



Bond market in Hong Kong

Figure 1 – Top arrangement locations of Asian international bonds⁽¹⁾

	2021			2016		2011	
	US\$ bln	% change since 2011	Ranking ⁽²⁾	US\$ bln	Ranking ⁽²⁾	US\$ bln	Ranking ⁽²⁾
Hong Kong	206.8	+875%	1	99.5	1	21.2	3
United States	134.0	+335%	2	76.2	2	30.8	2
United Kingdom	104.0	+41%	3	65.7	3	73.8	1
Singapore	32.1	+228%	4	17.7	4	9.8	4
France	14.0	+460%	5	2.3	7	2.5	6
Taiwan	4.1	NA	6	5.3	5	-	-
Japan	3.9	-22%	7	4.0	6	5.0	5

Notes: (1) A bond is considered as arranged in the location where the majority (over 50%) of its arranging activities take place.

(2) International ranking of the location by total nominal value of Asian international bonds arranged.

Figure 2 – Outstanding debt securities by currency

	Denominated in Hong Kong dollar ⁽¹⁾	Denominated in RMB and foreign currencies ⁽²⁾	
	HK\$ (billion)	US\$ equivalent (billion)	HK\$ equivalent ⁽³⁾ (billion)
End-2018	1,056	158	1,236
End-2019	1,084	137	1,070
End-2020	1,220	148	1,151
End-2021	1,208	175	1,364
End-June 2022	1,238	177	1,392

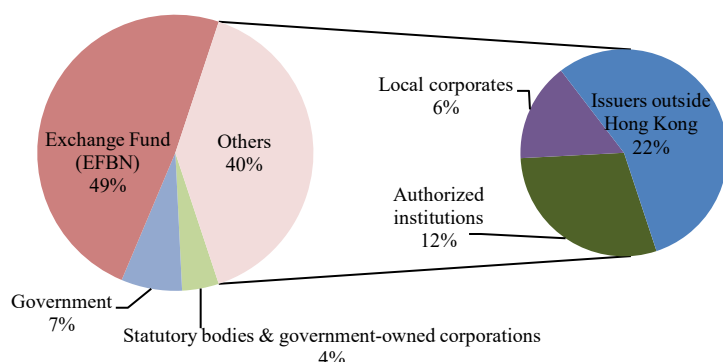
Notes: (1) Includes all debt instruments (including government bonds, corporate bonds, shorter-tenor papers such as bills, and other types of fixed income instruments) other than EFBN.

(2) Data includes foreign currency-denominated bonds and certificates of deposit as well as offshore RMB bonds. Original data is presented in US\$ equivalent and further breakdown by type of currencies is not available.

(3) Conversion is based on end-of-period US\$ exchange rates published by HKMA.

Figure 3 – Hong Kong dollar debt securities by sector

**Total: HK\$2,357 billion as at end-2021
(Excluding EFBN: HK\$1,208 billion)**



Highlights

- Bond arranging activities, comprising originating and structuring, bookbuilding, legal and transaction documentation preparation, and sale and distribution, are an essential part of the capital raising process, which captures up to 80% of the value-adding of a bond issuance. Hong Kong has been the most active market for Asian borrowers to arrange international bonds (i.e. bonds that are issued in a market outside the Asian borrowers' home jurisdiction, "Asian international bonds") for six consecutive years since 2016. In 2021, Asian international bonds arranged in Hong Kong amounted to US\$206.8 billion (HK\$1,607.7 billion) (**Figure 1**). According to analysts, the growth of bond arrangement activities in Hong Kong is mainly attributable to the strong increase in bonds issued by Mainland issuers and Hong Kong's role as an international financial hub for Mainland entities.

- The size of Hong Kong's bond market, excluding Exchange Fund Bills and Notes ("EFBN") issued by the Hong Kong Monetary Authority ("HKMA"), has generally been on an upward trend and exceeded HK\$2,630 billion in terms of outstanding debt securities as at end-June 2022. Both Hong Kong dollar ("HKD") debt securities and those in other currencies (including renminbi ("RMB")) grew over the past few years, to HK\$1,238 billion and US\$177 billion (HK\$1,392 billion) respectively (**Figure 2**). Apart from buoyant fund raising by issuers outside Hong Kong, the sustained growth may also be partly attributable to the Government's effort in promoting the bond market, including increased issuance of government bonds, and launch of incentive schemes (e.g. Green Bond Grant Scheme, followed by Green and Sustainable Finance Grant Scheme) which have facilitated the total issuance of over US\$60 billion of bonds since 2018.

- The outstanding amount of EFBN totalled HK\$1,149 billion as of end-2021, equivalent to 49% of the HKD debt securities in Hong Kong (**Figure 3**). Bonds issued under the Government Bond Programme ("GBP") made up 7% of the outstanding HKD debt securities, whereas authorized institutions, local corporates and issuers outside Hong Kong collectively accounted for 40%, with more than half of the amount issued by the last group.

