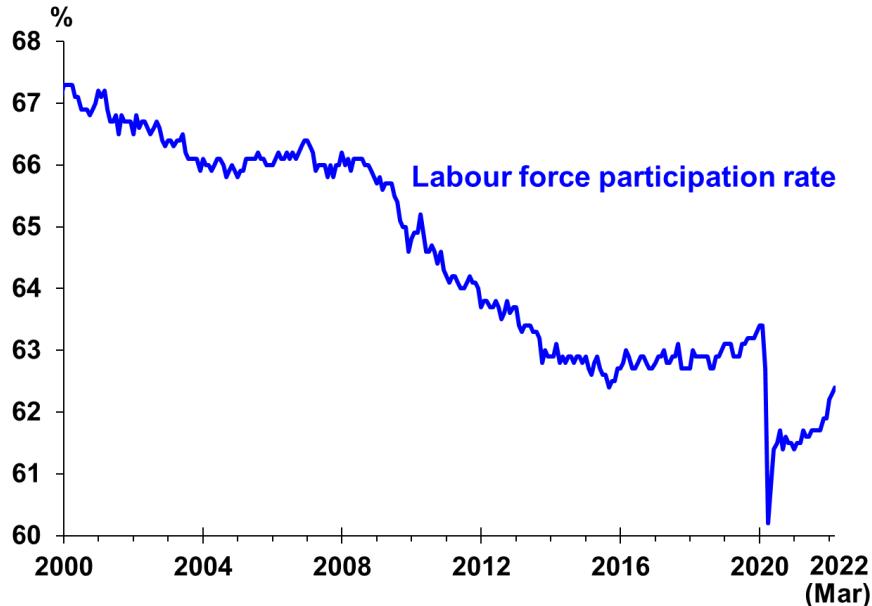


Source: CEIC

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## US: LABOUR FORCE PARTICIPATION

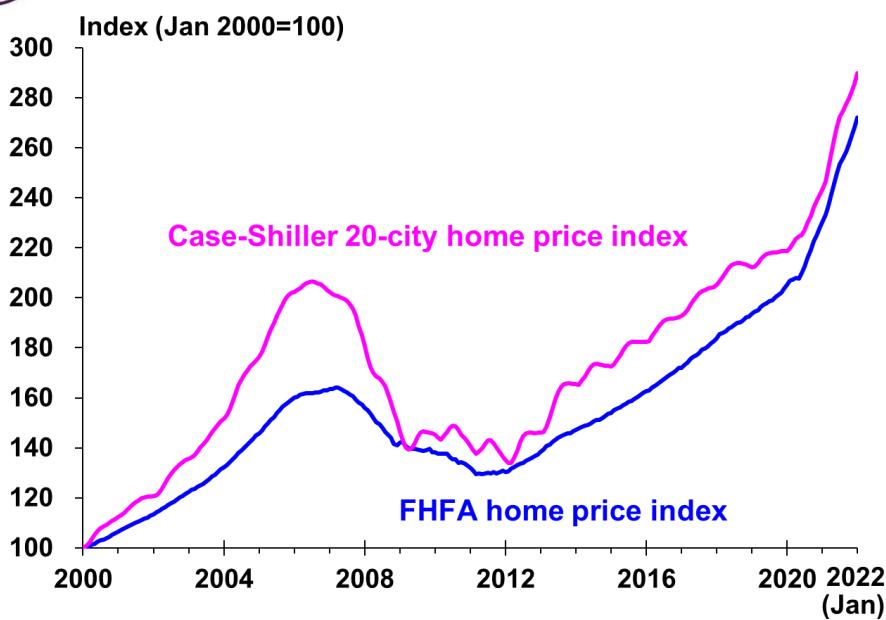


Source: CEIC

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## US: HOME PRICES

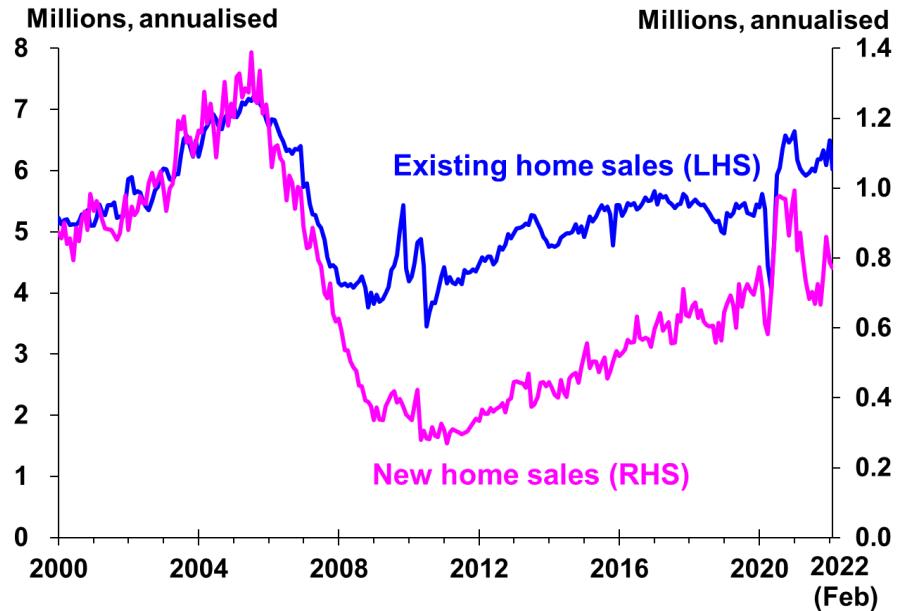


Sources: CEIC and Datastream

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## US: HOME SALES



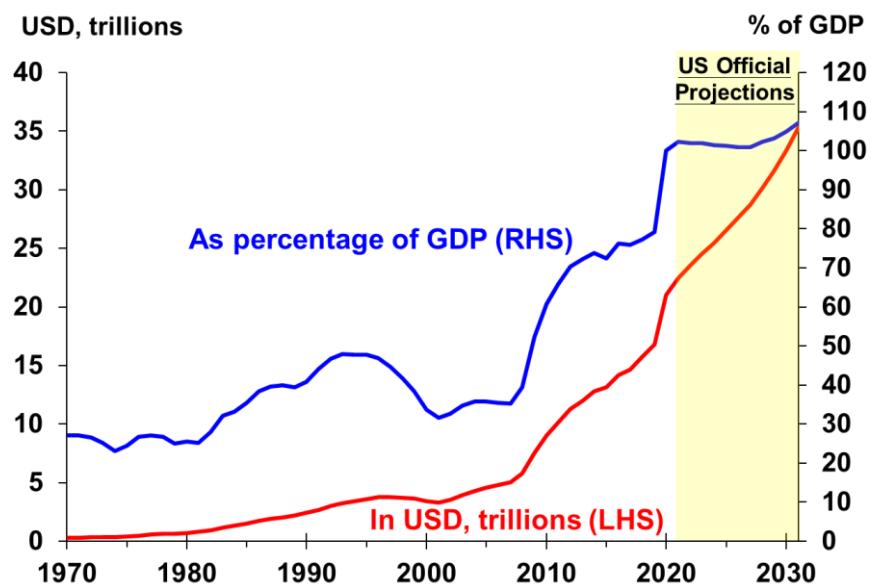
Sources: CEIC and Datastream

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## US: FEDERAL GOVERNMENT DEBT

### US federal debt held by the public



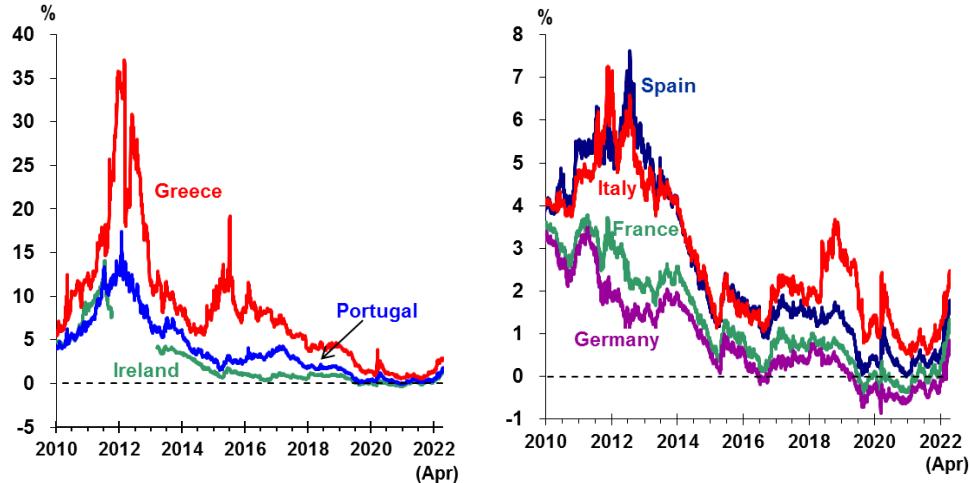
Sources: CEIC and Congressional Budget Office

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## EURO AREA: SOVEREIGN BOND YIELDS

### 10-year sovereign bond yield

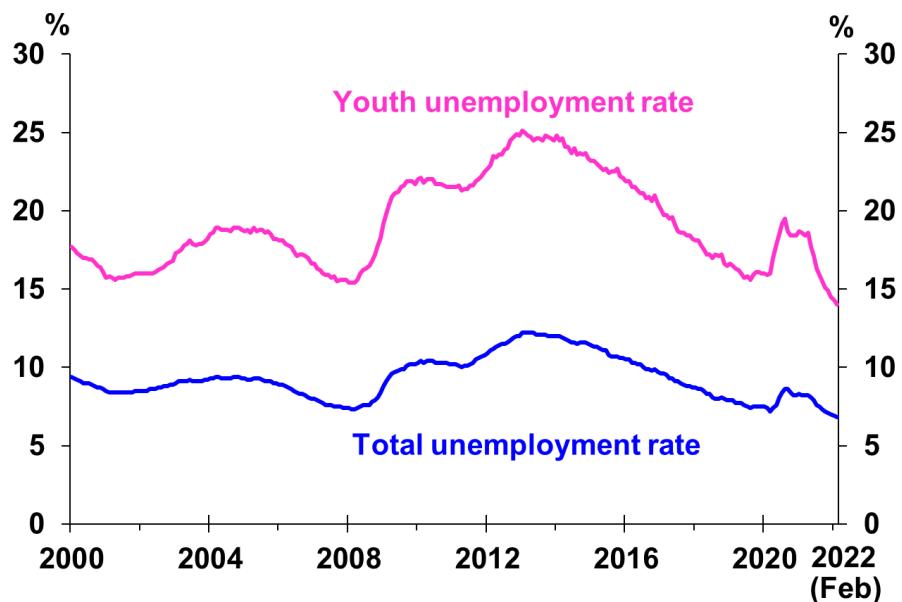


Note: 10-year Irish sovereign bond yield data is not available between 12 Oct 2011 and 14 Mar 2013  
Source: Bloomberg

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## EURO AREA: UNEMPLOYMENT RATE

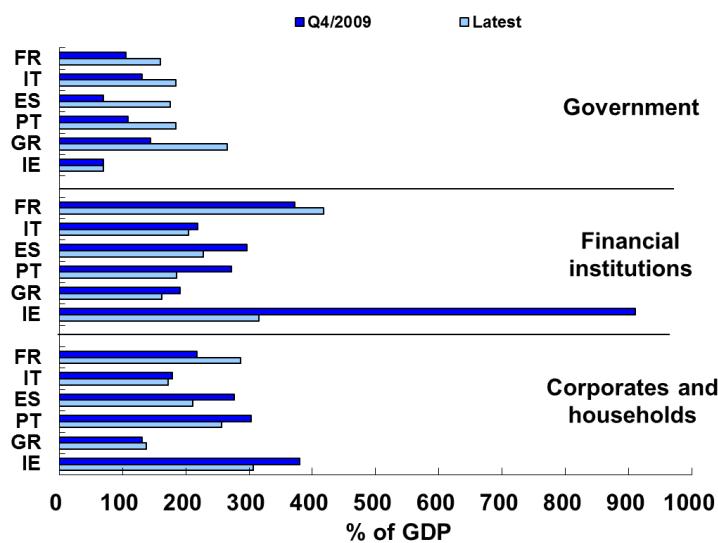


Source: Bloomberg

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## EURO AREA: OVERALL INDEBTEDNESS



Source: European Central Bank

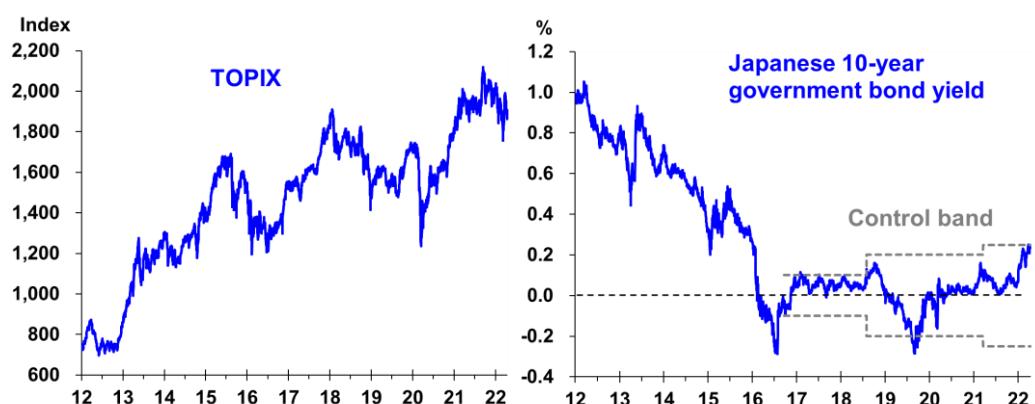
Note: FR – France, IT – Italy, ES – Spain, PT – Portugal, GR – Greece, IE – Ireland

The latest figures are up to Q4/2021 for financial institutions, whilst the rest are up to Q3/2021

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## JAPAN: FINANCIAL MARKETS

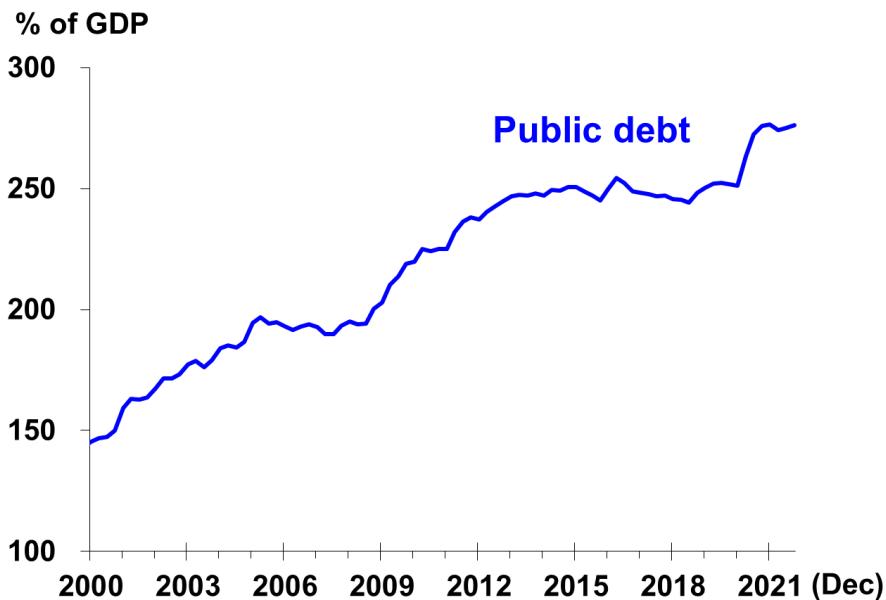


Source: Bloomberg

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## JAPAN: PUBLIC DEBT

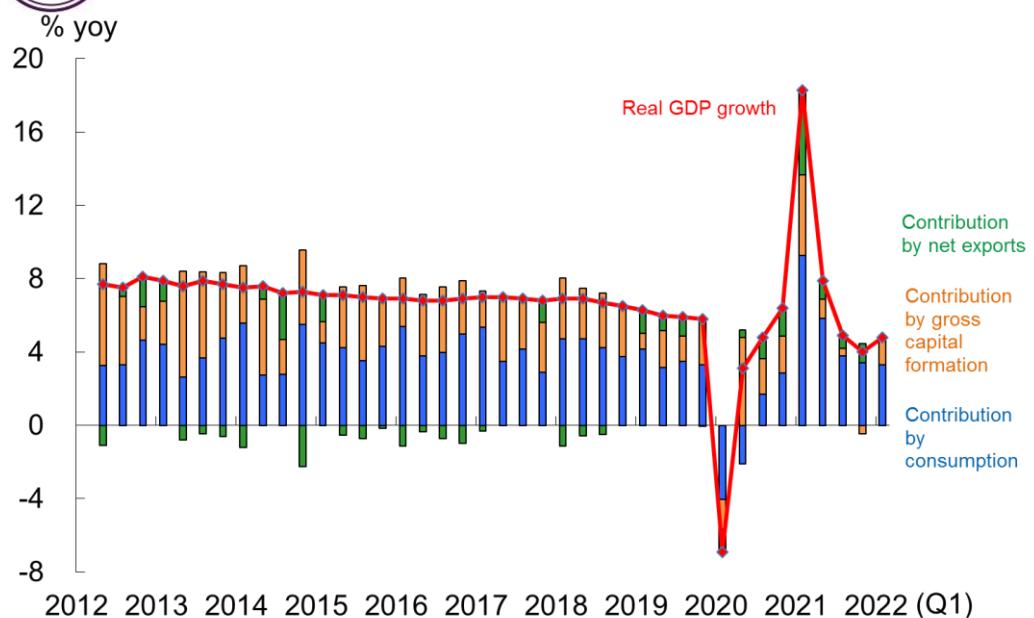


Sources: Bank of Japan and CEIC

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## MAINLAND CHINA: REAL GDP GROWTH

