



CB(1)588/11-12(03)

HONG KONG MONETARY AUTHORITY

**Briefing to the Legislative Council
Panel on Financial Affairs**

15 December 2011



DISCUSSION TOPICS

Updates on

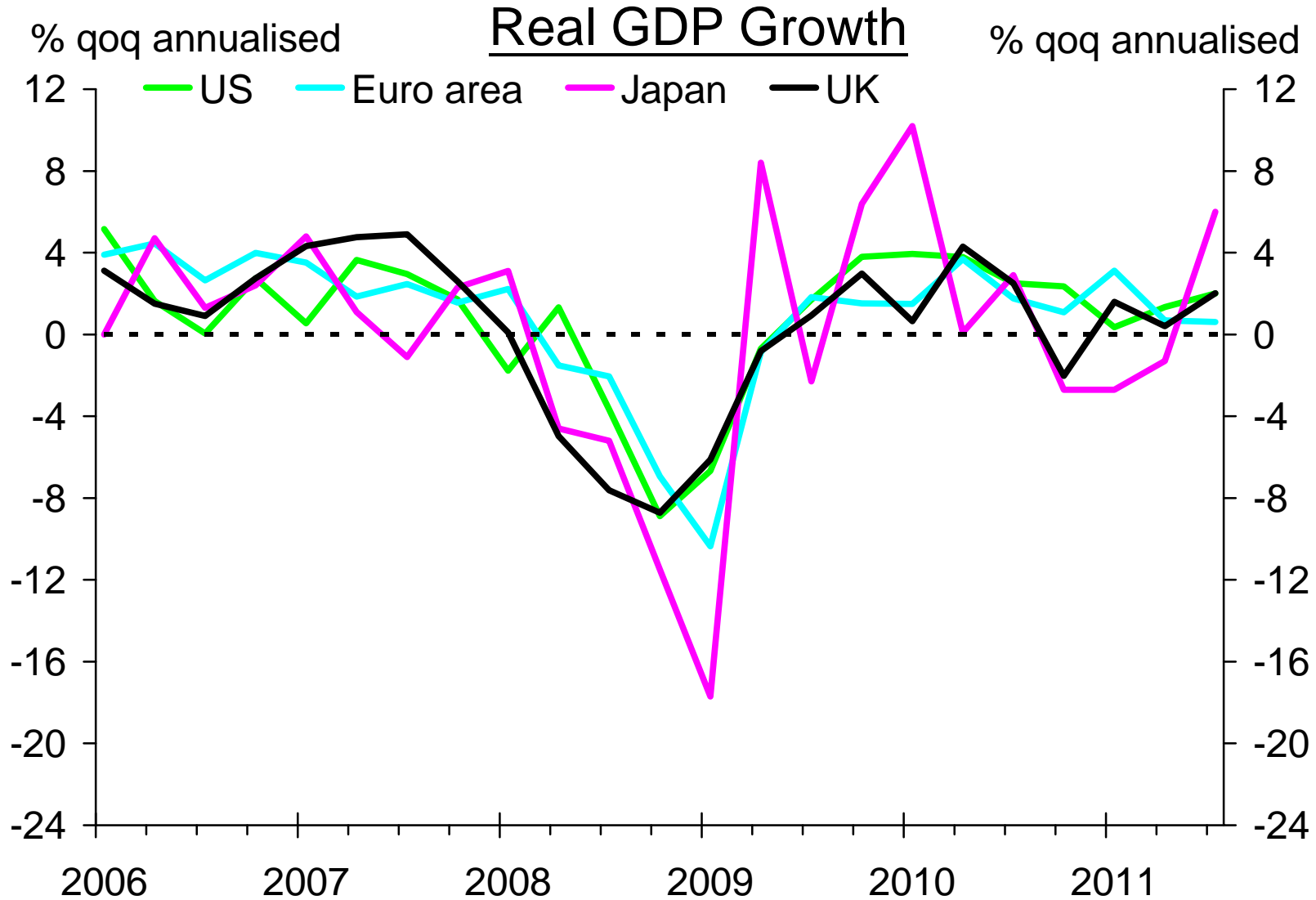
- Financial and Economic Conditions
- Currency Stability
- Banking Stability
- Financial Infrastructure
- Hong Kong as an International Financial Centre
- The Exchange Fund
- Hong Kong Mortgage Corporation