Bond market in Hong Kong (cont'd)

Figure 4 – Offshore RMB bond issuance in Hong Kong, 2007-2021

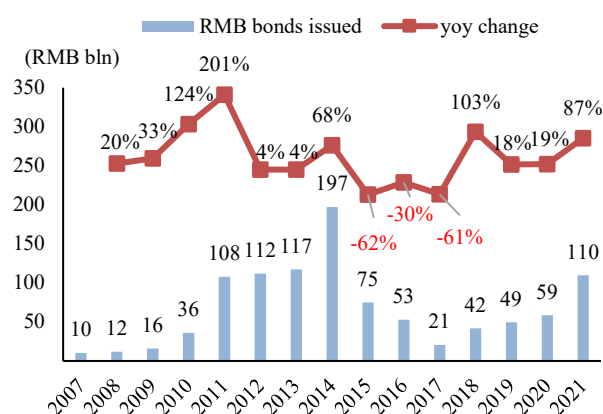
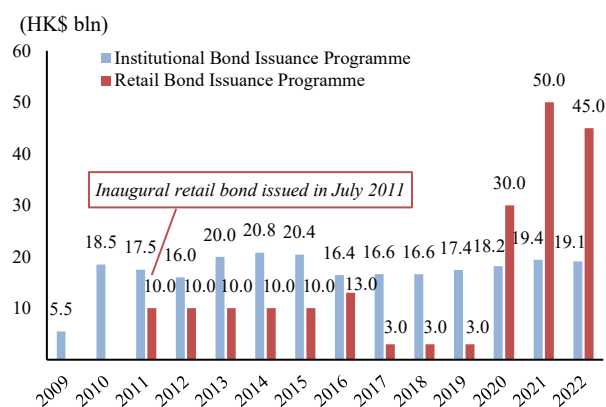


Figure 5 – Issuance under the Government Bond Programme, 2009-2022⁽¹⁾



Note: (1) Data for 2022 is as at end-October.

Figure 6 – Issuance under the Government Green Bond Programme

Year of issuance	Currency denomination	Number of tranches	Total issuance amount ⁽¹⁾
Institutional bonds			
2019	US dollar	1	US\$1 billion (HK\$7.8 billion)
2021	US dollar	4	US\$3.5 billion (HK\$27.0 billion)
	Euro	2	€1.75 billion (HK\$15.3 billion)
	Renminbi	2	RMB5 billion (HK\$6.1 billion)
Retail bonds			
2022	HK dollar	1	HK\$20 billion

Note: (1) The bond proceeds were exchanged to Hong Kong dollars immediately upon receipt.

Highlights

- Offshore RMB bonds (also known as dim sum bonds), launched in Hong Kong in 2007, saw rapid growth in the early years, followed by a significant slowdown during 2015 to 2017. However, issuance has recorded a solid rebound afterwards, in particular jumping by 87% year-on-year (“yoy”) to RMB110 billion in 2021 (Figure 4). During the year, the Shenzhen Municipal People’s Government (“Shenzhen government”) issued RMB5 billion of RMB bonds in Hong Kong, including RMB3.9 billion of green bonds, marking the first time a municipal government issued RMB bonds outside the Mainland. More recently, the Shenzhen government issued RMB bonds in Hong Kong for the second time, while the People’s Government of Hainan Province did so for the first time, with each issuance raising RMB5 billion. The recent expansion of the offshore RMB bond market in Hong Kong may be driven by multiple factors, including strong growth of financing need on the Mainland, issuers’ appreciation of the need to diversify funding channels, relatively lower cost of raising RMB debt vis-a-vis other currencies amidst rising interest rates in major global economies, and the effort to reinforce Hong Kong’s status as the global offshore RMB business hub as outlined in the 14th Five-Year Plan.

- GBP was launched in 2009 to promote the development of the local bond market. GBP consists of the Institutional Bond Issuance Programme and the Retail Bond Issuance Programme, with the latter comprising inflation-linked bonds (“iBond”) and Silver Bonds. To further promote the retail bond market and to provide the general public with low-risk investment options especially during a period of low interest rates, the Government has boosted iBond and Silver Bond issuance since 2020. Annual issuance under the Retail Bond Issuance Programme ranged from HK\$30 billion to HK\$50 billion in the past three years, compared to mostly HK\$3 billion/HK\$10 billion in the years before (Figure 5). Issuance under the Institutional Bond Issuance Programme, on the other hand, remained relatively stable in the range of HK\$15 billion to HK\$20 billion per year.

- Apart from GBP, the Government Green Bond Programme (“GGBP”) was launched in 2018 to demonstrate the Government’s commitment to promoting green finance. Following the approval by the Legislative Council to enable the Government to conduct borrowing under the GGBP, the inaugural institutional green bond was issued in May 2019. Over HK\$56 billion of institutional bonds have been issued under GGBP so far, with most offerings occurring in 2021, while the inaugural retail green bond totalling HK\$20 billion was issued in May 2022 (Figure 6). Proceeds are used for funding government infrastructure works projects with environmental benefits. For example, half of the proceeds from the November 2021 issuances were allocated to green building projects such as the East Kowloon Cultural Centre and Kwai Chung Hospital redevelopment.

Data sources: Latest figures from Financial Services and the Treasury Bureau, Hong Kong Monetary Authority, Asian Development Bank, and International Capital Market Association.

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