

HKMA Press Release

People's Bank of China and Hong Kong Monetary Authority
sign Currency Swap Agreement

On 19 December 2008 the Central Government announced that 14 measures would be undertaken in seven areas to support Hong Kong's financial stability and economic development, including agreeing to the signing of a currency swap agreement between the People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA). Following further discussions between the PBoC and the HKMA on the final details, the currency swap agreement was signed today (20 January).

The signing of a currency swap agreement is another area of monetary co-operation between the PBoC and HKMA in addition to their existing collaborative work. With the establishment of a currency swap arrangement, short-term liquidity support can be provided to the Mainland operations of Hong Kong banks and the Hong Kong operations of Mainland banks in case of need. This will bolster confidence in Hong Kong's financial stability, and will also help to promote financial stability in the region and the development of renminbi denominated trade transactions between Hong Kong and the Mainland. The currency swap agreement has a term of three years, which can be extended upon agreement by both parties. It can provide liquidity support up to RMB 200 billion / HKD 227 billion.

The Financial Secretary, Mr John C Tsang, said, "The signing of a currency swap agreement by the PBoC and the HKMA is a policy measure of the Central Government to further support Hong Kong's economic development, and it will help to maintain Hong Kong's status as an international financial centre. I would like to express my gratitude to the Central Government for its support."

When signing the currency swap agreement, the Chief Executive of the HKMA, Mr Joseph Yam, said, "the signing of this agreement by the PBoC and the HKMA represents a further strengthening of financial co-operation between the Mainland and Hong Kong. The establishment of a currency swap arrangement will help to address contingent needs and maintain financial stability. It will also contribute to the development of a mutually assisting, complementary and interactive relationship between the financial systems of the Mainland and Hong Kong."

Hong Kong Monetary Authority
20 January 2009