FINANCIAL AND ECONOMIC CONDITIONS



ECONOMIC SITUATION IN MAJOR COUNTRIES

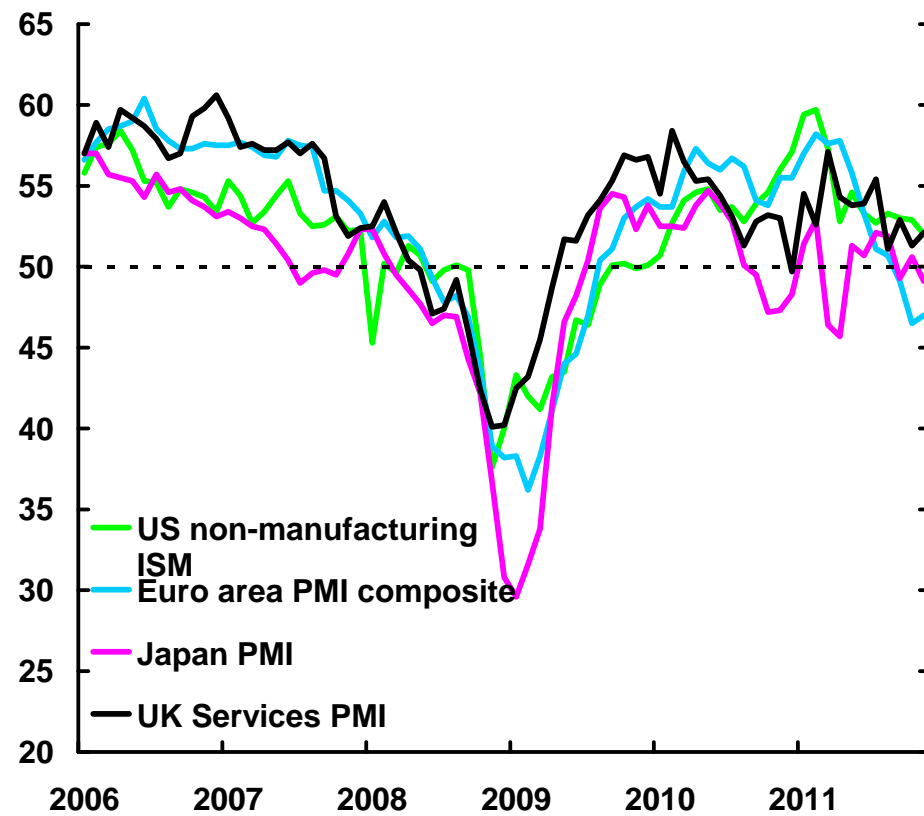


Source: Bloomberg

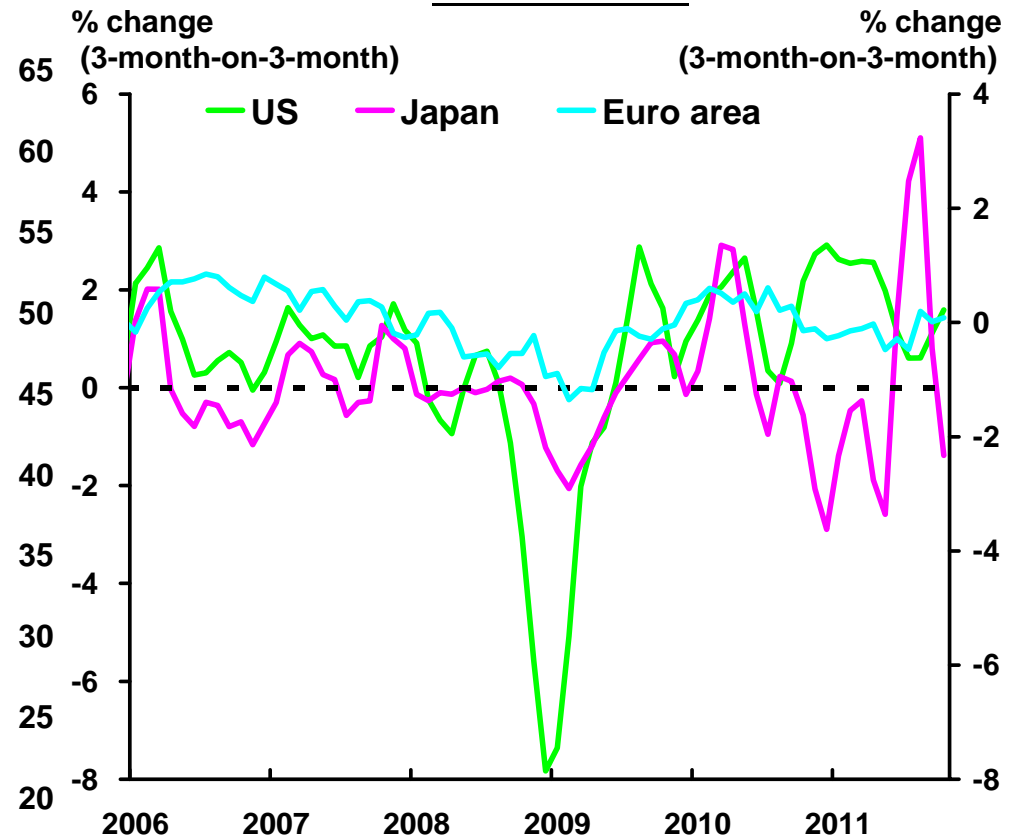


ECONOMIC SITUATION IN MAJOR COUNTRIES

Purchasing Manager Index



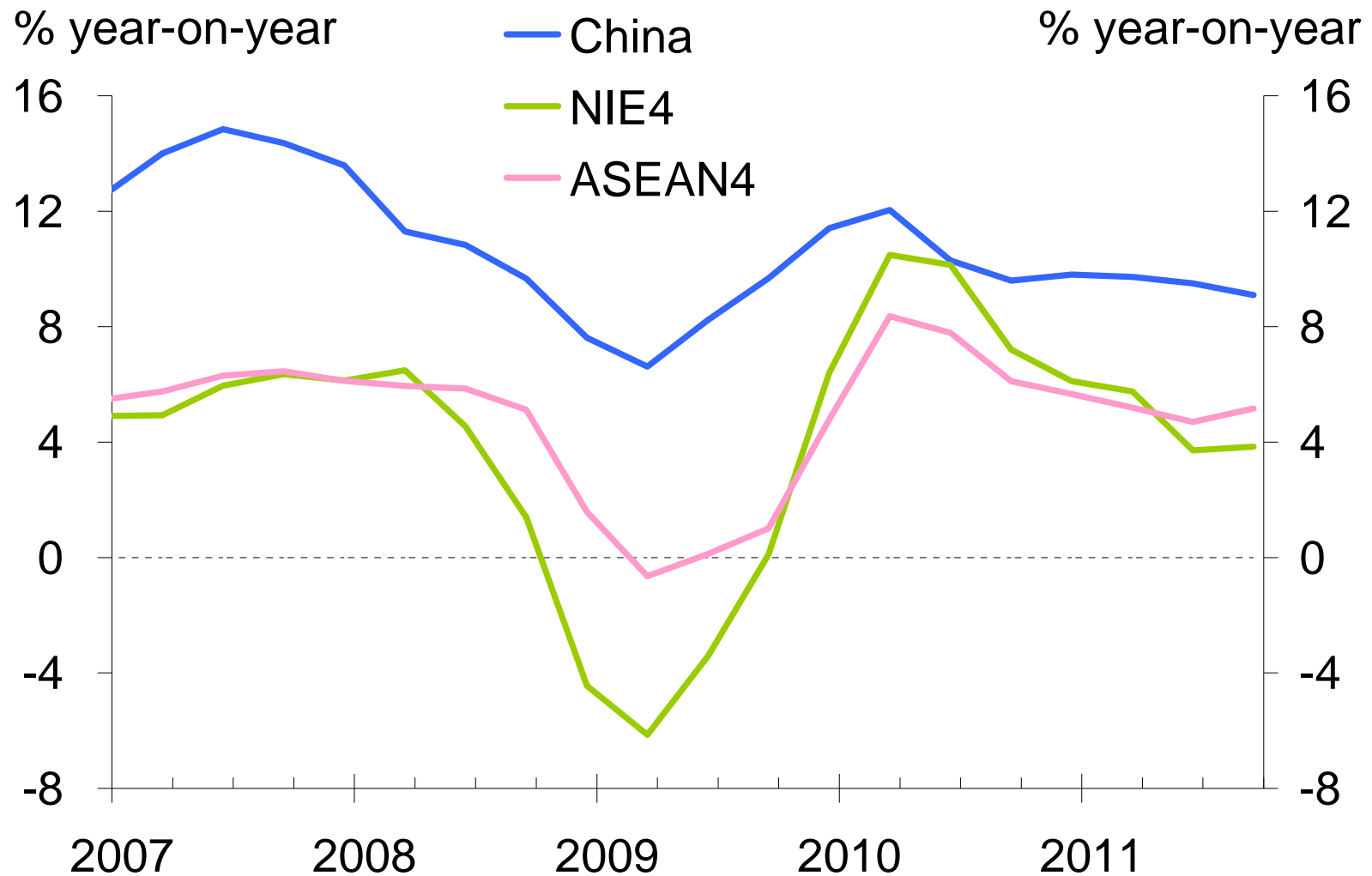
Retail Sales



Sources: Bloomberg and CEIC



ECONOMIC GROWTH IN ASIA



Note: NIE4 includes Hong Kong, Singapore, South Korea and Taiwan; ASEAN4 includes Indonesia, Malaysia, the Philippines and Thailand.
Sources: CEIC, IMF and staff estimates



Economic growth under baseline scenario

Real GDP growth

(%, annual rate)

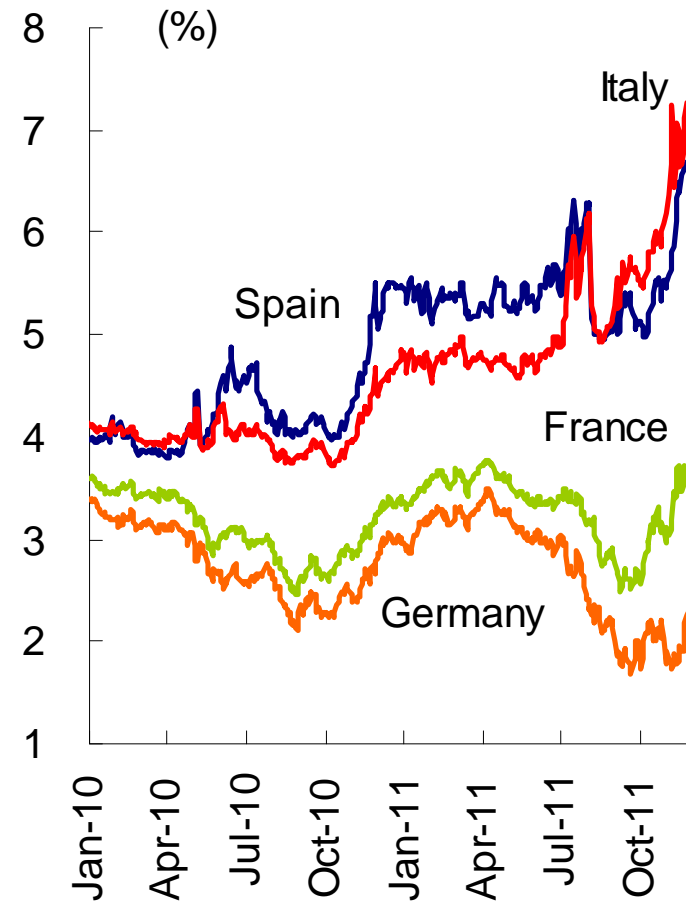
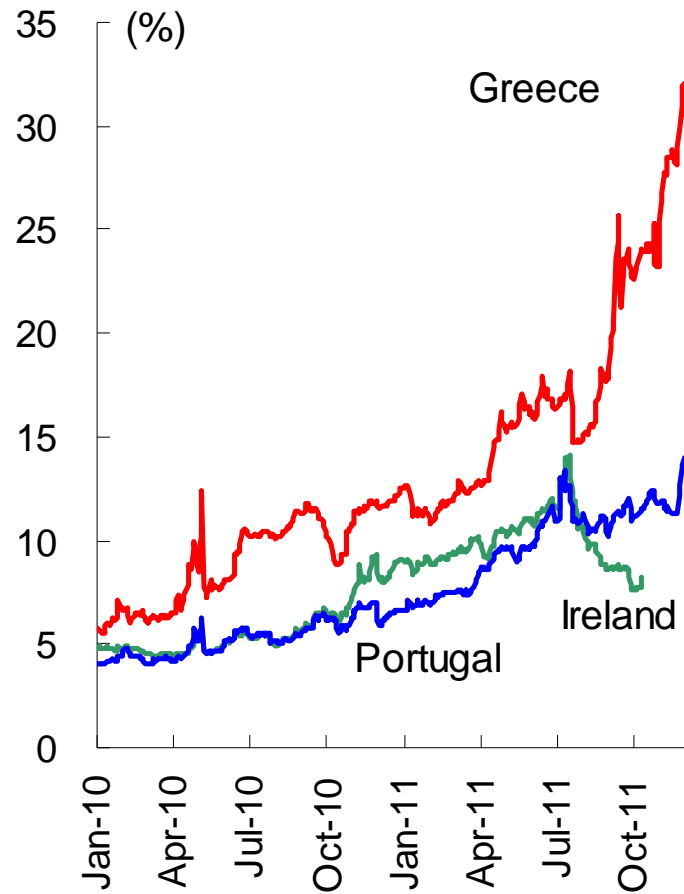
	2011 Consensus Forecasts		2012 Consensus Forecasts	
	May FAP Briefing	Dec FAP Briefing	May FAP Briefing	Dec FAP Briefing
US	2.7	1.8	3.2	2.1
Euro area	1.7	1.6	1.7	0.4
Japan	0.0	-0.4	2.8	2.1
Asia (ex. Japan)	7.7	7.3	7.5	6.9