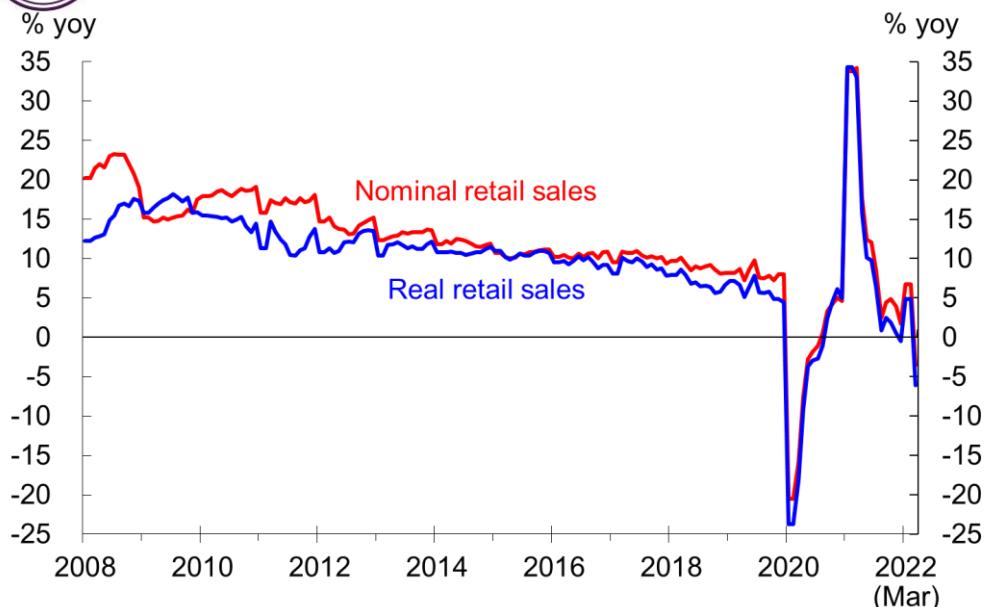


Source: CEIC

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## MAINLAND CHINA: RETAIL SALES

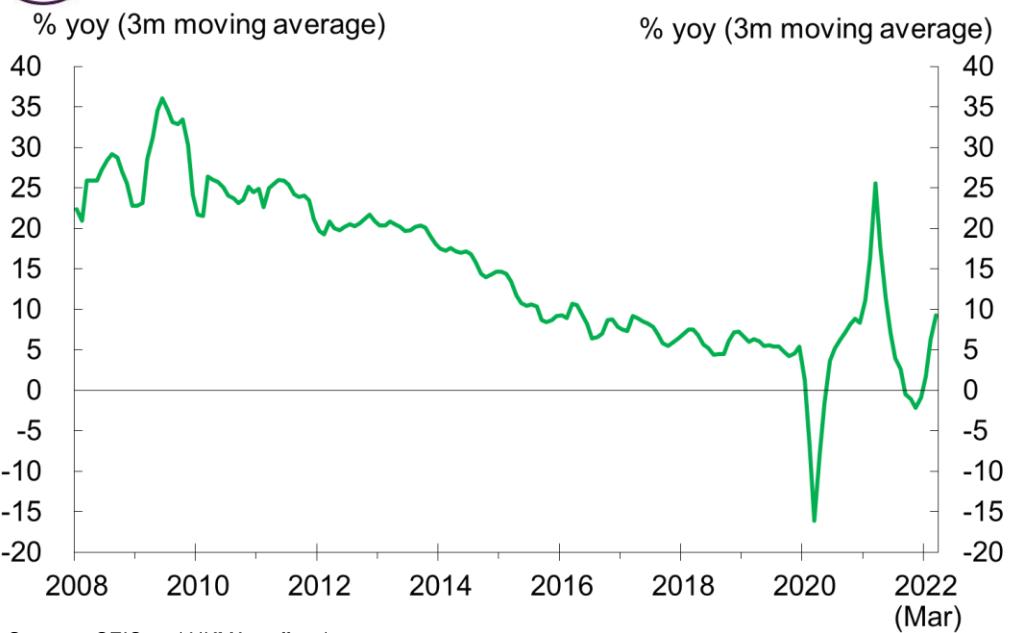


Note: January and February figures are the average annual growth rate for the first two months of the year  
Sources: WIND and HKMA staff estimates

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## MAINLAND CHINA: FIXED ASSET INVESTMENT

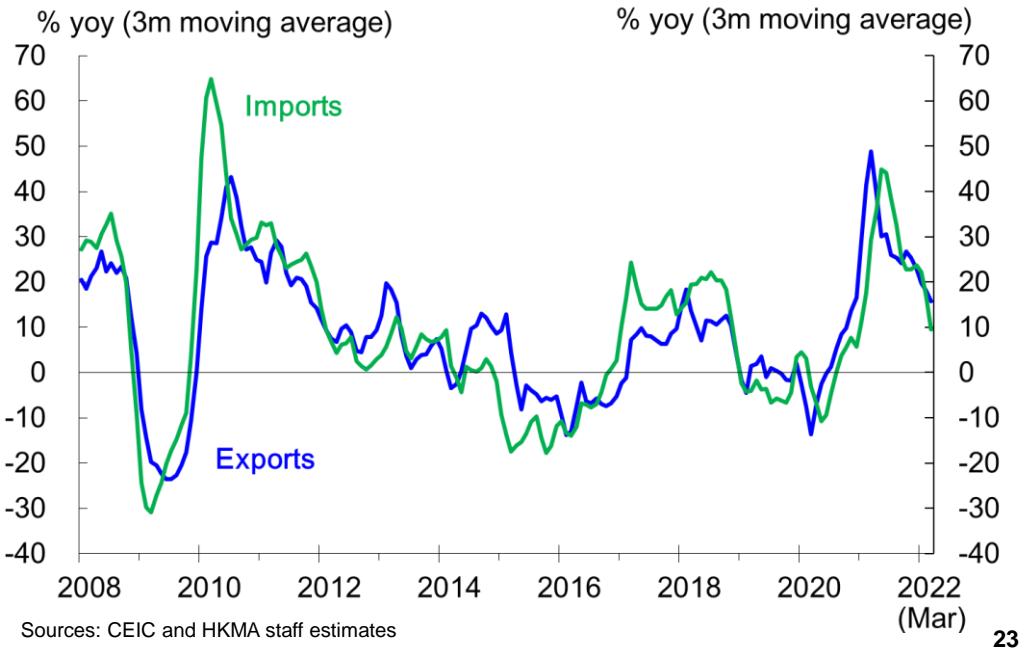


Sources: CEIC and HKMA staff estimates

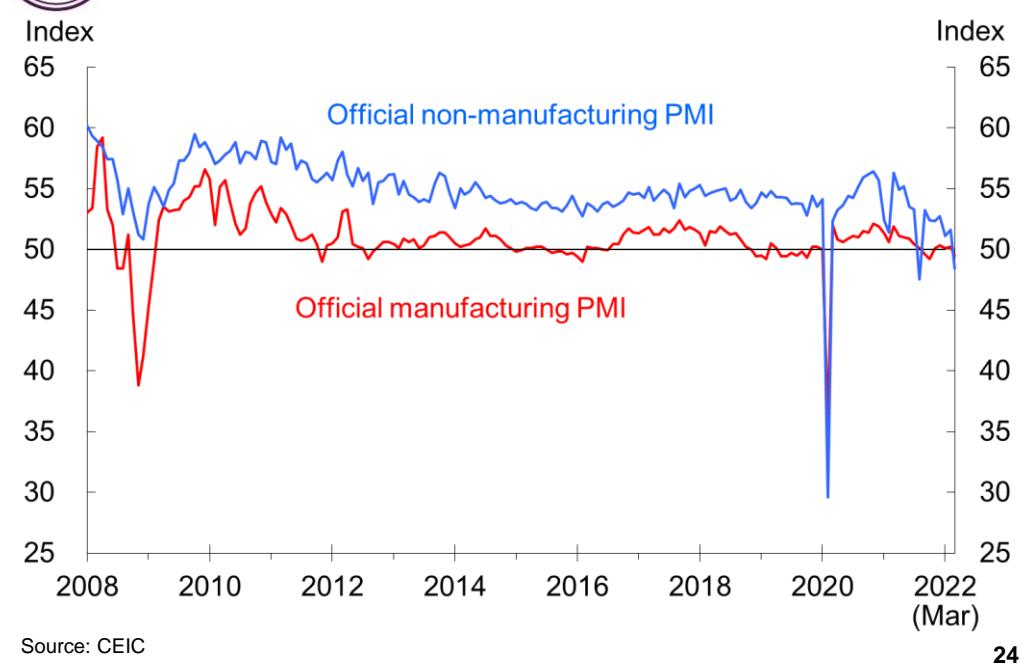
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## MAINLAND CHINA: IMPORT AND EXPORT GROWTH

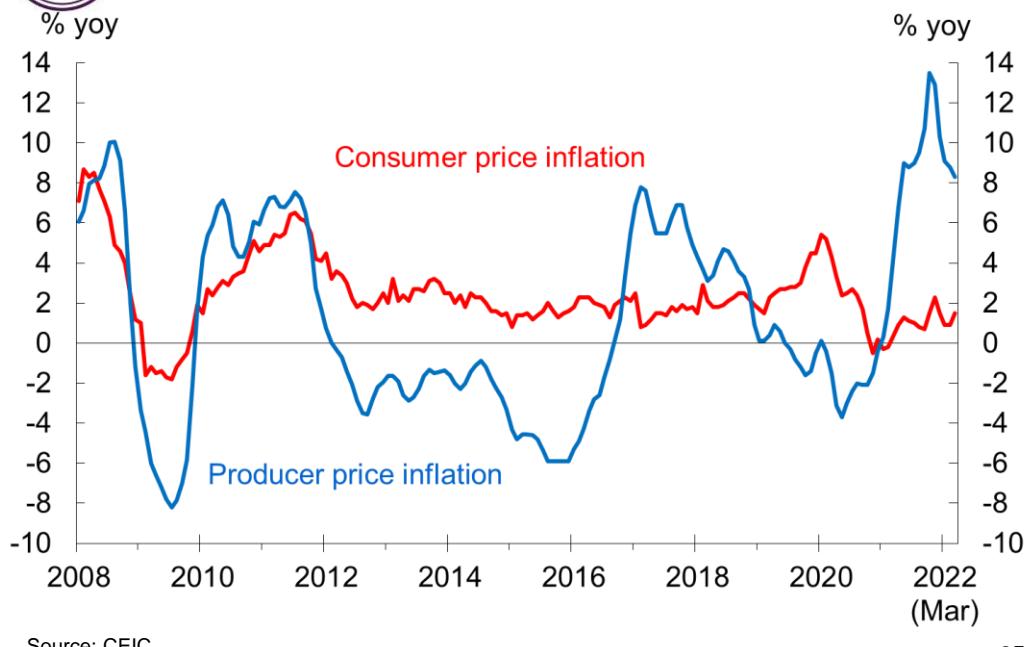


## MAINLAND CHINA: PURCHASING MANAGERS' INDEX





## MAINLAND CHINA: INFLATION

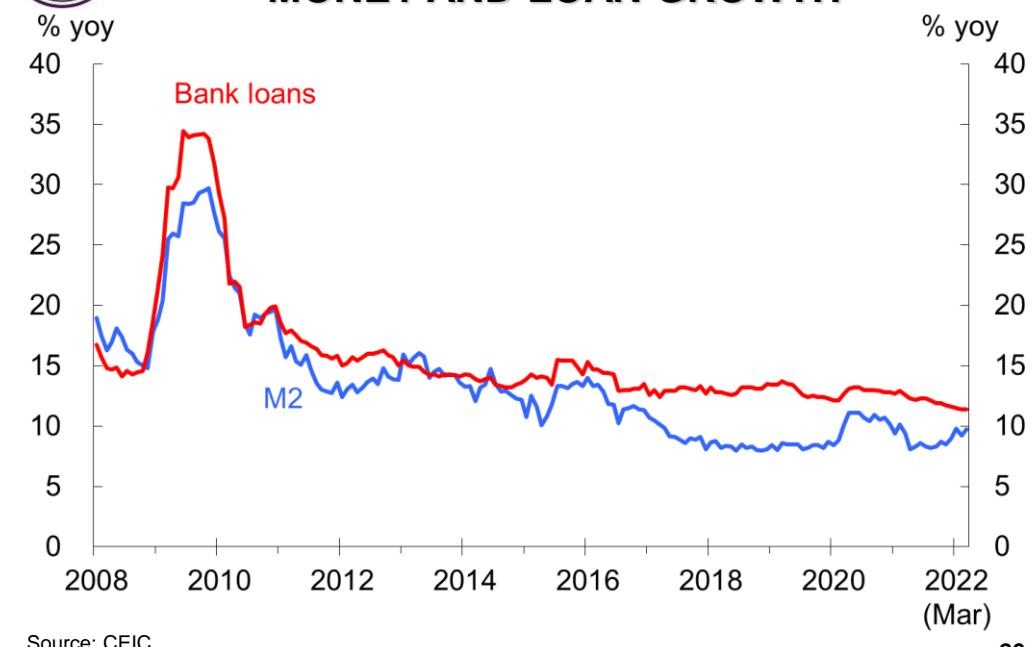


Source: CEIC

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## MAINLAND CHINA: MONEY AND LOAN GROWTH

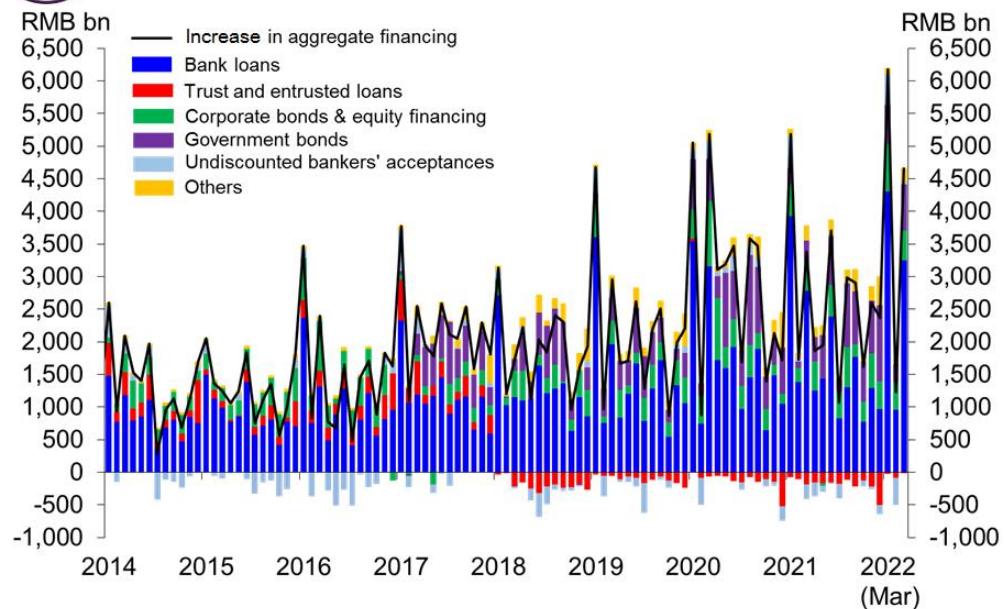


Source: CEIC

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## MAINLAND CHINA: AGGREGATE FINANCING FLOW

