

LOANS ORDINANCE

RESOLUTION OF THE LEGISLATIVE COUNCIL

Resolution made and passed by the Legislative Council under section 3 of the Loans Ordinance (Cap. 61) on 2009.

RESOLVED that –

- (a) the Government be authorized to borrow from any person from time to time for the purposes of the Bond Fund established by a resolution made and passed under section 29 of the Public Finance Ordinance (Cap. 2) such sums not exceeding in total \$100 billion or equivalent, being the maximum amount of all borrowings made under this paragraph that may be outstanding by way of principal at any time; and
- (b) sums borrowed under paragraph (a) are to be credited to the Bond Fund.

Clerk to the Legislative Council

2009

Explanatory Note

This Resolution relates to the proposal in the 2009-2010 Budget to promote the further and sustainable development of the bond market in Hong Kong. As mentioned in the Budget Speech, promoting the development of the bond market is important to reinforcing Hong Kong's position as an international financial centre. This can provide more diversified investment products and avenues for financing to attract more overseas capital.

2. This Resolution authorizes the Government to borrow for the purposes of the Bond Fund such sums not exceeding in total \$100 billion or equivalent, being the maximum amount of all borrowings under the authorization that may be outstanding by way of principal at any time, and requires that the sums be credited to the Bond Fund.

[DRAFT]

**SPEECH BY
THE FINANCIAL SECRETARY
IN THE LEGISLATIVE COUNCIL
ON 8 JULY 2009**

GOVERNMENT BOND PROGRAMME

LOANS ORDINANCE (CHAPTER 61)

Resolution to Authorize the Government to Borrow

President,

I move the motion standing in my name on the Agenda.

2. This Resolution seeks to authorize the Government to borrow up to a ceiling of HK\$100 billion or equivalent in accordance with the Loans Ordinance.

3. First of all, I would like to thank Members for

supporting the motion I have moved just now, which concerns the authorization for the Government to set up the “Bond Fund” under the Public Finance Ordinance to manage sums raised under the Government Bond Programme.

4. As I have mentioned earlier, implementation of the Government Bond Programme is an important step in promoting the development of the local bond market. Upon careful consideration of relevant factors, we propose that authorization be given to the Government to borrow up to a ceiling of HK\$100 billion or equivalent for the purpose of the “Bond Fund”.

5. We believe that the total size of the Programme is an important indicator for the market to assess the determination and effort of the Government in promoting the development of the local bond market. The proposed borrowing ceiling is reasonable and necessary. It fully reflects the long-term and on-going nature of the Programme.

It also provides enough room for the public debt market to grow into a critical mass, thereby enabling the Programme to bring about its intended effect. The proposed ceiling represents a long-term target over a period of 5 to 10 years. It can provide the necessary flexibility for the Government to make necessary adjustments to the issuance size and tenor of individual tranches in response to market needs when implementing the Programme.

6. Upon the passage of this Resolution by the Legislative Council, we will proceed full-steam ahead with the preparatory work for launching the Government Bond Programme within the confine of the relevant borrowing ceiling, including hammering out the parameters of the Programme such as the size of individual issues, tenor, frequency of issues, etc. The Programme will comprise bond issues for institutional and retail investors respectively. We will determine the exact offering mechanism for specific types of bonds targeting different investors under the

Programme. For the conventional fixed rate Hong Kong dollar bonds issued for institutional investors under the Programme, the bonds will be offered by way of competitive tenders open to the Primary Dealers. We will appoint the Primary Dealers based on objective, quantitative and open criteria. To facilitate access by individual investors, we shall distribute fixed rate Hong Kong dollar bonds under the retail tranche of the Programme through an extensive network of placing institutions. These will include placing banks, the Hong Kong Securities Clearing Company and securities brokers.

7. We will solicit further market views in the process, and take into account relevant factors such as prevailing market conditions and impact on other issuers in the market before formulating the relevant details.

8. As regards the specific arrangement for implementing the Programme, I will direct the Hong Kong

Monetary Authority to assist the Government in coordinating the offering of the bonds under the Programme. The relevant tasks for the Authority include –

- (a) performing certain functions of an arranger;
- (b) managing the investment of moneys in the “Bond Fund” to be placed with the Exchange Fund; and
- (c) providing an investment income for the “Bond Fund” on the basis of the “fixed rate” sharing arrangement applicable to the fiscal reserves.

9. We will put in place suitable arrangements for overseeing the implementation of the Programme. In addition, we will set up a mechanism for tapping market views on an on-going basis so that we could take into account such views in implementing the Programme.

10. President, I earnestly hope that Members will support the Resolution under section 3 of the Loans Ordinance in order to facilitate early implementation of the Government Bond Programme.

《End》