Source: Consensus Forecasts



European sovereign debt crisis

10-year sovereign bond yield

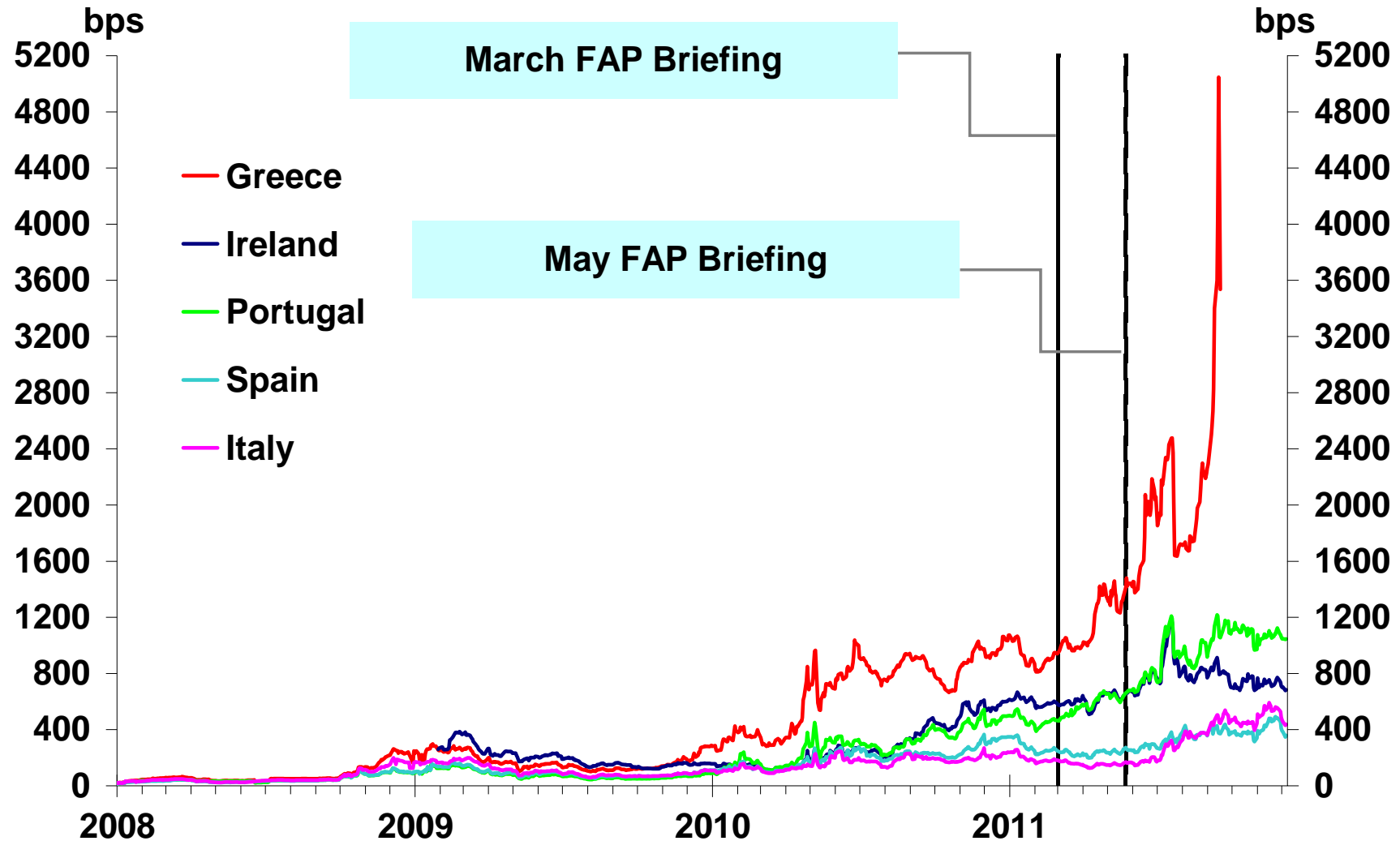


Source: Bloomberg Note: Bloomberg has stopped updating Ireland's 10-year bond yield since 11 Oct