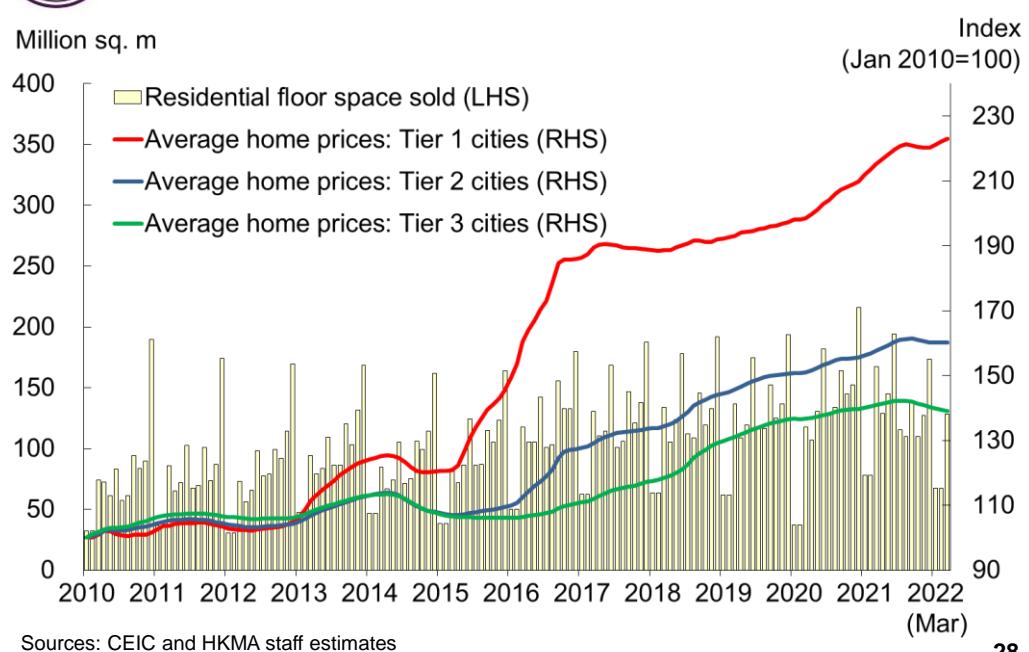


Note: "Others" primarily include loans written off and asset-backed securities of depository financial institutions.  
Sources: CEIC and HKMA staff estimates

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## MAINLAND CHINA: PROPERTY PRICE AND TRANSACTION VOLUME

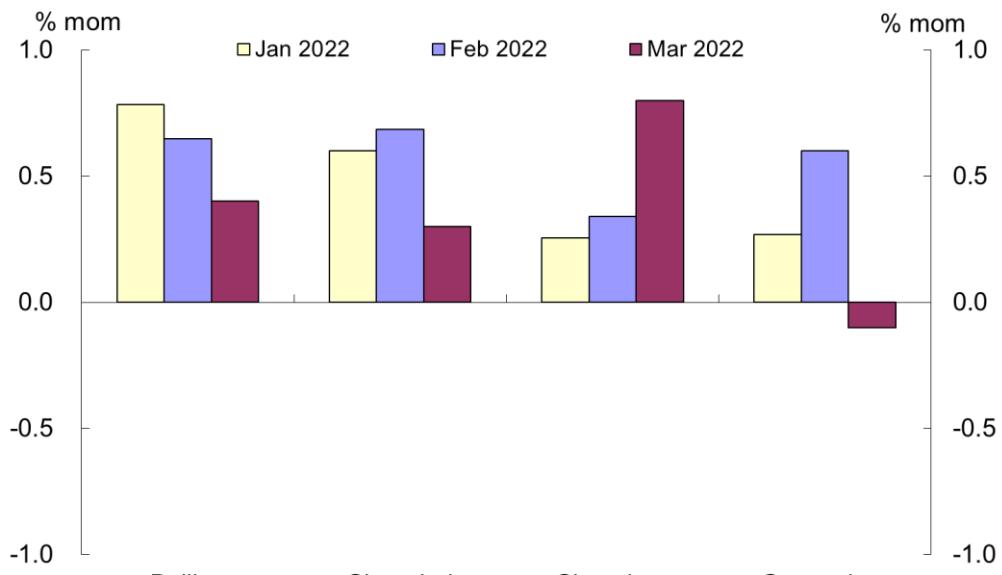


Sources: CEIC and HKMA staff estimates

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## MAINLAND CHINA: HOUSING PRICE CHANGES IN MAJOR CITIES

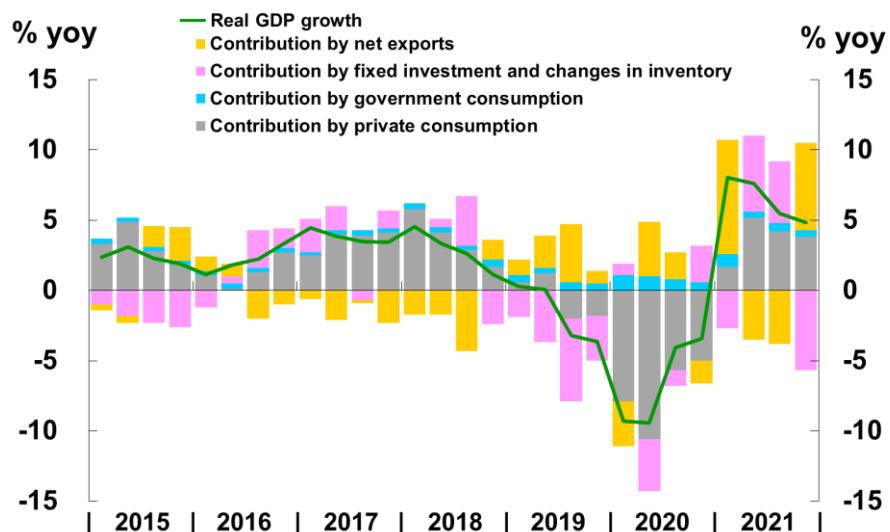


Sources: CEIC, WIND and HKMA staff estimates

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## HONG KONG: REAL GDP GROWTH

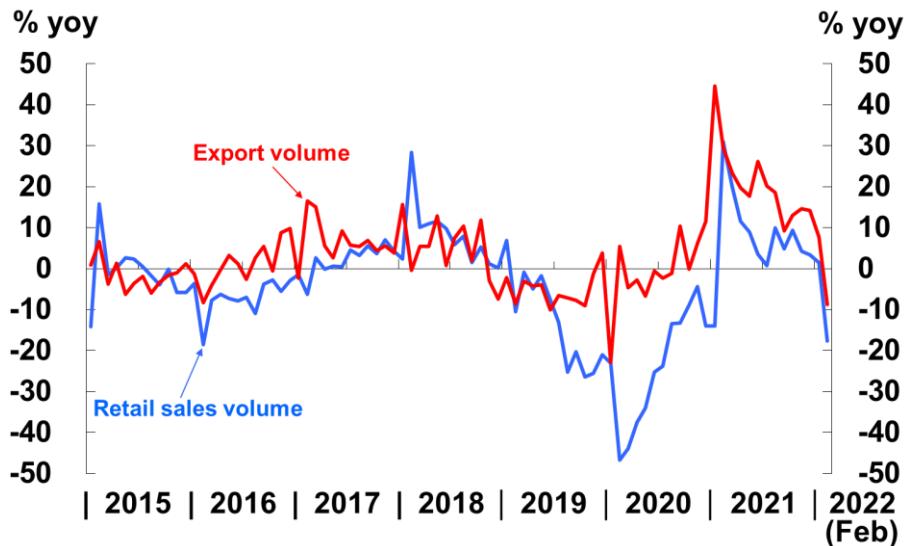


Source: C&SD

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## HONG KONG: ECONOMIC ACTIVITY

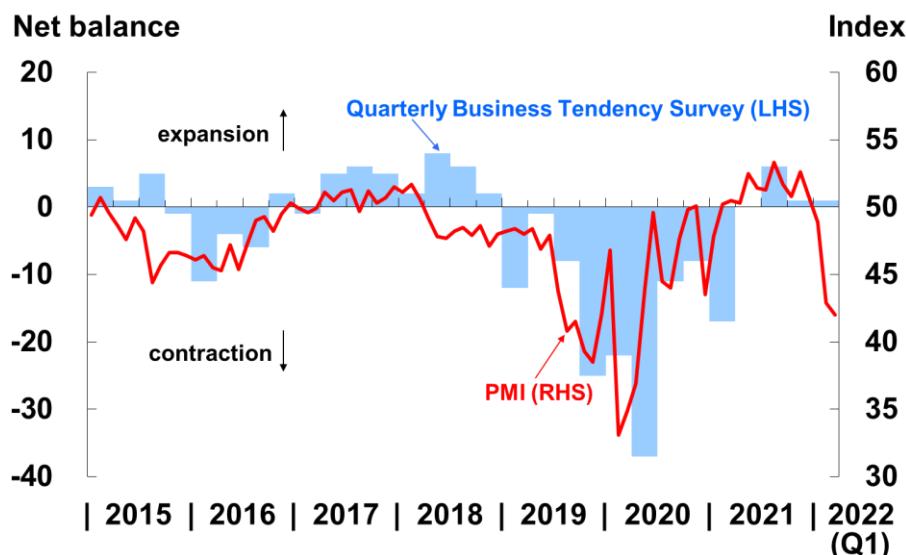


Source: C&SD

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## HONG KONG: BUSINESS OUTLOOK

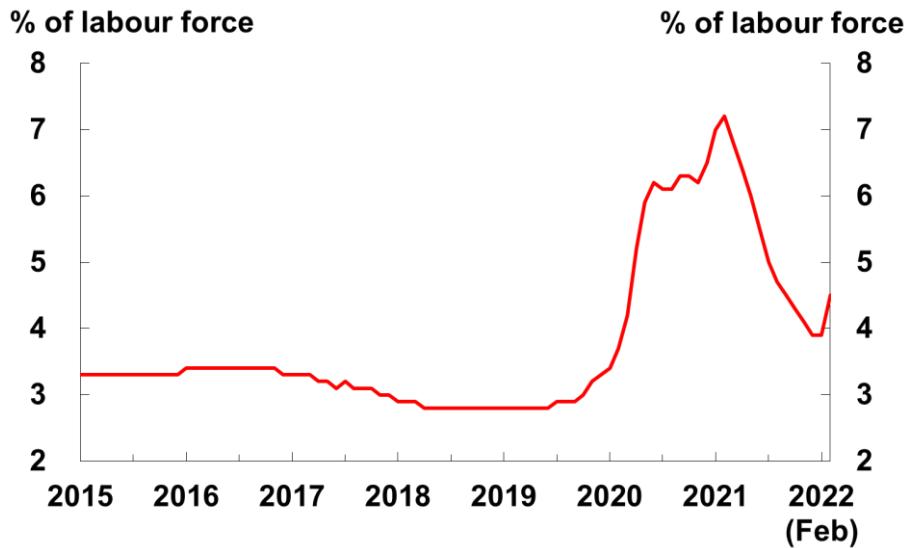


Sources: C&SD and IHS Markit

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## HONG KONG: UNEMPLOYMENT RATE

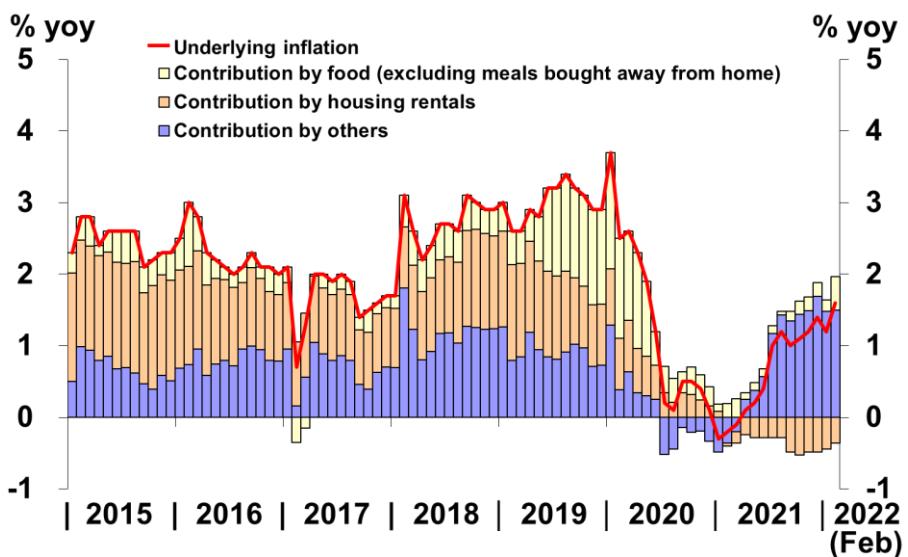


Source: C&SD

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## HONG KONG: INFLATION

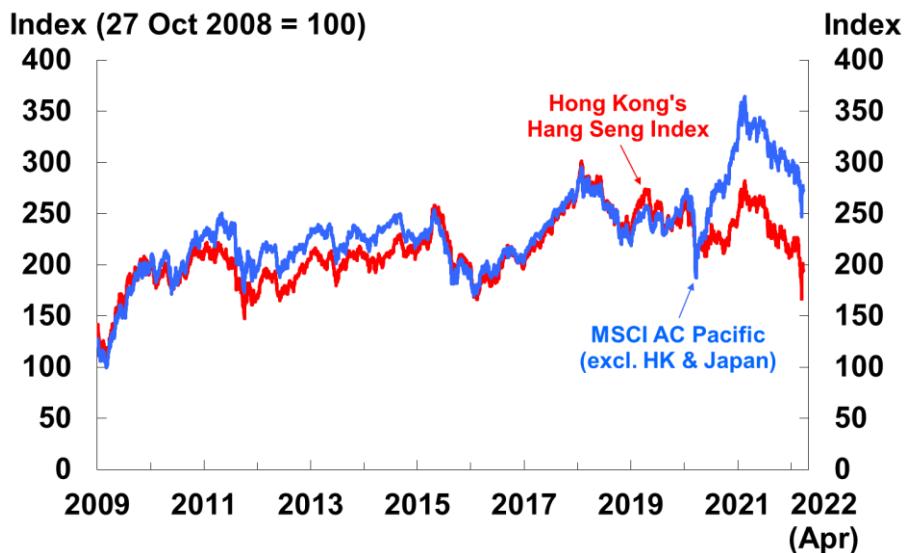


Sources: C&SD and HKMA staff estimates

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## HONG KONG: EQUITY MARKET

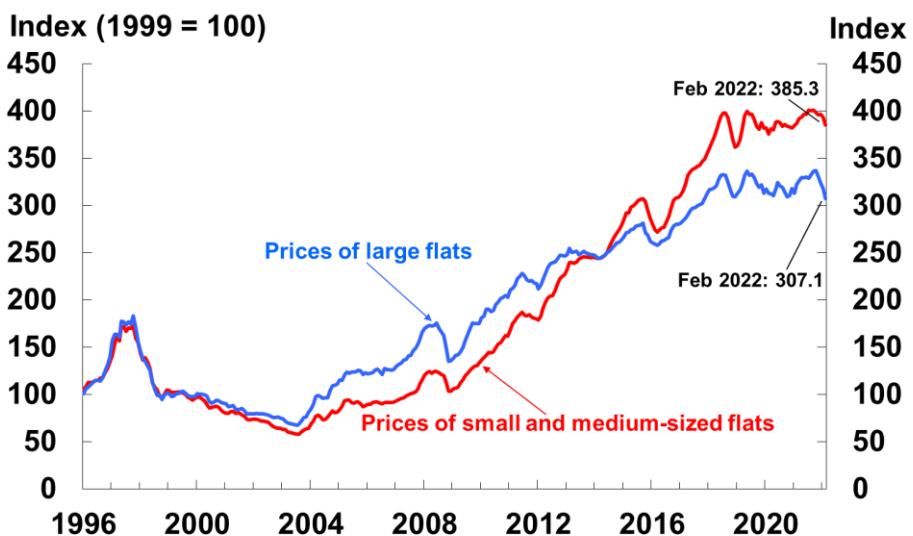


Source: Bloomberg

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## HONG KONG: RESIDENTIAL PROPERTY PRICES