EUROPEAN SOVEREIGN DEBT PROBLEM: CDS SPREADS

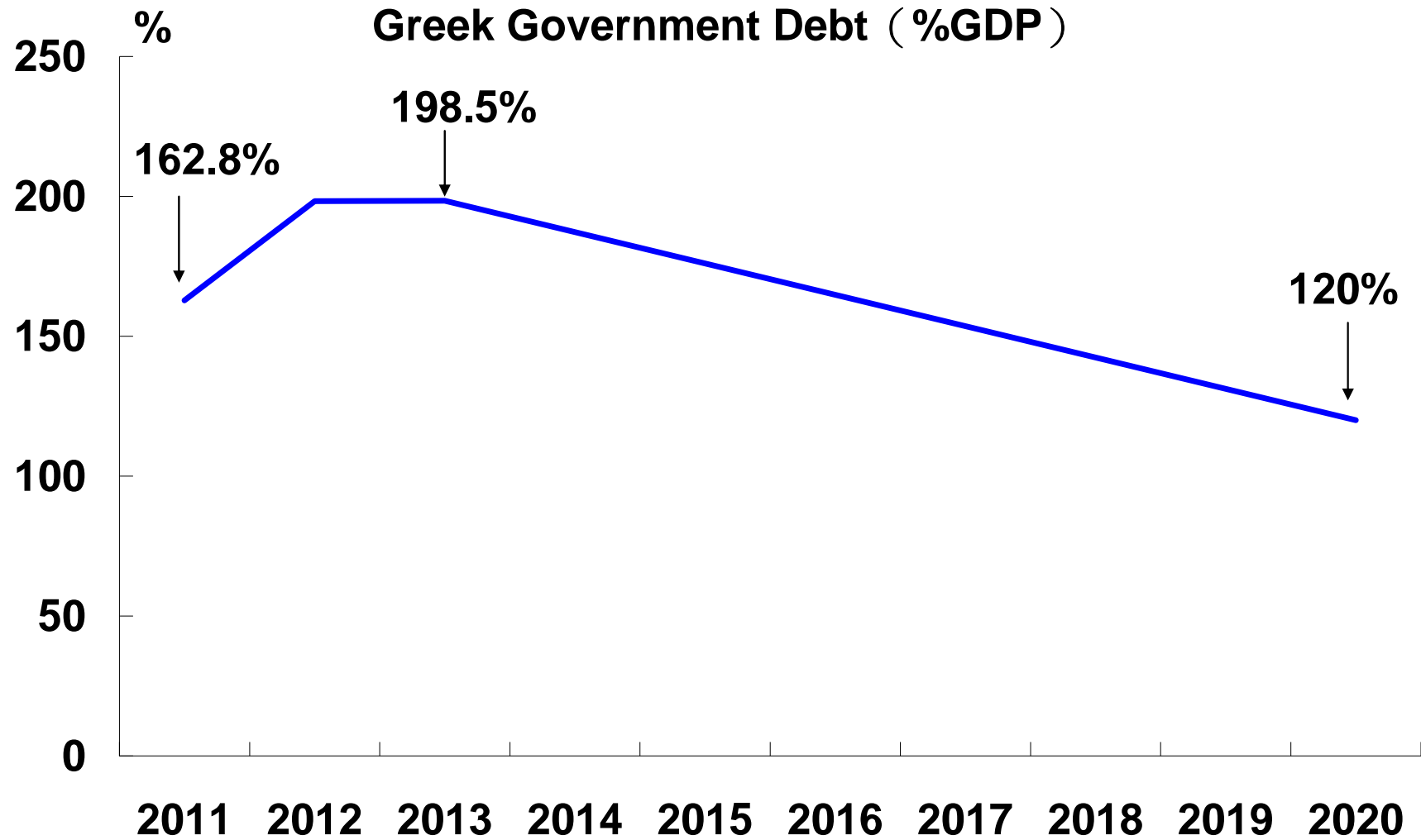
Prices of 5-year sovereign CDS



Source: Bloomberg Note: Bloomberg's data on Greece CDS spread was not updated since 16 Sep.



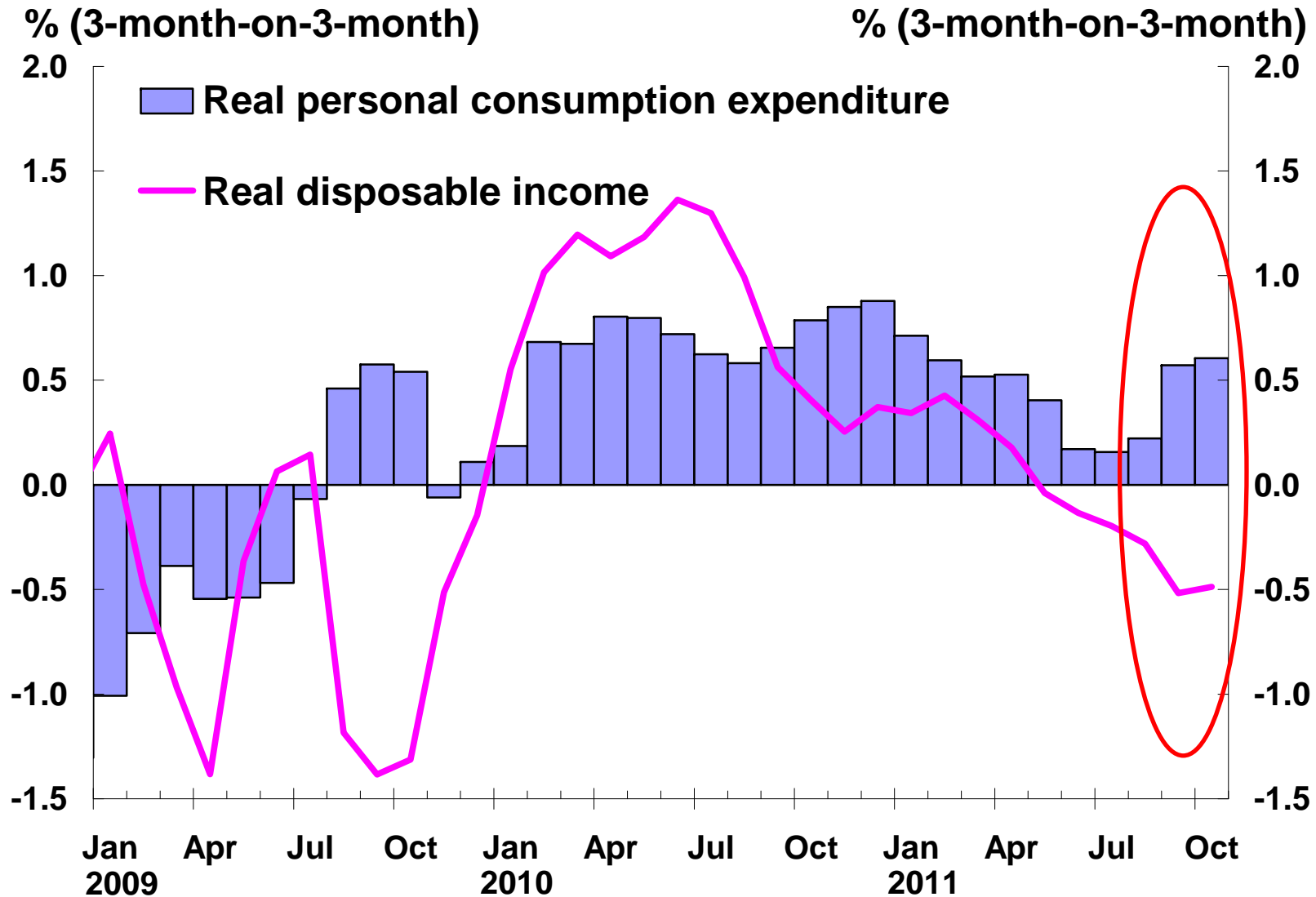
European rescue plan: Restructuring of Greek debt



Source: European Commission "European Economic Forecast - Autumn 2011"



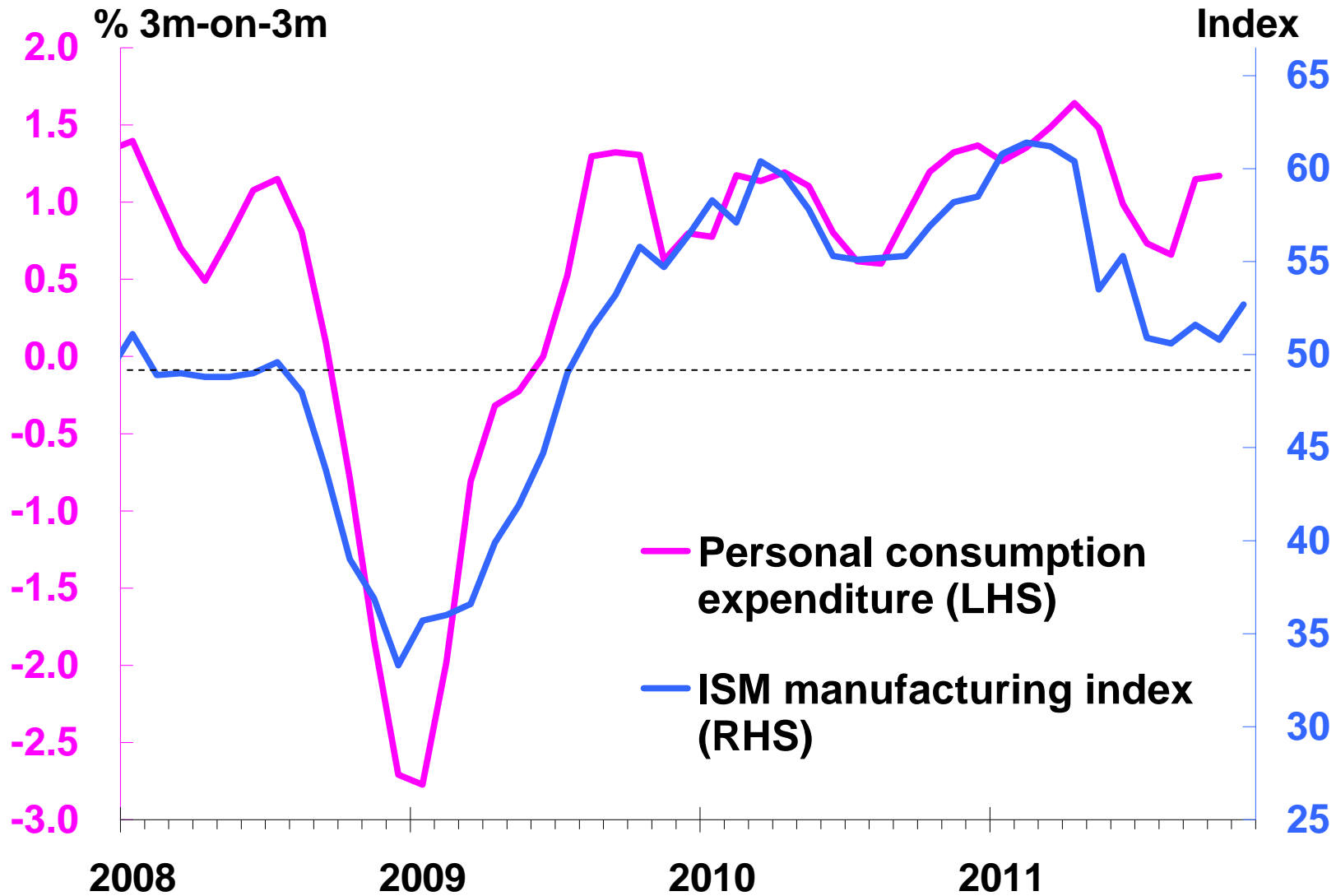
US: Third quarter consumption and income growth



Source: CEIC



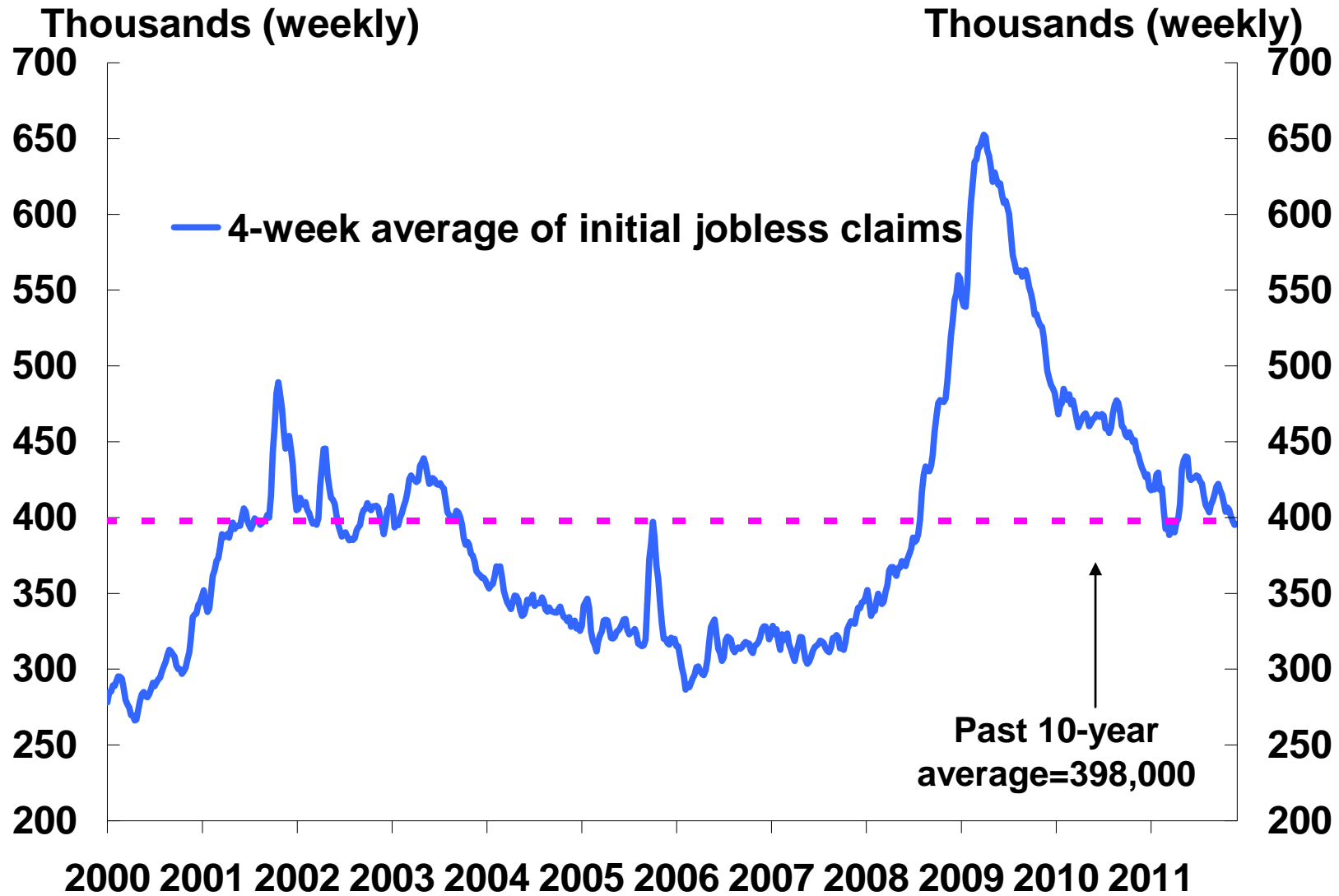
US: CONSUMPTION GROWTH & BUSINESS ACTIVITY