Source: Rating and Valuation Department

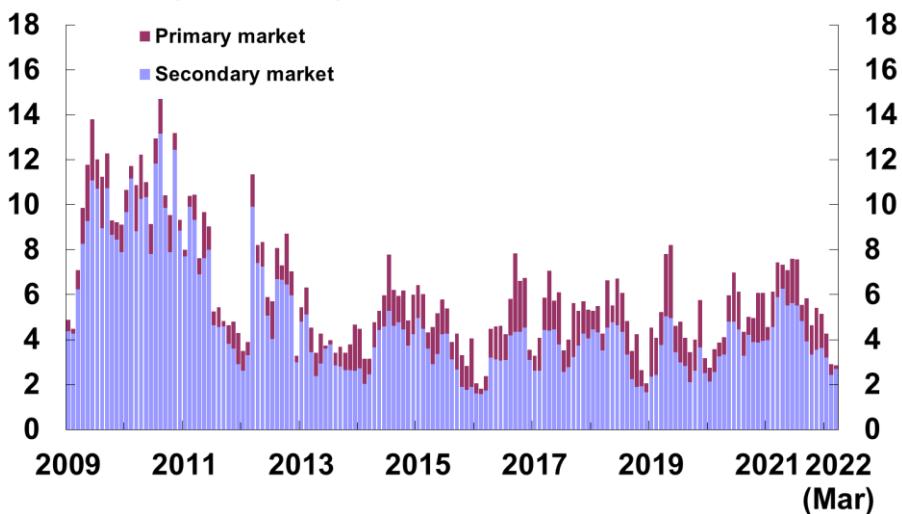
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## HONG KONG: TRANSACTION VOLUME IN THE PRIMARY AND SECONDARY RESIDENTIAL PROPERTY MARKETS

Transactions (in thousands)

Primary market  
Secondary market



Source: The Land Registry

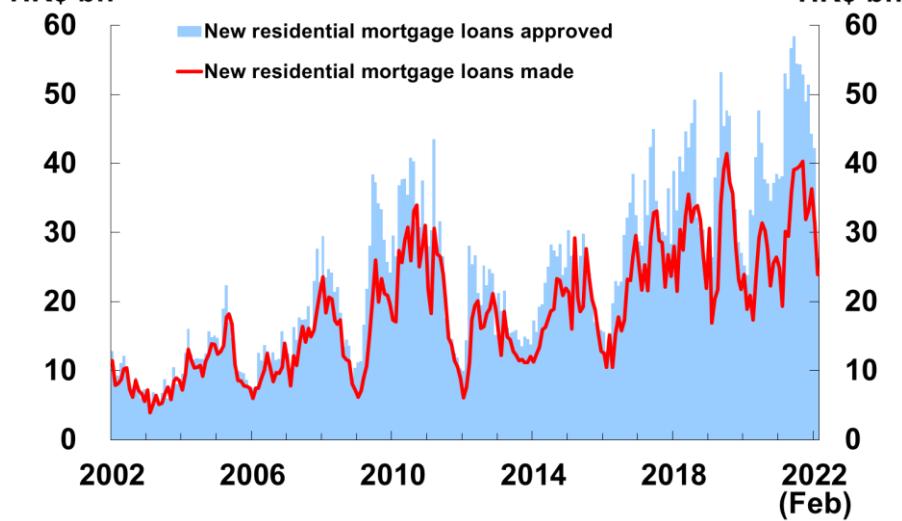
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## HONG KONG: NEW RESIDENTIAL MORTGAGE LOANS

HK\$ bn

New residential mortgage loans approved  
New residential mortgage loans made



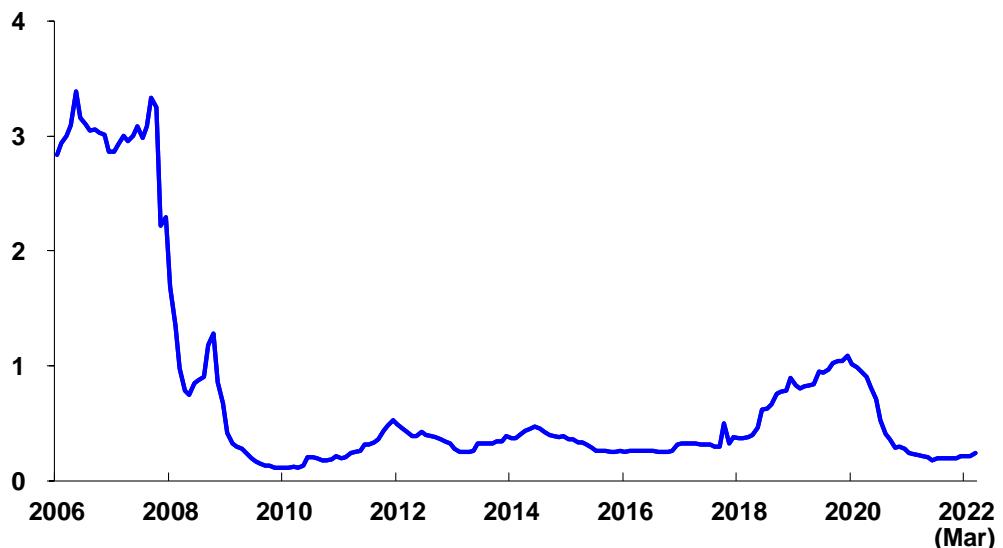
Source: HKMA

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## HONG KONG: COMPOSITE INTEREST RATE

% p.a.

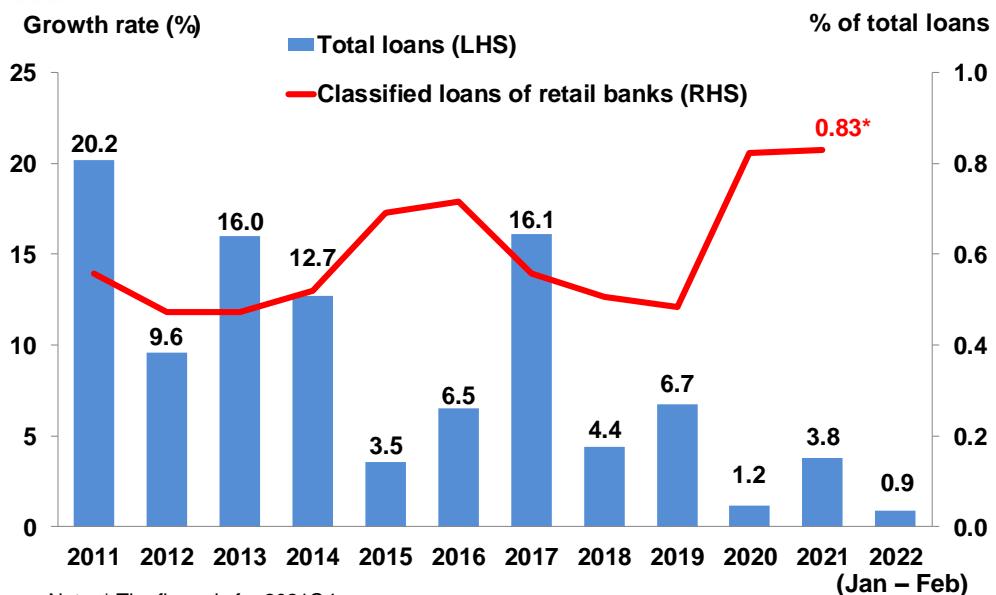


Source: HKMA

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## HONG KONG: LOAN GROWTH AND ASSET QUALITY



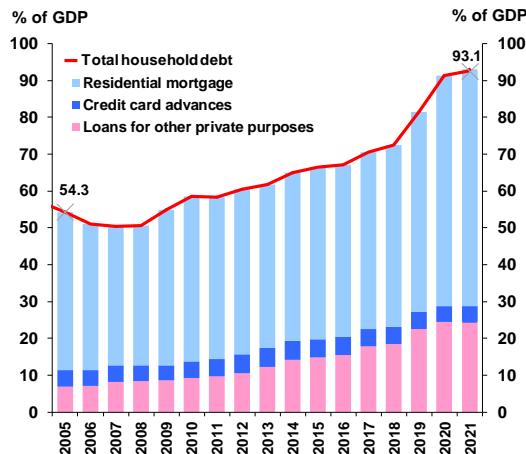
Source: HKMA

40

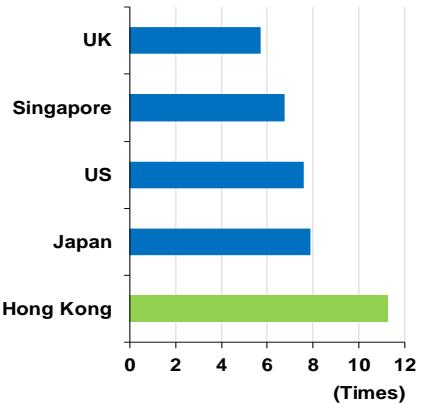


## HONG KONG: HOUSEHOLD DEBT

Gross household debt



Household net worth-to-liabilities ratio



Notes: (1) Household net worth (or net household assets) is the difference between gross household assets and gross household liabilities. (2)The Japan figure is from end-2019, while the figures for the other economies are from end-2020.

Sources: HKMA staff estimates, and statistical agencies or central banks of selected economies.

Source: HKMA

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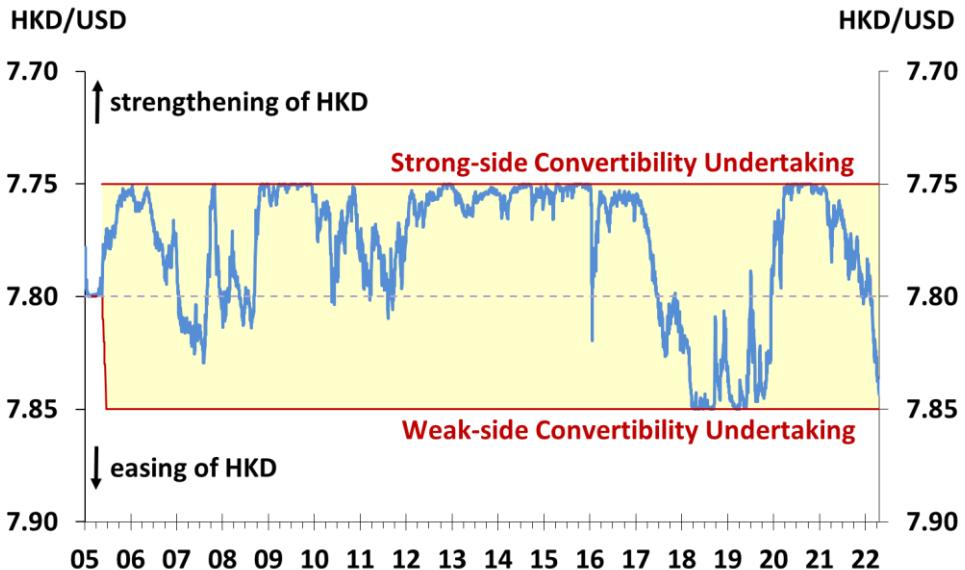


## CURRENCY STABILITY

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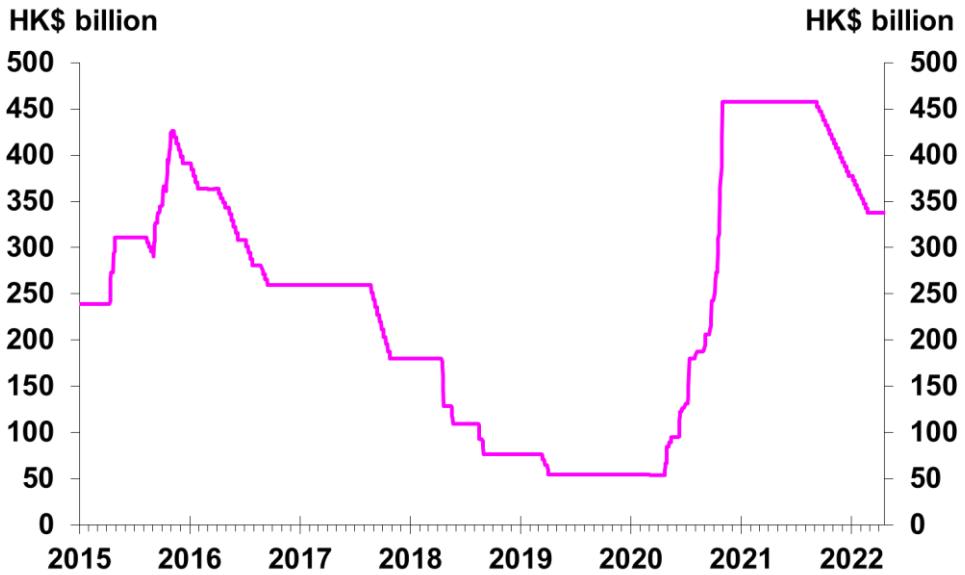
## HONG KONG DOLLAR SPOT EXCHANGE RATE



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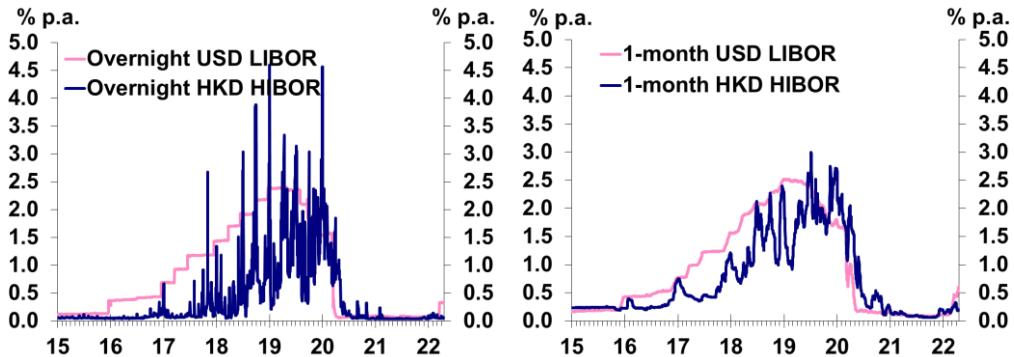
## AGGREGATE BALANCE



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## DOMESTIC INTEREST RATES



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## 12-MONTH HONG KONG DOLLAR FORWARD POINTS



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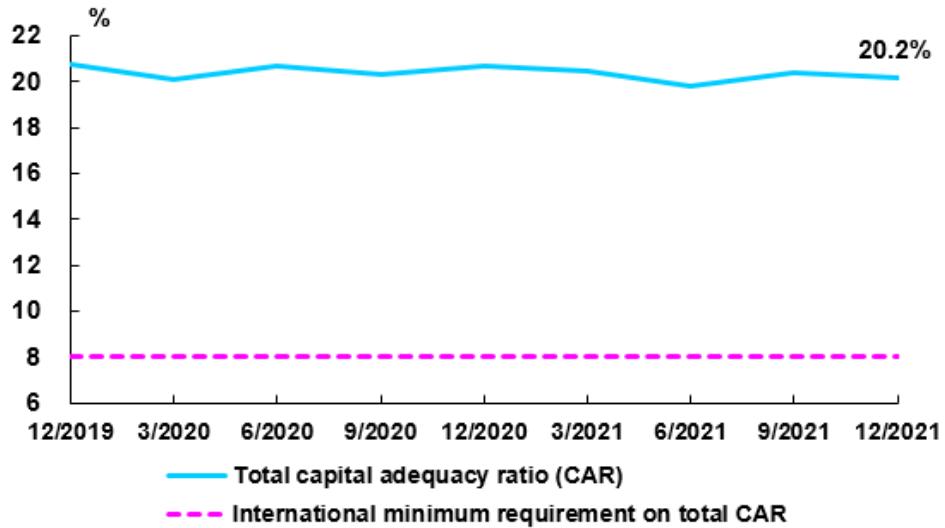


## BANKING STABILITY



## BANKING SECTOR PERFORMANCE

Locally incorporated authorized institutions (AIs)  
continued to be well capitalised



Source: HKMA

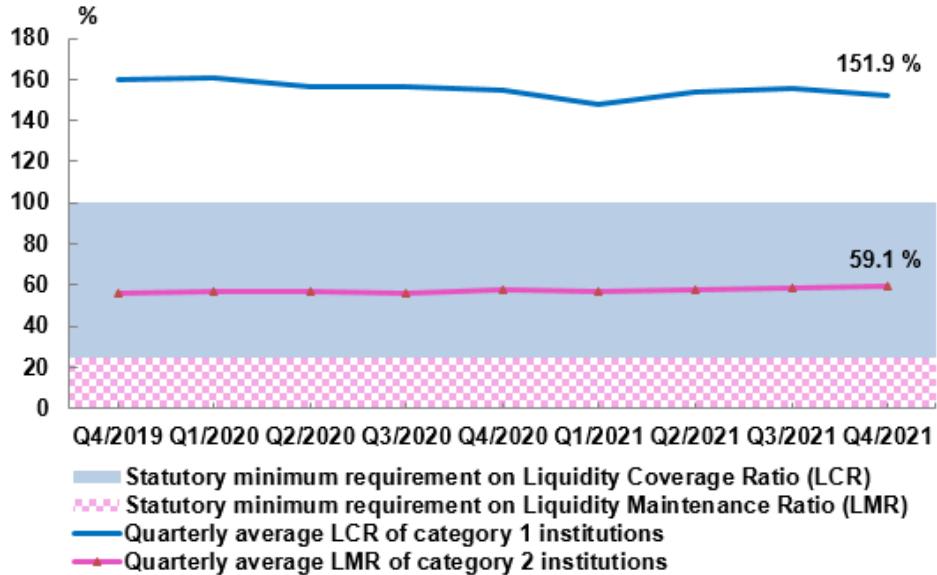
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- The banking sector continued to be well capitalised. The total CAR of locally incorporated AIs stood at 20.2% at end-December 2021, well above the international minimum requirement of 8%.



## BANKING SECTOR PERFORMANCE

Liquidity position remained robust



Source: HKMA

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- In the fourth quarter of 2021, the quarterly average LCR of category 1 institutions was 151.9%, well above the statutory minimum requirement of 100%. For category 2 institutions, their quarterly average LMR was 59.1% during the same period, also well above the statutory minimum requirement of 25%.



## BANKING SECTOR PERFORMANCE

Asset quality deteriorated slightly but still remained at a healthy level

**Classified loan ratio**  
Latest: 0.88% (Dec 2021)  
Peak: 7.43% (Sep 1999)

**Residential Mortgage Loans (RMLs) delinquency ratio**  
Latest: 0.04% (Feb 2022)  
Peak: 1.43% (Apr 2001)

**Ratio of overdue and rescheduled loans**  
Latest: 0.56% (Dec 2021)  
Peak: 5.99% (Sep 1999)

**Number of RMLs in negative equity**  
Latest: 21 (Dec 2021)  
Peak: 105,697 (Jun 2003)

**Credit card charge-off ratio**  
(quarterly %, annualised)  
Latest: 1.53% (Q4 2021)  
Peak: 14.55% (Q3 2002)

□ Peak      ■ Latest

Source: HKMA

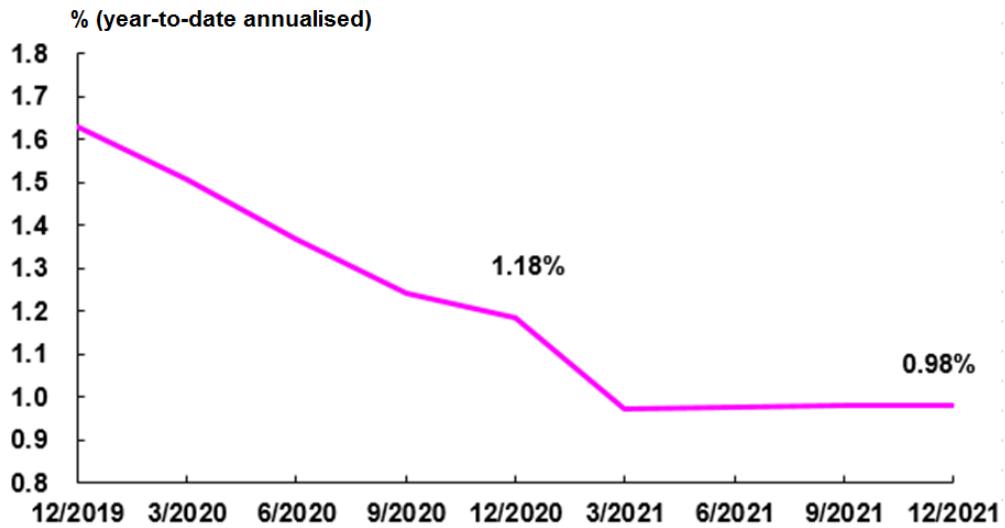
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- The classified loan ratio of the banking sector increased to 0.88% at end-December 2021 from 0.81% at end-September 2021, still remained low by historical and international standards.



## BANKING SECTOR PERFORMANCE

Net interest margin (NIM) narrowed



Source: HKMA

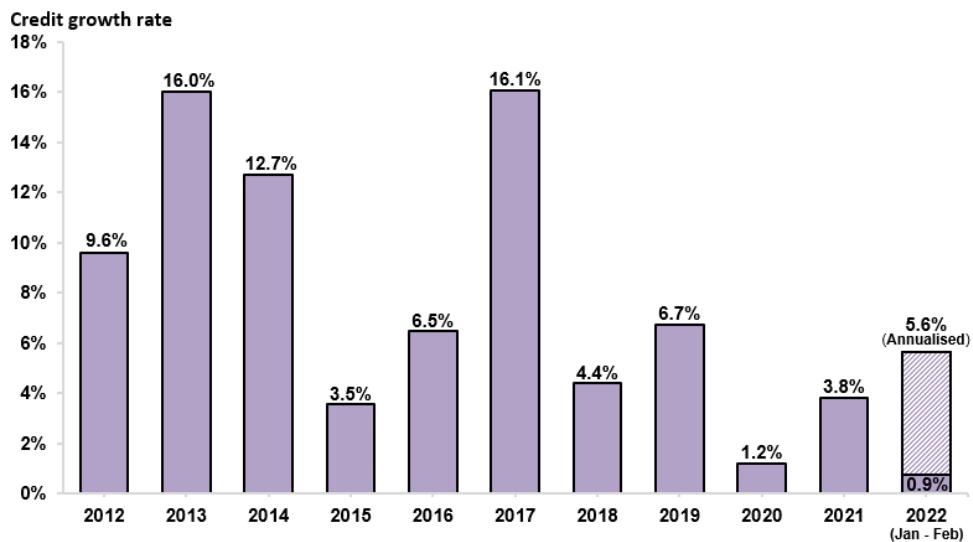
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- The NIM of retail banks' Hong Kong offices narrowed to 0.98% in 2021 from 1.18% in 2020.



## BANKING SECTOR PERFORMANCE

Credit grew at a moderate pace



Source: HKMA

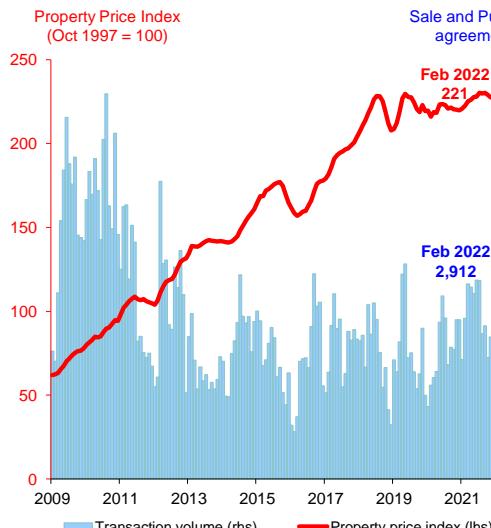
52

- Total loans increased by 0.9% in the first two months of 2022, or 5.6% on an annualised basis.

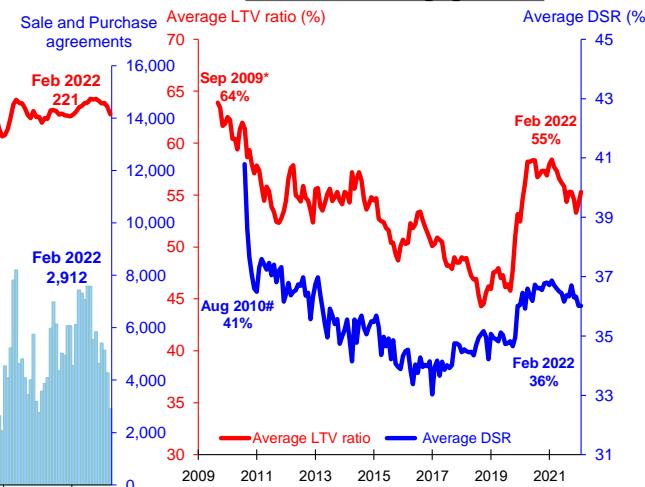


## PROPERTY MORTGAGE LOANS (RMLs)

### Residential property price index and transaction volume



### Average loan-to-value (LTV) ratio and debt servicing ratio (DSR) for newly approved residential mortgage loans



Sources: R&VD and Land Registry

\* Before the first round of the HKMA's countercyclical measures was introduced  
# When the tighter requirement on debt servicing ratio was introduced by the HKMA

- The average LTV ratio of newly approved RMLs decreased to 55% in February 2022, from the recent peak of 58% in February 2021. The average DSR for newly approved RMLs hovered at around 36% recently.

### Latest statistics on RMLs

	Monthly average in 2020	Monthly average in 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022
Number of sale and purchase agreements	4,990	6,191	5,844	4,643	5,409	5,145	4,275	2,912
Number of new RML applications	11,709	14,060	13,327	11,340	12,828	10,810	10,501	6,592
Number of new RMLs approved	7,763	10,121	10,341	9,628	10,122	9,000	8,607	5,274

### Latest statistics on residential property prices

Property price index		Period	Property price index
Rating and Valuation Department (10/1997=100)	Latest position	2/2022	221.0
	Recent peak	9/2021	230.2
	Peak in 1997	10/1997	100.0
Centaline (6/7/1997=100)	Latest position	20/3/2022	178.7
	Recent peak	8/8/2021	191.3
	Peak in 1997	19/10/1997	102.9



## **FIGHTING THE VIRUS AND SUPPORTING THE ECONOMY**

- Pre-approved Principal Payment Holiday Scheme
  - Extended the Scheme for another six months to end-October 2022
  - Offering an option for corporates which are financially capable and willing to repay 20% of the original principal repayment amount over a period of 1 year on a voluntary basis
  - The take-up rate of the Scheme stayed at around 3%
- Aggregate number of cases involving credit relief (up to March 2022):
  - Corporate customers: 88,000 cases (HK\$940 billion)
  - Individual customers: 53,000 cases (HK\$55 billion)



## INTERNATIONAL STANDARDS IMPLEMENTATION

### Basel revised capital treatment on banks' equity investments in funds

- Negative vetting in progress: Amendments to Banking (Capital) Rules

### Basel III final reforms

- Q1 2023: Amendments to Banking (Capital) Rules and Banking (Disclosure) Rules

### Consequential and other technical updates

- Q1 2023: Amendments to Banking (Exposure Limits) Rules

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Preparatory work for legislative amendments to implement the Basel regulatory standards is progressing:

#### Year 2022

To be submitted to LegCo on 27 April for negative vetting are amendments to the Banking (Capital) Rules to reflect the revised Basel capital requirement on banks' exposures to equity investments in funds.

#### Year 2023

The above will be followed sometime in early 2023 with the submission of amendments to the Banking (Capital) Rules and the Banking (Disclosure) Rules to implement the Basel III final reforms based on the latest local implementation schedule:

- revisions to the credit risk, operational risk, and leverage ratio frameworks, as well as an output floor for the use of internal models (which are scheduled to take effect from 1 July 2023 as minimum standards for locally incorporated AIs);
- revised market and credit valuation adjustment risk frameworks which are scheduled to take effect from 1 July 2023 initially for reporting purposes only by locally incorporated AIs (and no earlier than 1 January 2024 for the actual capital requirements); and
- revisions to the disclosure requirements to reflect the above revised capital frameworks.

Following the amendments to the Banking (Capital) Rules, some consequential amendments to the Banking (Exposure Limits) Rules will also be submitted in early 2023 along with certain technical refinements to enhance clarity and better reflect the policy intent of some existing provisions.



## ANTI-MONEY LAUNDERING AND COUNTER-FINANCING OF TERRORISM (AML/CFT)

- Legislative proposals to amend the Anti-money laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO) to align with the latest international standards
- Provided industry updates on the latest Financial Action Task Force (FATF) Plenary outcomes

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### **Legislative proposals to amend the AMLO**

- The Government is now preparing the AMLO Amendment Bill which will be introduced to Legislative Council (LegCo) in the 2022 legislative session. The LegCo's Panel on Financial Affairs was briefed on the relevant amendment proposals on 7 February 2022. This exercise aims to bring Hong Kong's regulatory regime up-to-date and in line with the latest international requirements, as promulgated by the global standard setter, Financial Action Task Force (FATF). The Bill will also provide for implementing new regulatory regimes for virtual asset service providers and dealers in precious metals and stones. In addition, it will clarify that digital identity systems may be used for customer due diligence purposes.
- The HKMA will continue to work closely with the banking sector and relevant government bureaux and departments on issues relating to the legislative proposals and update the AML/CFT Guideline for banks accordingly.

### **Updates on FATF Plenary outcomes**

- As one of the FATF members and in line with its usual practice, the HKMA issued a letter to all authorized institutions (AIs) and stored value facility (SVF) licensees in March 2022 highlighting a number of relevant outcomes of the FATF Plenary meeting, including a reminder to stay vigilant to possible emerging risks and to draw their attention to the amended FATF Recommendations concerning beneficial ownership and control of legal persons.



## VIRTUAL ASSETS

- Provided regulatory guidance in relation to banks' business interface with virtual assets (VAs) and virtual asset service providers (VASPs)
  - Prudential supervision
  - AML/CFT and financial crime risk
  - Investor protection



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- In light of the latest market development and enquiries from the industry, the HKMA issued a circular to banks on 28 January 2022 to articulate guiding principles regarding their dealing with matters relating to VAs and VASPs.
- The circular articulates the HKMA's regulatory approaches and provides guidance on three areas: (1) prudential supervision, (2) AML/CFT and financial crime risk, and (3) investor protection.
- The HKMA will continue to collaborate with other local and international regulators, keeping in view the evolving regulatory landscape and developments in VA-related products, services and activities, and will provide further guidance to banks as appropriate and in line with international standards.



## RESOLUTION REGIME

- Consulted the banking industry on a draft code of practice chapter on liquidity and funding in resolution

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- The HKMA continues to formulate policy standards with which AIs need to comply in order to enhance their resolvability. As part of this process, the HKMA plans to issue a code of practice chapter under the Financial Institutions (Resolution) Ordinance (Cap.628) on liquidity and funding in resolution.
- The banking industry has been consulted on the proposed chapter which sets out the Monetary Authority's expectations as to the business-as-usual capabilities and arrangements that an AI should have in place, in order to support its ability to meet liquidity and funding needs in resolution. The HKMA is considering the industry's comments.



## GREEN AND SUSTAINABLE BANKING

- Exploring the development of a local green classification framework to align with the Common Ground Taxonomy (CGT); participating in the work on transition finance under the International Platform on Sustainable Finance (IPSF)
- Reviewing “greenness” assessment framework to reflect latest developments in climate risk management and inform supervisory approach to other environmental risks (such as biodiversity loss)

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- We have been working with other financial regulators in Hong Kong to explore developing a local green classification framework which facilitates easy navigation among the CGT, China and the European Union’s taxonomies. Our work will be guided by the principles of interoperability, comparability and inclusiveness. While CGT will be a centrepiece of our framework, we will also take into account other definitions of green & transitional activities, and local considerations. We also joined a newly established working group of the IPSF targeting to promote transition finance.
- Further to the first round of “greenness assessment” conducted in 2020, we are working to revise the framework. Apart from reflecting latest developments in banks’ efforts in addressing climate change such as implementation of supervisory requirements on climate risk management and measures for supporting the net-zero transition, the revision will also address other environmental risks (e.g. biodiversity loss) in detail. The assessment will inform the direction of our future work on green and sustainable banking.