Source: CEIC



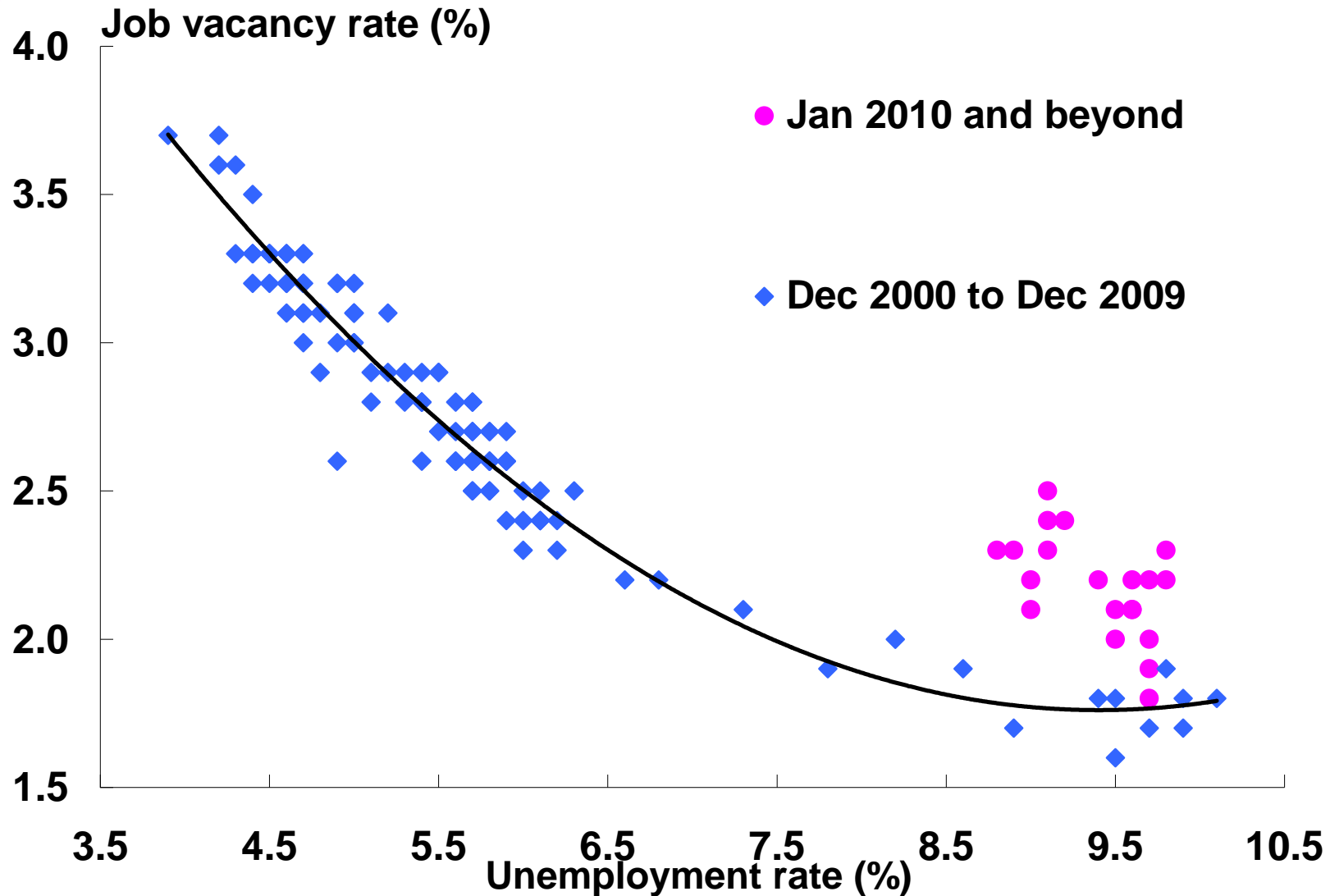
US: WEEKLY INITIAL JOBLESS CLAIMS



Source: CEIC



US: STRUCTURAL MISMATCH IN THE LABOUR MARKET

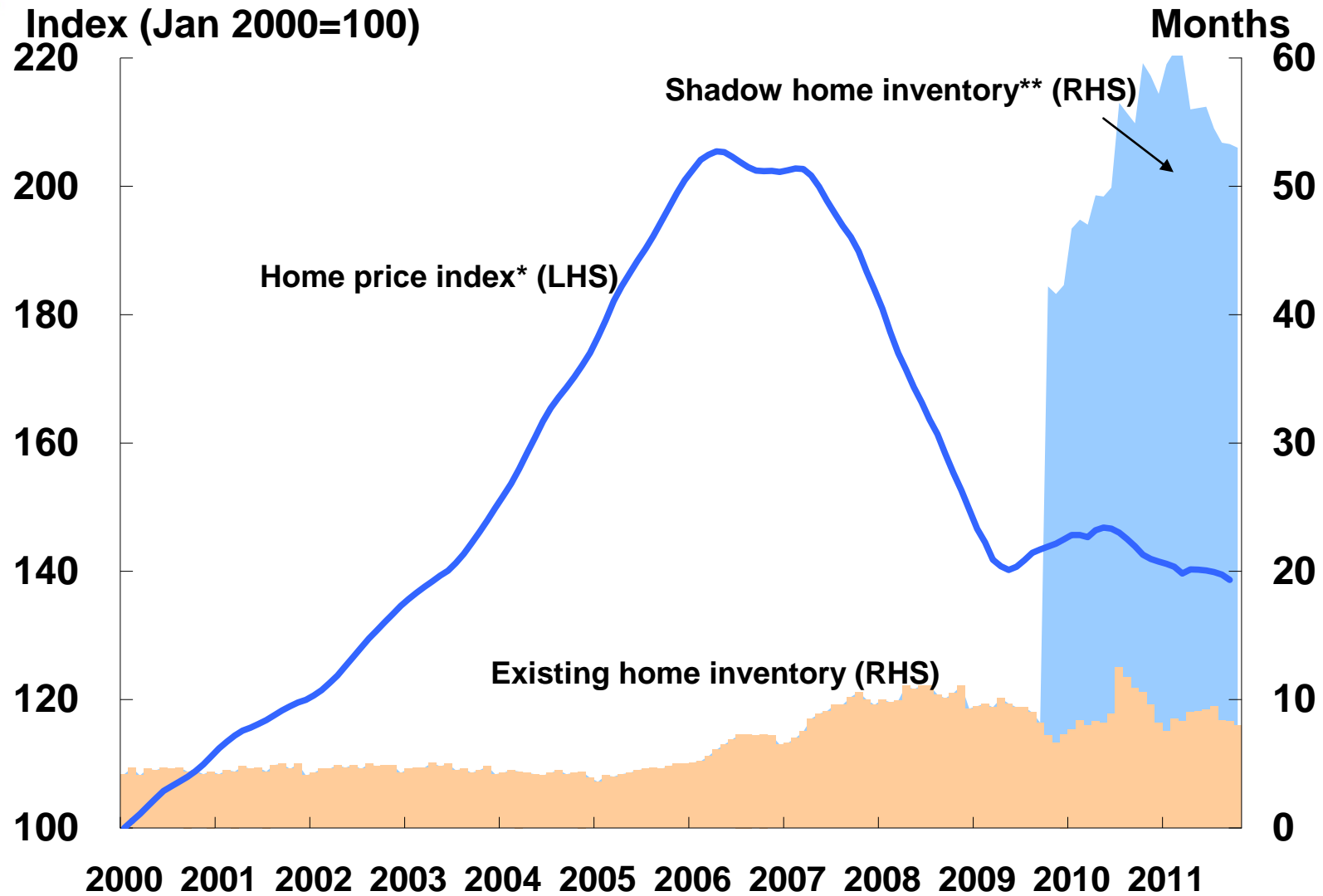


Note: The Beveridge curve (the black fitted line) is derived from monthly data between December 2000 and December 2009.

Source: CEIC



US : HOUSING PRICES AND INVENTORY



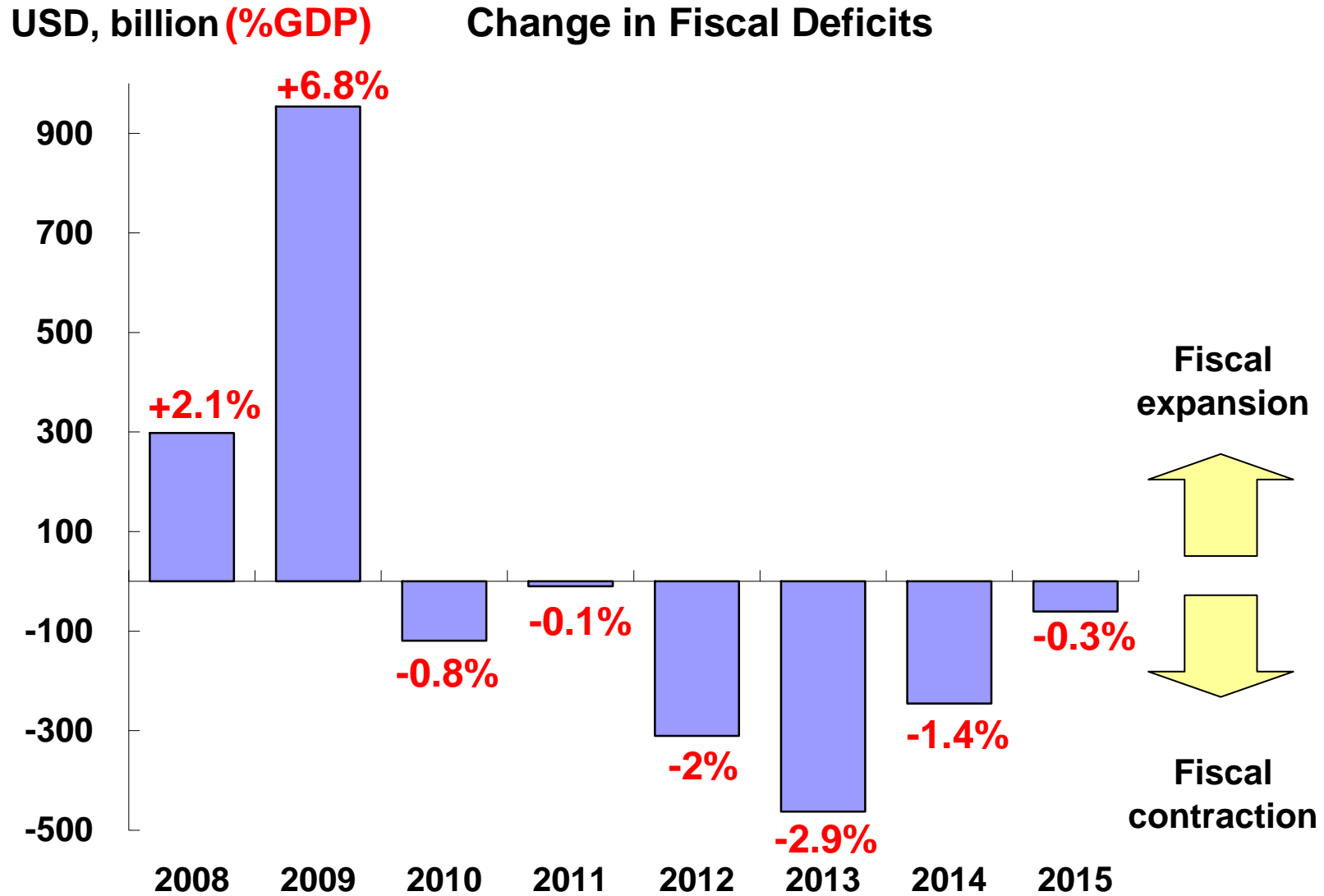
* Case-Shiller 20-city home price index

** Standard and Poor's estimates include the total number of homes with mortgage loans more than 90 days delinquent, currently or recently in foreclosure and those that are real estate owned (REO).