## **ENHANCED COMPETENCY FRAMEWORK (ECF)**

- Conducted the industry consultation on the new Compliance module
- Working with relevant parties on the development of a new module on Green and Sustainable Finance (GSF)

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- The HKMA commenced the formal industry consultation on the new ECF on Compliance in February 2022. Due to the COVID situation, the consultation period was extended to end in late-April 2022. This new ECF module is expected to be launched this year.
- The HKMA is working with relevant parties on developing a new module on GSF to cater for the strong demand of the industry for talent with GSF knowledge and skill sets.



## FINANCIAL INCLUSION

- Continuous efforts to promote industry guidelines on financial inclusion
- Ongoing engagement with business community on bank account opening and maintenance

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- The HKMA has continued its collaboration with relevant stakeholders in the community in promoting better understanding of the industry guidelines on banking services for persons with impairment and dementia.
- The HKMA's dedicated email account and hotline continued to be in operation and made available for the public as well as the local and overseas business community to lodge enquiries and provide feedback on account opening and maintenance matters. The HKMA has also continued its efforts to facilitate direct dialogue among the banking industry and business sector for the exchange of views and sharing of practical experiences in respect of account opening and maintenance.



## BANKING CONSUMER PROTECTION

- Commenced a new round of review on the Code of Banking Practice (CoBP) to strengthen customer protection
- Working closely with Industry Associations to introduce more than one consumer Credit Reference Agency (CRA)
- Refining proposal and making preparation with the industry on Payment Arrangements for Property Transactions (PAPT)

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- The HKMA is committed to strengthening bank consumer protection. Further to the launch of the revised CoBP at the end of 2021, the HKMA has immediately commenced a new phase of discussion with the industry on further enhancements to the CoBP in areas such as disclosure of product information, measures to support customers' financial management, and protection of customers when raising disputes.
- The HKMA has been working closely with Hong Kong Association of Banks (HKAB), DTC Association (DTCA) and the Hong Kong S.A.R. Licensed Money Lenders Association Ltd. (collectively referred to as "Industry Associations") to introduce more than one consumer CRA in Hong Kong, with a view to enhancing the service quality of consumer CRAs and reducing the operational risk of having only one commercially-run consumer credit information service provider in the market, particularly the risk of single point of failure. System development of the platform connecting CRAs and credit providers is in progress, and the new platform is expected to be in operation by the end of 2022.
- HKAB and DTCA's consultation with the banking industry on the PAPT proposal (to replace the current practice of routing such payments through the client accounts of the law firms) ended in January 2022. HKMA and the banking industry continued to engage stakeholders including the Law Society to refine the proposal and make other preparatory work e.g. drafting of documents. The banking industry is expected to take three to six months to prepare for implementation of PAPT after the finalisation of the PAPT proposal. This includes the time required for system and process development as well as staff training.



## BANKING INVESTOR PROTECTION

- Monitoring the implementation of the Cross-boundary Wealth Management Connect (WMC) Pilot Scheme
- Facilitating reactivation of suspended Mainland bank accounts
- Issued a joint circular with the Securities and Futures Commission (SFC) on intermediaries' virtual asset-related activities
- Conducting concurrent thematic review of the distribution of non-exchange traded investment products with the SFC
- Issued guidance with the Insurance Authority (IA) on the use of premium financing for long term insurance policies
- Collaborating with the IA and the Mandatory Provident Fund Schemes Authority (MPFA) on joint mystery shopping programme

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- Following the promulgation of the Implementation Arrangements for the Cross-boundary Wealth Management Connect in September 2021, the HKMA announced a total of 24 Hong Kong banks that were eligible to launch such services together with their respective Mainland partner banks. Operation of the WMC scheme has been smooth. The HKMA has maintained a close dialogue with banks and Mainland authorities on possible enhancements to the WMC scheme.
- The HKMA has received feedback from some members of the public that their Mainland bank accounts have become dormant or have been suspended for various reasons, and they are facing difficulties in reactivating their Mainland bank accounts by visiting the banks' branches on the Mainland in person due to the travel restrictions amid the COVID-19 pandemic situation. The HKMA provided guidance to banks in Hong Kong regarding facilitative measures to assist affected customers to reactivate their Mainland bank accounts.
- The HKMA and the SFC jointly issued a circular in January 2022 on intermediaries' virtual asset-related ("VA-related") activities with a focus on investor protection. The HKMA is reviewing banks' proposals on the distribution of VA-related investment products in accordance with the joint circular. The two regulators will also keep in view the evolving global regulatory landscape.
- The HKMA and the SFC jointly issued a circular in March 2022 to inform intermediaries about a concurrent thematic review of the distribution of non-exchange traded investment products by intermediaries. The concurrent thematic review will cover selected intermediaries' systems and controls, as well as management oversight of the distribution of popular products such as equity-linked structured products and corporate bonds.

- The HKMA provided guidance with the IA to the industry in April 2022 on the use of premium financing to purchase long term insurance policies. The guidance applies to AIs as licensed insurance intermediaries and as lenders for long term insurance policies with premium financing facilities.
- The fieldwork of the joint mystery shopping programme on selling practices in respect of two tax-deductible products (i.e. Qualifying Deferred Annuity Policies and Tax-deductible MPF Voluntary Contributions) instituted by the IA, the MPFA and the HKMA is underway. Observations will be shared with the industry as appropriate.



## PUBLIC EDUCATION

- Cross-media publicity themed “Bond with a Green Future” on Retail Green Bond
- Introduced the development and policies of green and sustainable finance to secondary school teachers in a webinar
- An online parenting & education campaign on money management during special vacation
- Enhanced publicity amid the pandemic on issues to note about using digital financial services including phishing attacks; also promoted the Faster Payment System (FPS) through the “Time Management Classroom” video series
- Through the HKMA’s digital media channels
  - Promoted the HKMA’s Fintech Career Accelerator Scheme (FCAS)
  - Provided updates on economy and financial stability
  - Shared key takeaways of HKMA and industry seminars



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- Conducted cross-media publicity themed “Bond with a Green Future” to promote the Inaugural Retail Green Bond by the Government.
- HKMA representative introduced the development and policies of green and sustainable finance in Hong Kong to secondary school teachers in a webinar of the Education Bureau.
- During the special vacation in the 2021/22 school year, launched an online parenting & education campaign and a quiz. Through the sharing by expert, animation videos, games and story-telling, kids learned basic money management concepts with fun.
- In view of the increased usage of digital financial services amid the pandemic, enhanced publicity on radio & print media was arranged to raise public awareness on issues to note including phishing attacks. In addition, the HKMA also promoted the FPS and educated the public on how to use the system to make payment convenient and easy through the “Time Management Classroom” video series.
- Through the HKMA’s digital media channels:
  - Promoted the HKMA’s Gap Year Placement Programme of the FCAS;
  - Provided updates on global, Mainland and Hong Kong economic conditions as well as monetary and financial stability; and
  - Shared the key takeaways of the HKMA and industry seminars, keeping the public abreast of the latest trends in the finance industry amid the pandemic situations.



## DEPOSIT PROTECTION SCHEME (DPS)

- Implemented a range of consumer campaign and social media campaign with interactive games to promote DPS knowledge
- Continued educational outreach activities via online platforms for different target groups



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- Implemented a range of consumer campaign and social media campaign for the public during the “stay-at-home” period to reinforce the public awareness and understanding of the DPS:
  - Partnered with a media group in executing a consumer campaign with newspaper advertorial and online quizzes to impart the knowledge of DPS features; and
  - Rolled out the third video of “Street Interviews” campaign and “Voting for Daily Saving Habits” campaign with interactive games on the DPS Facebook fanpage to enhance consumer engagements;
- Continued educational outreach activities via online platforms, which included online financial education talks for secondary school students and publishing articles on NGO e-platforms such as ThinkHK and Senior Home Safety Association to disseminate DPS messages.



# **FINANCIAL INFRASTRUCTURE**



## FINANCIAL INFRASTRUCTURE : OVERVIEW

### Payment systems

- Four Real Time Gross Settlement (RTGS) Systems for HKD, RMB, USD and Euro:
  - Average daily turnover in Q1 2022 reaching HK\$826 billion, RMB1,773 billion, US\$54 billion and €0.5 billion respectively
- Faster Payment System:
  - The number of registrations exceeded 10 million in early March 2022; the average daily number of Hong Kong dollar transactions in March this year rose by 39% yoy to 830,000

### Central Moneymarkets Unit (CMU)

- Providing settlement and custodian service for debt securities
  - HK\$2,266 billion equivalent outstanding debt securities lodged with CMU at end-March 2022
- Supporting Bond Connect
  - For Northbound Trading: 3,453 institutional investors at end-March 2022; RMB28.8 billion average daily turnover in March 2022

### Hong Kong Trade Repository: maintains an electronic database of over-the-counter derivative transactions

- 3,470,894 outstanding transactions at end-March 2022

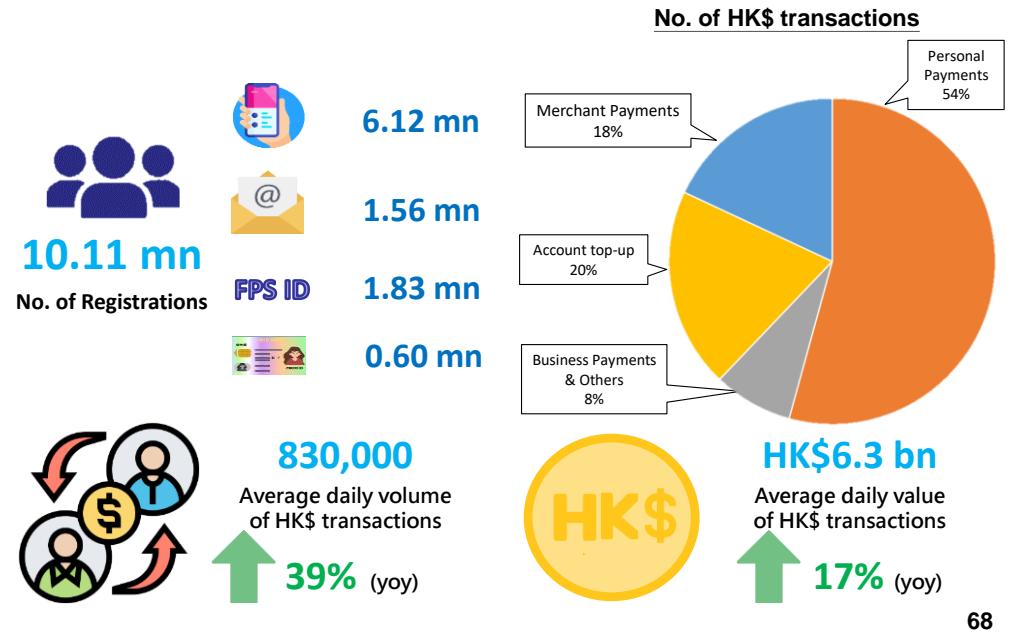
### New fintech initiatives

- E.g. Commercial Data Interchange, retail central bank digital currency, Open API for banking sector



## FASTER PAYMENT SYSTEM (FPS)

March 2022



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- The number of registrations and turnover of the FPS have been growing steadily. The number of registrations exceeded 10 million in early March 2022. Since the launch of the system till end-March, the FPS recorded 10.11 million registrations (including 6.12 million in mobile number, 1.56 million in email address, 1.83 million in FPS ID and 0.60 million in HKID number), up by 31% or 2.39 million registrations year-on-year (yoY). If a mobile number or email address with multiple registrations is counted once, there were 3.64 million in mobile number and 1.36 million in email address.
- The usage of FPS has expanded gradually to merchant payments and top-up transactions from primarily person-to-person transactions previously.
- The turnover of the FPS continues to grow. The average daily Hong Kong dollar real-time transactions reached 830,000 (rose by 39% YoY), worth HK\$6.3 billion (rose by 17% YoY) in March 2022.



## DEVELOPMENT OF CENTRAL MONEYMARKETS UNIT (CMU)

- To help Hong Kong grasp the emerging opportunities from the further opening up of the Mainland financial markets, the CMU has reviewed its strategic position and has commenced enhancements on both system and business fronts:
  - **System enhancement** (to increase CMU's capability, functions and efficiency to cope with growing demand)
  - **Introduction of new services** (to better support market participants to grasp new opportunities)
- Some of the enhancements and services have been launched, like those for Southbound Bond Connect and collateralised lending service for primary issuance, and the rest would be rolled out by phases over next few years
- The long-term objective is to establish the CMU as a major international central securities depository in Asia

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- Being a critical financial infrastructure operated by the HKMA, CMU is a central securities depository (CSD) providing safe, efficient and convenient clearing, settlement and custodian services for debt securities, which in turn supports the bond market development in Hong Kong.
- Riding on the opportunities arising from the opening up of Mainland financial markets, CMU has been providing important financial infrastructure support for the implementation of a number of cross-border financial initiatives, especially the Bond Connect.
- To seize the opportunities from Bond Connect, CMU has reviewed its strategic position to progress from a local financial infrastructure to a major CSD in Asia. To realise such goal, CMU will commercialise its business and operation to develop value-added services through:
  - **System Enhancement**
    - to improve interface with Mainland financial infrastructures (e.g. linkage with Cross-border Interbank Payment System launched in 2021, automated access by Mainland CSDs to be launched in first half of 2022);
    - to launch new functionalities (e.g. new open API and new user interface) in 2023 to provide CMU members with a more hassle-free experience;
    - to introduce a new CMU system with a more flexible account structure and settlement mechanism, and enhanced collateral management function (expected to be launched in 2025).

- **Introduction of new services**

- Collateralised lending service to provide free intra-day liquidity for primary issuance (launched on 1 April 2022).
- Support 24 hours operation to better serve investors in different time zones (expected to be launched in 2025).



## LATEST FINTECH INITIATIVES

- Launch of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Fintech Pilot Trial Facility
- Research on retail Central Bank Digital Currency (CBDC):
  - Following the release of a technical whitepaper in October 2021, studying the policy issues involved in introducing "e-HKD", with consultation in the pipeline
  - To offer initial thoughts on "e-HKD" by mid-2022
- Development of Commercial Data Interchange (CDI):
  - Currently in pilot launch stage, with official launch expected by the end of 2022
  - Contemplating new Proof-of-Concept (PoC) studies to explore new use cases
- Implementation of Open Application Programming Interface (Open API) for the banking sector:
  - Phase IV (Transactions) launched from end-December 2021
  - Phase III (Account information) launched for corporate and small and medium-sized enterprises (SME) customers from end-March 2022; launch for retail customers expected from end-June

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### GBA Fintech Pilot Trial Facility

- The HKMA and People's Bank of China (PBoC) signed a Memorandum of Understanding (MoU) in October 2021, agreeing to provide a "one-stop platform" for financial institutions (FIs) and technology firms to conduct pilot trials of cross-boundary fintech initiatives concurrently in Hong Kong and other Mainland GBA cities.
- The platform allows FIs and tech firms to obtain early feedback from regulators and users, expediting the launch of Fintech products and lowering development costs.
- Since signing the MoU, the HKMA and the PBoC have jointly developed a set of operational procedures for the pilot trial facility and had already written to invite applications from FIs and tech firms on 18 February 2022.

### Retail CBDC/e-HKD

- The technical whitepaper published in October 2021 explores potential technical design options for issuing and distributing retail CBDCs, and invites feedback and suggestions from academia and industry on the proposed architecture.
- The HKMA is studying a wide range of policy issues involved in introducing e-HKD, including the potential benefits and challenges; design considerations such as issuance mechanism, interoperability with other large-value and retail payment systems, privacy and data protection, and legal considerations; as well as use cases.

### **CDI**

- The HKMA has completed two phases of PoC study on applying alternative data to facilitate the underwriting of SME loans – over 550 SME loans amounting to over HK\$900 million were approved by the participating banks as of 1 November 2021.
- The CDI is now in pilot launch stage, involving eight pairs of banks and data providers.
- To explore new use cases, new PoC studies will be conducted in 2022. They will involve additional data providers and technology service providers.

### **Phase III (Account information) and IV (Transactions) Open API**

- The HKMA facilitated Hong Kong Association of Banks's publication in December 2021 of Phase III Technical Standards and refinement of Common Baseline document to include the scope of Phase III and IV implementation.
- For Phase IV, the majority of the 28 participating banks launched FPS app-to-app payments function starting from 31 December 2021.
- For Phase III, banks launched Open API functions covering deposit account information for their corporate and SME customers starting from 31 March 2022. API functions for retail customers are expected to be launched from 30 June 2022.