Sources: Standard & Poor's and CEIC



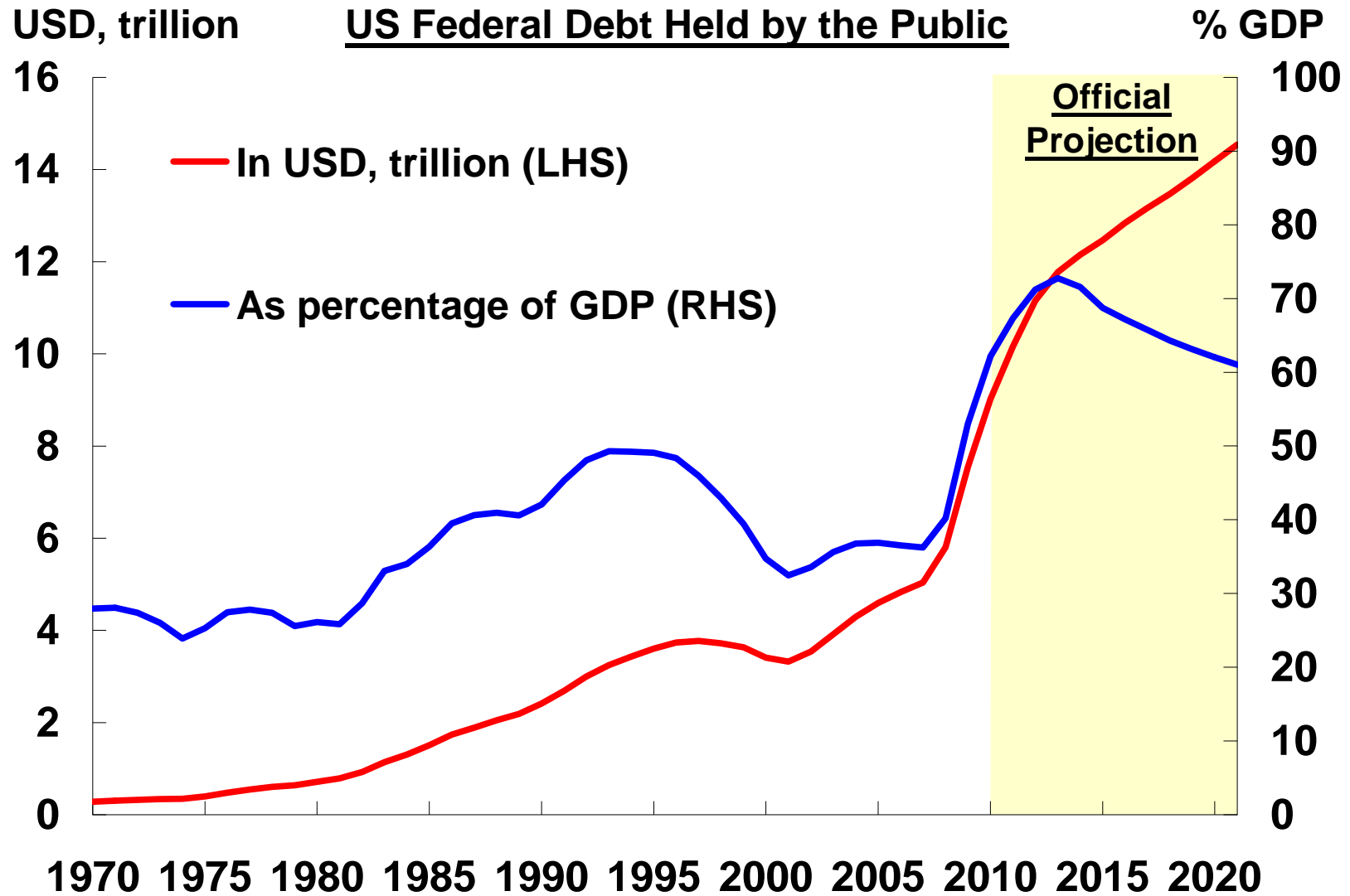
US: Fiscal consolidation



Sources: Congressional Budget Office and CEIC



US: Federal government debt



Source: Congressional Budget Office



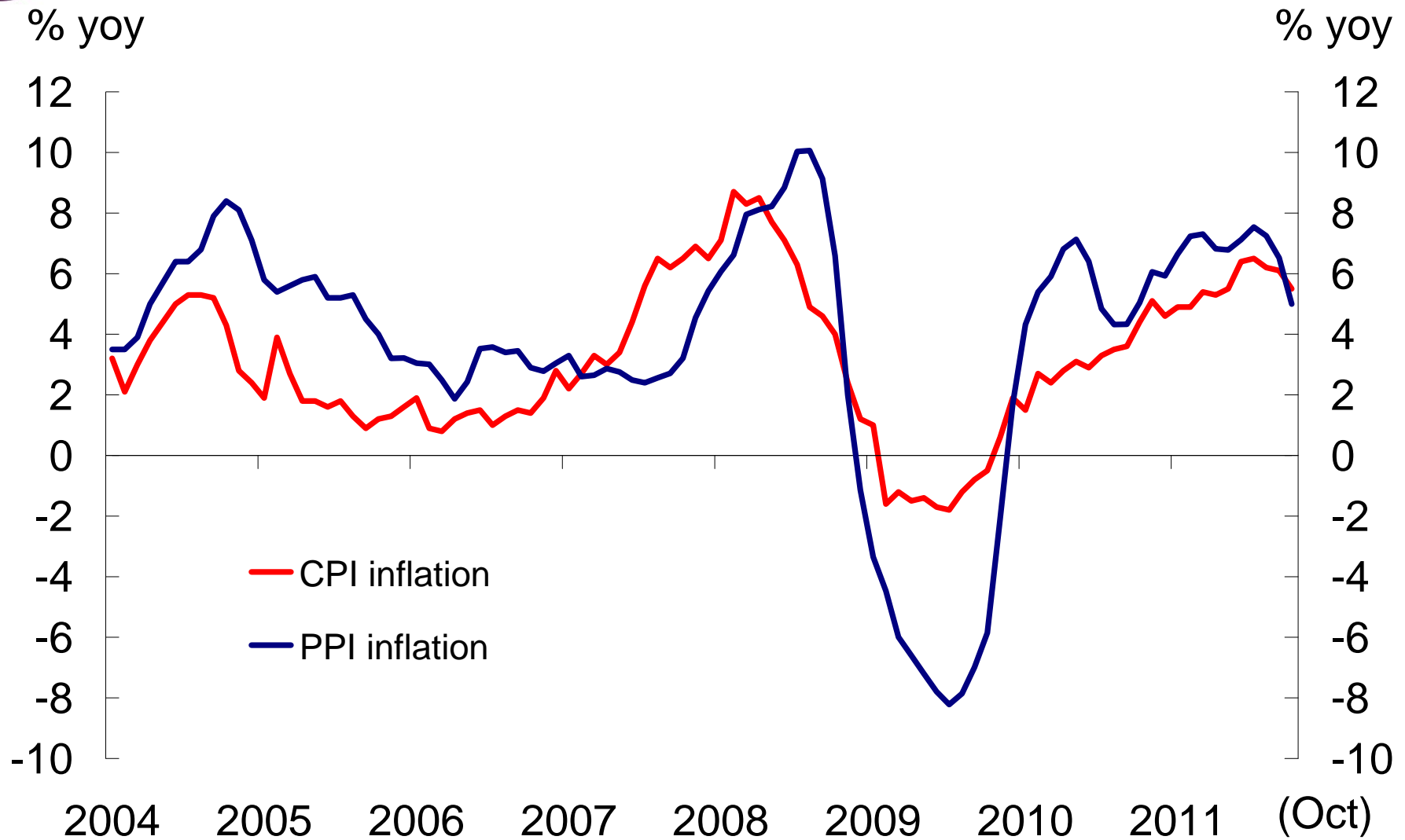
FORECASTS OF MAJOR INDICATORS IN MAINLAND CHINA

	2009	2010	2011 forecasts		2012 forecasts	
			IMF	Consensus	IMF	Consensus
Real GDP growth (%)	9.2	10.4	9.5	9.1	9.0	8.5
CPI inflation (%)	-0.7	3.3	5.5	5.4	3.3	3.8

Sources: CEIC, IMF World Economic Outlook (September 2011) and Consensus Forecasts (November 2011).