## **STORED VALUE FACILITIES (SVFs) AND RETAIL PAYMENT SYSTEMS (RPSs)**

- SVF usage continued to grow in Q4 2021:
  - Number of accounts in use: 66.42 million (+3.9% year-on-year (yoY))
  - Average daily transaction value: HK\$875 million (+32.6% yoY)
- SVF Security 2.0:
  - Gradual implementation since 2 July 2021
- Continue to supervise licensees in a risk-based manner, taking targeted supervisory actions where necessary
- Continue to oversee six designated RPSs



## REGULATORY DEVELOPMENT OF THE OVER-THE-COUNTER (OTC) DERIVATIVES MARKET

- In April 2022, the HKMA and the Securities and Futures Commission (SFC) jointly published the consultation conclusions on the addition of new Calculation Periods and consultation on annual review of the Financial Services Provider List (FSP List)
- The proposed legislative amendments to the Clearing Rules for adding the aforesaid Calculation Periods will be tabled before the Legislative Council for negative vetting by Q3 2022 for implementation in March 2023. Consultation on FSP List will be closed in mid-May 2022
- As of end-March 2022, the Hong Kong Trade Repository logged a total of 3.47 million outstanding OTC derivatives trades, covering five asset classes under mandatory reporting requirements, i.e. foreign exchange, interest rate, equity, credit, and commodity derivatives

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### The consultation conclusion on the addition of new Calculation Periods

- Pursuant to the Clearing Rules, a prescribed person (i.e. an AI, an Approved Money Broker or a Licensed Corporation (LC)) will be obliged to clear its OTC derivatives transactions with a designated central counterparty starting from a Prescribed Date if the average volume of its OTC derivatives transactions in a Calculation Period (each Calculation Period lasts for a period of three consecutive months) reaches a prescribed threshold (i.e. US\$20 Billion) and other conditions triggering clearing are met. Currently 12 such Calculation Periods are specified with a six-month interval between each Calculation Period under the Clearing Rules, with the last one running from 1 September to 30 November 2022. The HKMA and SFC thus proposed to add eight new Calculation Periods spanning from 1 March 2023 to 30 November 2026 to the Clearing Rules to facilitate the continuing operation of the Clearing Rules.
- In December 2021, the HKMA and the SFC jointly issued a consultation paper on the proposal of adding eight new Calculation Periods for the purpose of the Clearing Rules, and have received the industry's support for the proposal and the associated proposed amendments to the Clearing Rules. The SFC, with the HKMA's consent, will take the lead to table the proposed legislative amendments to the Clearing Rules before the Legislative Council for negative vetting by the third quarter of 2022. The proposed amended rules are expected to come into effect on 1 March 2023, subject to the legislative process.

### The consultation on the annual update to the list of Financial Services Provider

- Under the Hong Kong OTC Derivatives Clearing Rules, AIs and LCs are subject to the clearing obligation of specified OTC derivative transactions. In order to capture transactions between AIs/LCs and major dealers outside Hong Kong that are not AIs or LCs, the concept of FSP was introduced. Under the Clearing Rules, an entity will be designated as a FSP if the entity belongs to a firm on the Financial Stability Board's list of global systemically important banks or on the OTC Derivatives Supervisors Group's list of major dealers, and the entity is a clearing member of major central counterparties. Specific transactions between a FSP and AIs/LCs are subject to the clearing obligations. The HKMA and the SFC perform annual review and public consultation of the FSP list to ensure the list remains relevant and appropriate.



## INTEREST RATE BENCHMARK REFORMS

- The HKMA is:
  - Actively participating in discussion in international fora and closely monitoring relevant developments;
  - Working with the Treasury Markets Association to encourage the use of Hong Kong Dollar Overnight Index Average (HONIA), gauging industry views and promoting market awareness; and
  - Continuing to facilitate AIs' preparation for the discontinuation of the remaining US dollar LIBOR

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- The UK Financial Conduct Authority (FCA) has discontinued all sterling, euro, Swiss franc and Japanese yen LIBOR settings, and the 1-week and 2-month US dollar LIBOR settings after 31 December 2021 as planned, and new contracts should use the respective alternative reference rates. To facilitate a smooth transition, the FCA allows publication of new 1-, 3- and 6-month sterling and Japanese yen "synthetic" LIBOR settings based on the respective alternative reference rates for legacy use until the end of 2022. Overnight, 1-month, 3-month, 6-month and 12-month US dollar LIBOR settings will continue to be published until end-June 2023.

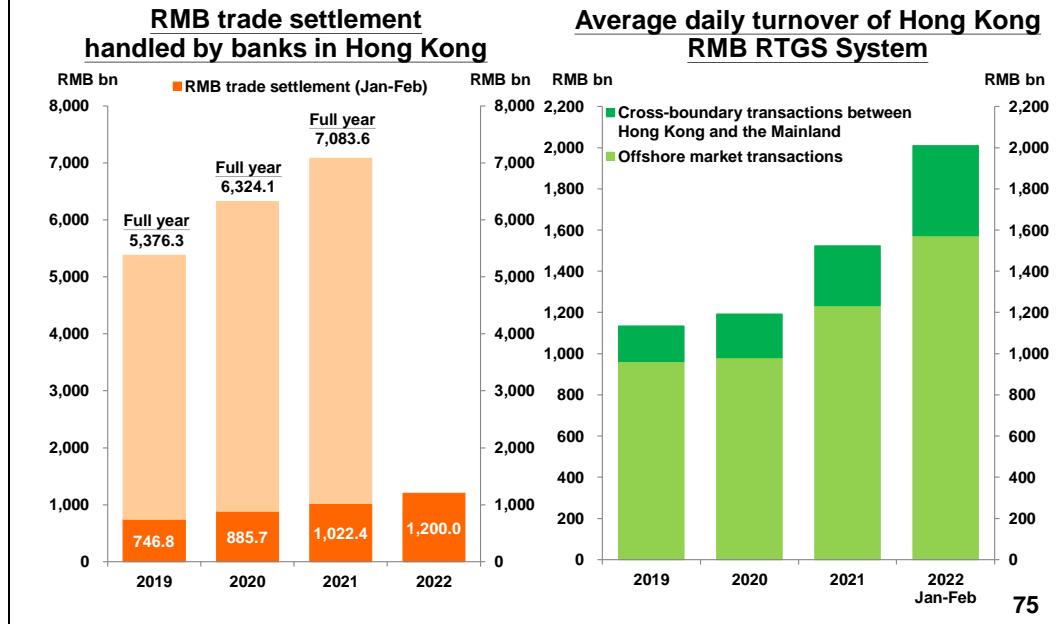


# **HONG KONG AS AN INTERNATIONAL FINANCIAL CENTRE**



## HONG KONG AS OFFSHORE RMB BUSINESS HUB

### RMB Trade Settlement and Payment

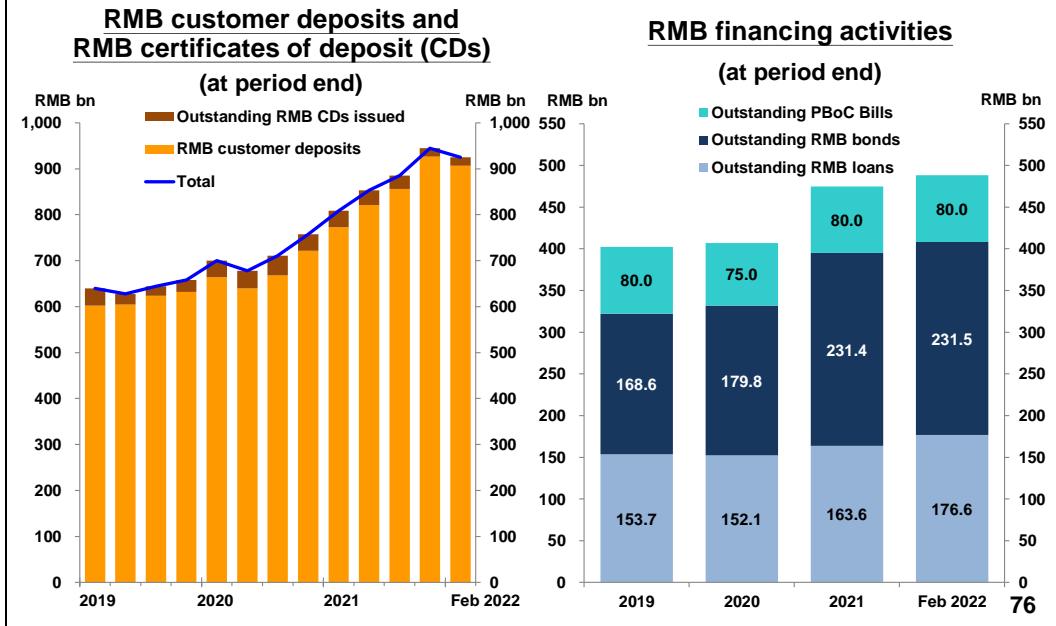


- In the first two months of 2022, renminbi trade settlement handled by banks in Hong Kong totalled RMB1,200.0 billion.
- In the first two months of 2022, the average daily turnover of Hong Kong RMB Real Time Gross Settlement (RTGS) system stood at RMB2,009.9 billion.



## HONG KONG AS OFFSHORE RMB BUSINESS HUB

### RMB Liquidity Pool and Financing Activities



- As at end-February 2022, renminbi customer deposits and outstanding renminbi CDs amounted to RMB906.7 billion and RMB18.3 billion respectively, totalling RMB924.9 billion.
- As at end-February 2022, outstanding renminbi loans amounted to RMB176.6 billion. Outstanding dim sum bonds amounted to RMB231.5 billion. Outstanding PBoC bills amounted to RMB80.0 billion.



## MUTUAL MARKET CONNECT SCHEMES

- **Northbound Trading under Bond Connect** continued to see active trading. In Q1 2022, average daily turnover amounted to RMB 32.8 billion, up 34% year-on-year. **Southbound Trading** has been well received by the market and operations have been smooth since launch
- **Cross-boundary Wealth Management Connect** has been operating smoothly. To date, 24 eligible Hong Kong banks have successfully commenced services with their Mainland partner banks
- The HKMA liaises closely with Mainland regulatory authorities, with a view to exploring feasible measures to further enhance the various mutual market access schemes and Hong Kong's status as an offshore renminbi business hub. These include expansion in investible products and eligible investor space and strengthening market liquidity and risk management



## HONG KONG AS BOND ISSUANCE HUB

- Hong Kong has been the largest hub for arranging Asian international bond issuance for six consecutive years
- In 2021, Hong Kong arranged 34% (US\$207 billion) of Asian international bond issuance; while US, UK and Singapore took shares of 22%, 17% and 5% respectively
- Hong Kong was also well ahead of other major international financial centres in terms of arranging first-time bond issuance, capturing 71% (US\$21 billion) of the Asian market in 2021

Source: International Capital Market Association



## DEVELOPING ASSET AND WEALTH MANAGEMENT INDUSTRY

- Hong Kong's private equity industry has remained robust, with over US\$180 billion of total capital under management as at end-December 2021\*. The limited partnership fund regime continued to see momentum – 456 funds had been registered as at end-March 2022
- The HKMA has been working with the Task Force led by Financial Services and the Treasury Bureau to develop a proposal to provide tax concession for family offices. Industry consultation was conducted between March and April 2022, and indicated general support for the proposal

\* Source: Asian Venture Capital Journal



## PROMOTING GREEN FINANCE (1)

- Total green and sustainable bonds and loans issued in Hong Kong quadrupled from a year ago to reach US\$57 billion in 2021\*
- The Green and Sustainable Finance Cross-Agency Steering Group (CASG) co-chaired by the HKMA and the SFC has set up the Centre for Green and Sustainable Finance (GSF Centre) to strengthen the talent and data related work with a view to enhancing the capacity building on green finance of banks and financial institutions. The CASG also continues to take forward its work on taxonomies, climate-related disclosures and sustainability reporting, as well as carbon market opportunities. In March,
  - It published its preliminary feasibility assessment of carbon market opportunities for Hong Kong, with proposed next steps to support the development of Hong Kong as a regional carbon trading centre
  - The GSF Centre launched a Data Source Repository to support climate risk management and other green and sustainable finance related analysis and research

\* Source: HKMA staff estimates based on statistics from International Capital Market Association and LoanConnector

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- The CASG aims to coordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies. Other members include the Environment Bureau, the Financial Services and the Treasury Bureau, the Hong Kong Exchanges and Clearing Limited, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.



## PROMOTING GREEN FINANCE (2)

- The HKMA is assisting the Government in the launch of the inaugural retail green bond. Public response has been enthusiastic. The HKMA will continue to assist the Government on further green bond issuances under the Government Green Bond Programme, having regard to the development of the COVID-19 situation and market conditions. The 2022-23 Budget announced that the Government will continue to issue green bonds totalling about US\$4.5 billion or equivalent this year
- The HKMA continued to administer and promote the Green and Sustainable Finance Grant Scheme to attract more green and sustainable financing activities to Hong Kong. The scheme has been well received by the market and has approved around 70 applications across various kinds of green and sustainable debt instruments by April 2022. The threshold of the size of eligible green debt under the scheme has been lowered to support SMEs in obtaining green financing

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- To attract more green and sustainable financing activities to Hong Kong, the Government launched a three-year Green and Sustainable Finance Grant Scheme in May 2021 to cover part of the expenses on bond issuance and external review services. The scheme also encourages more financial and professional service providers and external reviewers to set up their regional hubs in Hong Kong.



## CRYPTO-ASSETS AND STABLECOINS

- On 12 January, the HKMA issued a discussion paper on crypto-assets and stablecoins, setting out the HKMA's thinking on the proposed regulatory framework for payment-related stablecoins
- The HKMA is reviewing the feedback received from the consultation period which recently closed on 31 March. Comments gathered from engagement so far demonstrated broad support for the HKMA to adopt a risk-based, pragmatic and agile regulatory approach
- The HKMA will issue the consultation conclusion and announce our next steps in due course



## GOVERNMENT BOND PROGRAMME

- **Retail bonds – outstanding as at end-March 2022**
  - Two iBonds, totalling HK\$35 billion
  - Three Silver Bonds, totalling HK\$47.6 billion
- **Institutional bonds – outstanding as at end-March 2022**
  - 14 institutional bonds, totalling HK\$88.8 billion
  - One Islamic bond, totalling US\$1 billion
  - 20-year Hong Kong dollar bond – inaugural issuance planned for 26 May 2022, representing an important step to further facilitate the formation of local yield curve and implement the relevant recommendation of the Steering Committee on Bond Market Development in Hong Kong



## HONG KONG ACADEMY OF FINANCE (AoF)

- **Financial Leaders Programme 2022** – The AoF has introduced a new structured leadership development programme, which aims to nurture the next generation of top level financial leaders. It has admitted 20 financial talents with a balanced mix of backgrounds and expertise for the 2022 Cohort. Programme activities have commenced in April 2022
- **Financial Leadership Development events** – Two webinars were successfully organised since February 2022
- **Research Activities** – The Hong Kong Institute for Monetary and Financial Research (HKIMR) released a new Applied Research Report in February 2022 and four new Applied Research Papers in March 2022. The HKIMR also organised four webinars to disseminate findings of applied and monetary research since February

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### Financial Leaders Programme

- The AoF launched a new Financial Leaders Programme in November 2021. The Programme aims to inspire talents with considerable experience in the financial industry, to equip them with a mindset to lead, to enhance their understanding of financial issues from a macro and systemic perspectives, as well as to expand their professional network. The Programme offers a unique opportunity for participants to engage in dialogue with and learn from top leaders in the Government, regulatory authorities, financial institutions and the business sector.
- The Programme will be offered on a part-time basis and lasts for about 9 months, from April to December. The application for the 2022 Programme closed on 9 January 2022 and a total of 42 applications were received from various financial institutions. The AoF has admitted 20 financial talents with a balanced mix of backgrounds and expertise for the 2022 Programme. Programme activities has started in April 2022.

### Financial Leadership Development

- Distinguished Speakers Series webinar featuring Shriti Vadera, Chair of Prudential plc, was held on 15 March 2022.
- HKIMR-AoF Expert Speakers Series webinar was held on 12 April 2022. The webinar featured a dialogue between Mr Joseph YAM, former Chief Executive of the HKMA and Professor HUANG Yiping, Deputy Dean of the National School of Development, Peking University on macroeconomic developments, US Federal Reserve (Fed) tightening, and offshore RMB market development. In order to reach a wider audience, other than the main event live-streaming platform, we cooperated with a leading provider of financial information services in the Mainland to broadcast the webinar.

## **Research Activities**

- A new Applied Research Report “Demographic Changes and Long-Term Asset Markets: Opportunities and Developments in Hong Kong” was released by the HKIMR in February 2022 with a press release.
- In March 2022, four Applied Research papers focusing on fintech developments, climate risk measurement, exchange-traded funds, and market liquidity conditions in Hong Kong, were released. These topics were deemed as relevant to market participants and regulators in Hong Kong.
- The HKIMR hosted four webinars on applied and monetary research topics with local and overseas speakers from academia since February.



# INVESTMENT ENVIRONMENT AND PERFORMANCE OF THE EXCHANGE FUND

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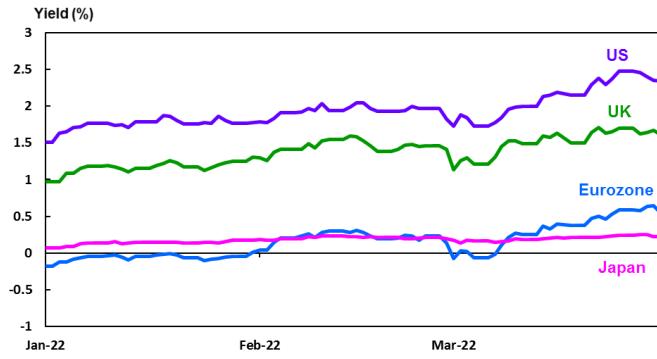
## INVESTMENT ENVIRONMENT IN Q1 2022

- Market volatility intensified as geopolitical risks coincided with Fed's rate hike cycle
- **Interest rates:** Major sovereign bond yields rose. US 10-year Treasury yield surged to above 2% to two-year high amid Fed rate hike. Yield curve inversion (i.e. long-term yields fell below short-term yields) took place in late March, adding to risk aversive sentiments
- **Equity markets:** Major equity markets failed to perform amid the Russia-Ukraine situation, inflation fear, Fed tightening, stretched valuation and other headwinds. Hong Kong equity market rose slightly during the quarter but experienced sharp sell-off due to worsened COVID situation and other global factors in March
- **Exchange rates:** The US dollar strengthened against major currencies such as Japanese yen, Euro and Pound Sterling in the quarter, while renminbi remained strong

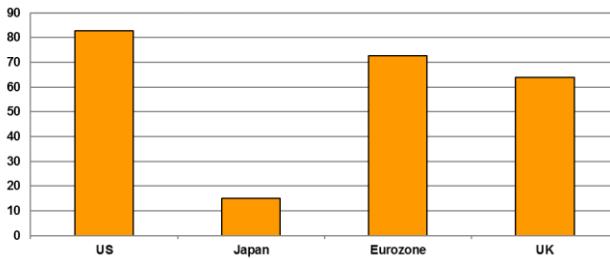
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## MAJOR DEVELOPED MARKET SOVEREIGN BOND YIELDS ROSE



2022 Q1 bond yield change (bps)

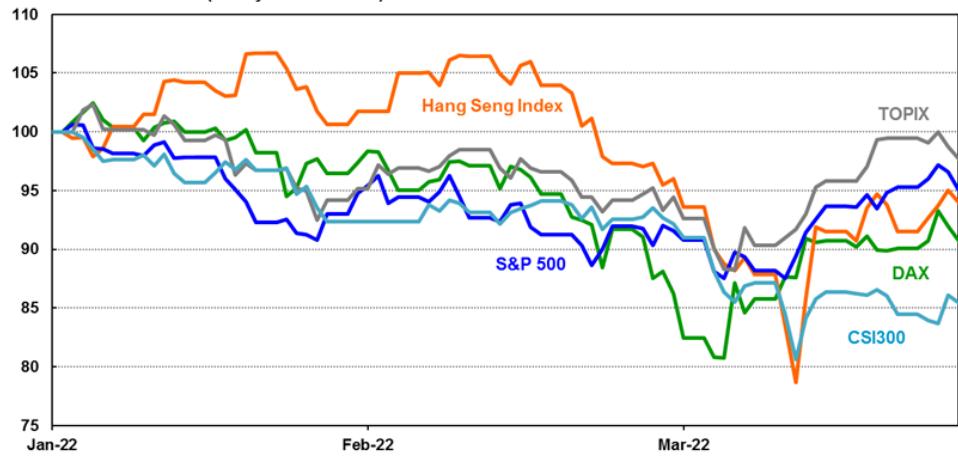


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## MAJOR EQUITY MARKETS FAILED TO PERFORM

Normalised Index Level (2021 year-end = 100)

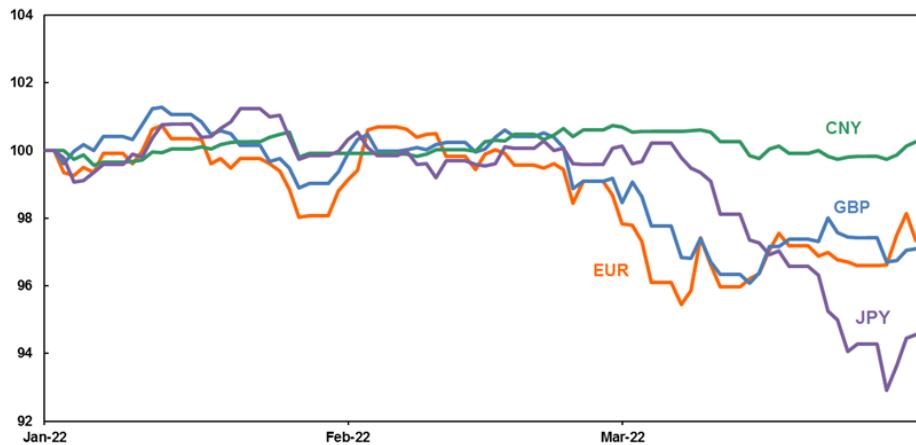


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## MAJOR CURRENCIES FELL AGAINST USD EXCEPT FOR RMB

Normalised FX Level Against USD (2021 year-end = 100)



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## INVESTMENT INCOME

	2022	2021	2020	2019
	I←(unaudited)→I			
(HK\$ billion)	Q1	Full Year	Full Year	Full Year
<b>Hong Kong equities*</b>	<b>(9.4)</b>	<b>(21.0)</b>	<b>4.0</b>	<b>22.1</b>
<b>Other equities</b>	<b>(24.6)</b>	<b>68.4</b>	<b>69.9</b>	<b>100.7</b>
<b>Bonds</b>	<b>(34.7)</b>	<b>12.4</b>	<b>92.7</b>	<b>114.5</b>
<b>Foreign exchange<sup>#</sup></b>	<b>13.7</b>	<b>16.8</b>	<b>9.6</b>	<b>(13.0)</b>
<b>Other investments<sup>@</sup></b>	<b>—</b>	<b>114.7</b>	<b>59.6</b>	<b>37.9</b>
<b>Investment (loss)/income</b>	<b>(55.0)</b>	<b>191.3</b>	<b>235.8</b>	<b>262.2</b>

\* Excluding valuation changes of the Strategic Portfolio.

# This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

@ Including valuation changes of private equity and real estate investments held under the Long-Term Growth Portfolio. Valuations of these investments for the first quarter of 2022 are not yet available.

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## INCOME AND EXPENDITURE

(HK\$ billion)	2022	2021	2020	2019
	←(unaudited)→			
	Q1	Full Year	Full Year	Full Year
<b>Investment (loss)/income</b>	<b>(55.0)</b>	<b>191.3</b>	<b>235.8</b>	<b>262.2</b>
Other income	-	0.2	0.2	0.2
Interest and other expenses	<u>(1.6)</u>	<u>(6.1)</u>	<u>(14.6)</u>	<u>(24.8)</u>
Net (loss)/income	<u>(56.6)</u>	<u>185.4</u>	<u>221.4</u>	<u>237.6</u>
Fee payment to Fiscal Reserves*#	(11.0)	(34.4)	(69.8)	(53.8)
Fee payment to HKSAR government funds and statutory bodies*	(5.3)	(16.8)	(11.5)	(9.0)

\* The rate of fee payment is 5.6% for 2022, 4.7% for 2021, 3.7% for 2020 and 2.9% for 2019.

# This does not include the 2022 and 2021 fee payments to the Future Fund because such amounts will only be disclosed when the respective composite rates for 2022 and 2021 are available.

(The composite rate was 12.3% for 2020 and 8.7% for 2019. Fee payable to the Future Fund was HK\$37.2 billion for 2020 and HK\$24.4 billion for 2019.)

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## EXCHANGE FUND ABRIDGED BALANCE SHEET

(HK\$ billion)	At 31 Mar 2022 (Unaudited)	At 31 Dec 2021 (Unaudited)	At 31 Dec 2020	At 31 Dec 2019
<b>ASSETS</b>				
Deposits	321.6	299.6	267.0	305.9
Debt securities	3,216.9	3,291.2	3,238.0	2,856.6
Hong Kong equities*	166.4	183.2	206.9	194.8
Other equities	569.8	559.3	536.3	534.9
Other assets#	<u>233.7</u>	<u>244.5</u>	<u>251.0</u>	<u>314.5</u>
<b>Total assets</b>	<b>4,508.4</b>	<b>4,577.8</b>	<b>4,499.2</b>	<b>4,206.7</b>
<b>LIABILITIES AND EQUITY</b>				
Certificates of Indebtedness	610.2	592.4	556.2	516.1
Government-issued currency notes and coins in circulation	13.1	13.1	12.8	13.0
Balance of the banking system	337.5	377.5	457.5	67.7
Exchange Fund Bills and Notes issued	1,188.8	1,148.6	1,068.9	1,152.3
Placements by banks and other financial institutions	8.0	-	87.6	35.0
Placements by Fiscal Reserves®	955.8	973.3	881.8	1,137.5
Placements by HKSAR government funds and statutory bodies	386.4	394.2	342.5	328.4
Placements by subsidiaries	22.0	21.6	15.5	12.6
Other liabilities	<u>278.0</u>	<u>268.2</u>	<u>233.1</u>	<u>194.7</u>
<b>Total liabilities</b>	<b>3,799.8</b>	<b>3,788.9</b>	<b>3,655.9</b>	<b>3,457.3</b>
Accumulated Surplus	707.7	788.0	842.4	748.7
Revaluation Reserve	0.9	0.9	0.9	0.7
<b>Total equity</b>	<b>708.6</b>	<b>788.9</b>	<b>843.3</b>	<b>749.4</b>
<b>Total liabilities and equity</b>	<b>4,508.4</b>	<b>4,577.8</b>	<b>4,499.2</b>	<b>4,206.7</b>

\* Including shares of the Hong Kong Exchanges and Clearing Limited in the Strategic Portfolio.

# Including fund injection to Exchange Fund's investment holding subsidiaries at a carrying amount of HK\$191.5 billion at 31 March 2022 (HK\$190.1 billion at 31 December 2021, HK\$193.2 billion at 31 December 2020 and HK\$177.3 billion at 31 December 2019).

® Including placements by the Future Fund of HK\$242.7 billion at 31 March 2022

(HK\$217.7 billion at 31 December 2021, HK\$205.0 billion at 31 December 2020 and HK\$224.5 billion at 31 December 2019).

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## HISTORICAL INVESTMENT INCOME

Year	(HK\$ billion)	Full Year	Q4	Q3	Q2	Q1
2003		89.7	33.5	8.4	41.1	6.7
2004		56.7	33.0	14.1	(7.2)	16.8
2005		37.8	7.3	19.0	13.6	(2.1)
2006		103.8	36.0	37.1	12.5	18.2
2007*		142.2	33.4	61.8	26.3	20.7
2008*		(75.0)	8.3	(48.3)	(20.4)	(14.6)
2009*#		107.7	10.6	71.9	58.7	(33.5)
2010*#		79.4	5.9	74.5	(12.1)	11.1
2011**#		27.1	22.1	(41.4)	21.6	24.8
2012*#		111.6	30.3	42.4	(5.6)	44.5
2013*#		81.2	30.7	54.7	(23.3)	19.1
2014**#		44.7	6.1	(17.8)	43.3	13.1
2015*#		(15.8)	21.0	(63.8)	18.7	8.3
2016*#		68.1	(23.3)	47.1	18.9	25.4
2017*#		264.0	66.0	61.8	71.3	64.9
2018*#		10.9	(33.6)	9.5	0.0	35.0
2019*#		262.2	60.3	23.5	45.0	133.4
2020*#		235.8	145.0	81.2	121.6	(112.0)
2021*# (unaudited)		191.3	47.6	4.0	88.4	51.3
2022* (unaudited)		N/A	N/A	N/A	N/A	(55.0)

\* Excluding valuation changes of the Strategic Portfolio.

# Including valuation changes of private equity and real estate investments held under the LTGP.

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# HONG KONG MORTGAGE CORPORATION

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## SME FINANCING GUARANTEE SCHEME (SFGS)

- Enhancements announced in 2022-23 Budget have taken effect since 1 April 2022:
  - Application period for all three guarantee products extended to 30 June 2023
  - Principal moratorium arrangement extended by six months to a total maximum of 30 months. An option to resume making partial principal repayment for one year will be provided
  - For Special 100% Loan Guarantee, maximum loan amount per enterprise raised to total amount of employee wages and rents for 27 months (originally 18 months), subject to a ceiling of HK\$9 million (originally HK\$6 million); maximum repayment period extended to 10 years (originally eight years)
- Special 100% Loan Guarantee:
  - As of 20 April 2022, over 49,200 applications were approved, amounting to about HK\$87.0 billion. Over 32,700 applications have chosen the principal moratorium option
- 80% and 90% Guarantee Products:
  - As of 20 April 2022, around 28,200 applications were approved, amounting to about HK\$107.2 billion. Over 2,000 applications have chosen the principal moratorium option

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## 100% PERSONAL LOAN GUARANTEE SCHEME (PLGS)

- Enhancements announced in 2022-23 Budget have taken effect since 19 April 2022:
  - Application period extended to end-April 2023
  - Maximum loan amount per borrower increased to nine times (originally six times) the average monthly income during employment, subject to a ceiling of HK\$100,000 (originally HK\$80,000)
  - Maximum repayment period extended to 10 years (originally six years)
  - Principal moratorium arrangement extended to 18 months (originally 12 months)
- As of 20 April 2022, around 39,200 applications were approved, amounting to about HK\$2.72 billion. Average loan size was about HK\$69,000

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## MORTGAGE INSURANCE PROGRAMME (MIP)

- Enhancements announced in 2022-23 Budget have taken effect since 23 February 2022:
  - Maximum property value amended to HK\$10 million (originally HK\$8 million) for mortgage loans up to 90% loan-to-value (LTV) ratio applicable to first-time homebuyers
  - Maximum property value amended to HK\$12 million (originally HK\$10 million) for mortgage loans up to 80% LTV ratio
  - MIP coverage extended to properties valued from above HK\$12 million and up to HK\$19.2 million, subject to a mortgage loan cap of HK\$9.6 million
- In 2022, as of 20 April, around 12,500 applications were approved, of which 1,160 were under the new coverage after the MIP revisions in February 2022. Over 90% of approved applications were from first-time homebuyers
- Principal moratorium or extension of repayment schedules is available to borrowers to help reduce their repayment burden

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## REVERSE MORTGAGE PROGRAMME

- As of 20 April 2022, 5,389 applications had been received:
  - Average age of borrowers: 68 years old
  - Average monthly payout: HK\$17,000
  - Payment terms: 10-year (22.7%);  
15-year (14.8%); 20-year (12.5%); life (50.0%)
  - Average property value: HK\$5.8 million
  - Average property age: 30 years

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## HKMC ANNUITY PLAN

- Detailed business results:

	Since launch	2021	2021 (Jan – Mar)	2022 (Jan – Mar)
<b>No. of policies issued</b>	14,924	4,059	895	649
<b>Total premium amount (HK\$ billion)</b>	10.4	3.0	0.89	0.44
<b>Average premium amount (HK\$)</b>	696,000	740,000	992,000	675,000