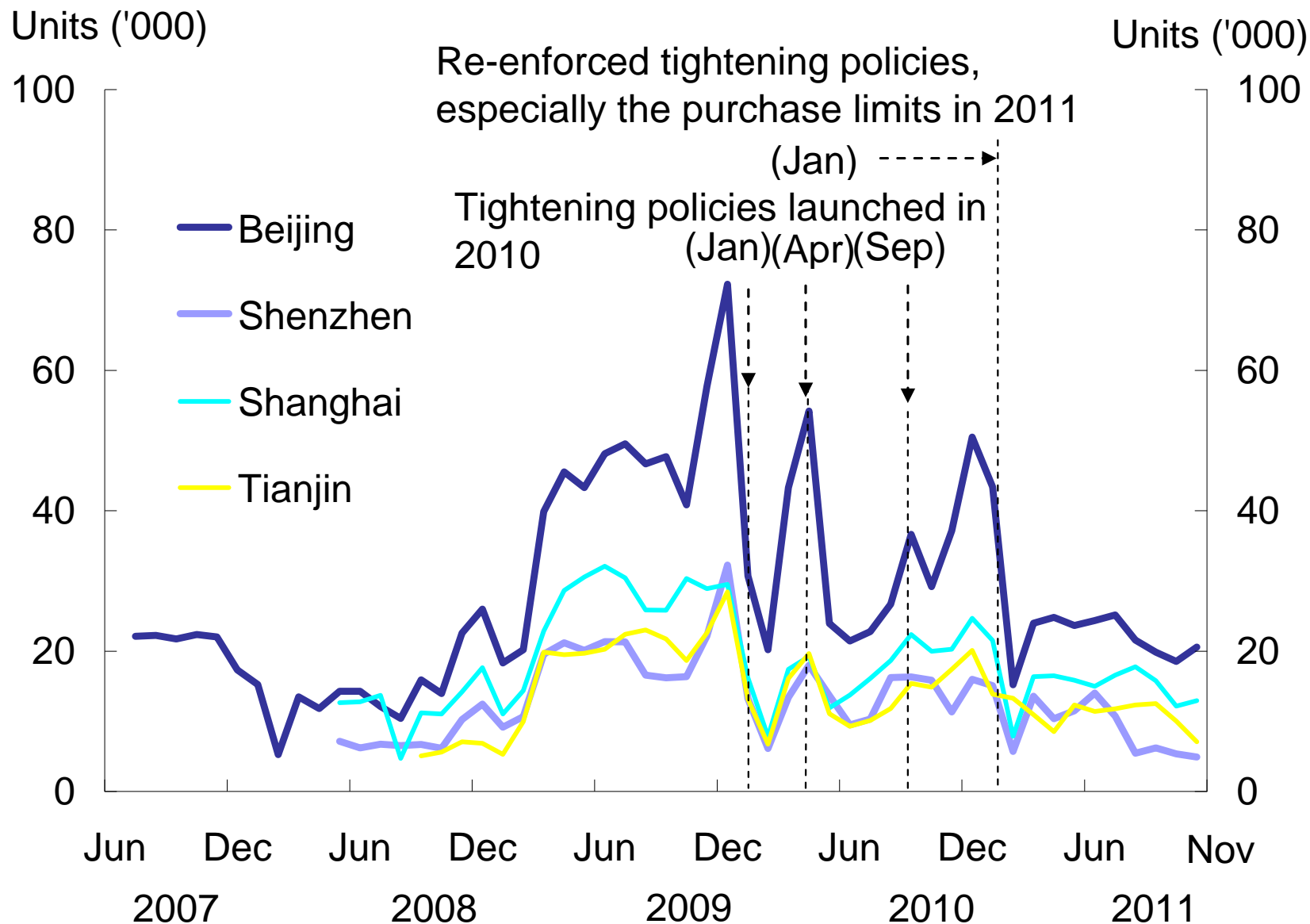
MAINLAND INFLATION RATES



Source: CEIC



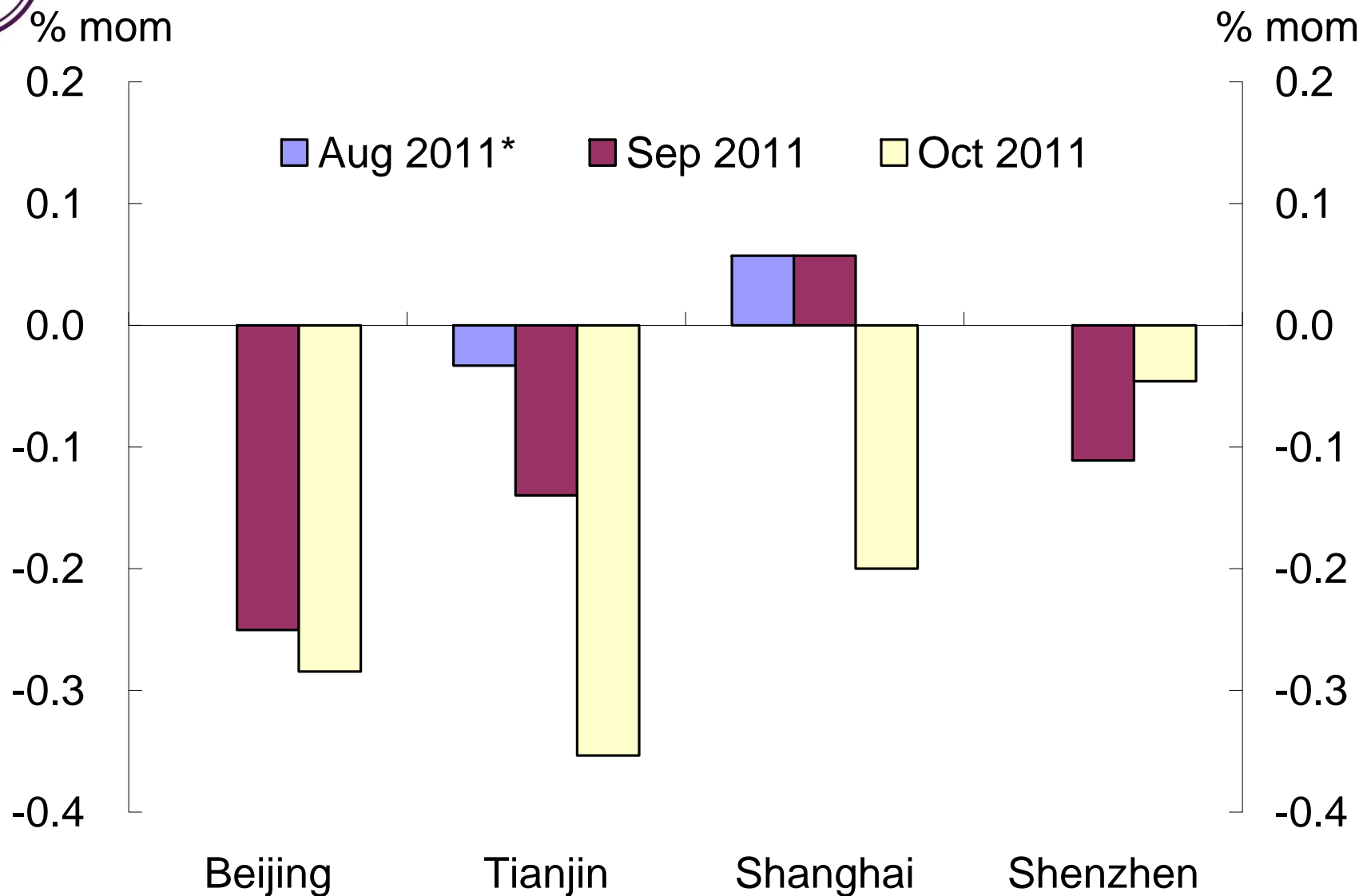
TRANSACTION VOLUME IN MAINLAND MAJOR CITIES



Source: WIND



HOUSING PRICE CHANGES IN MAINLAND MAJOR CITIES



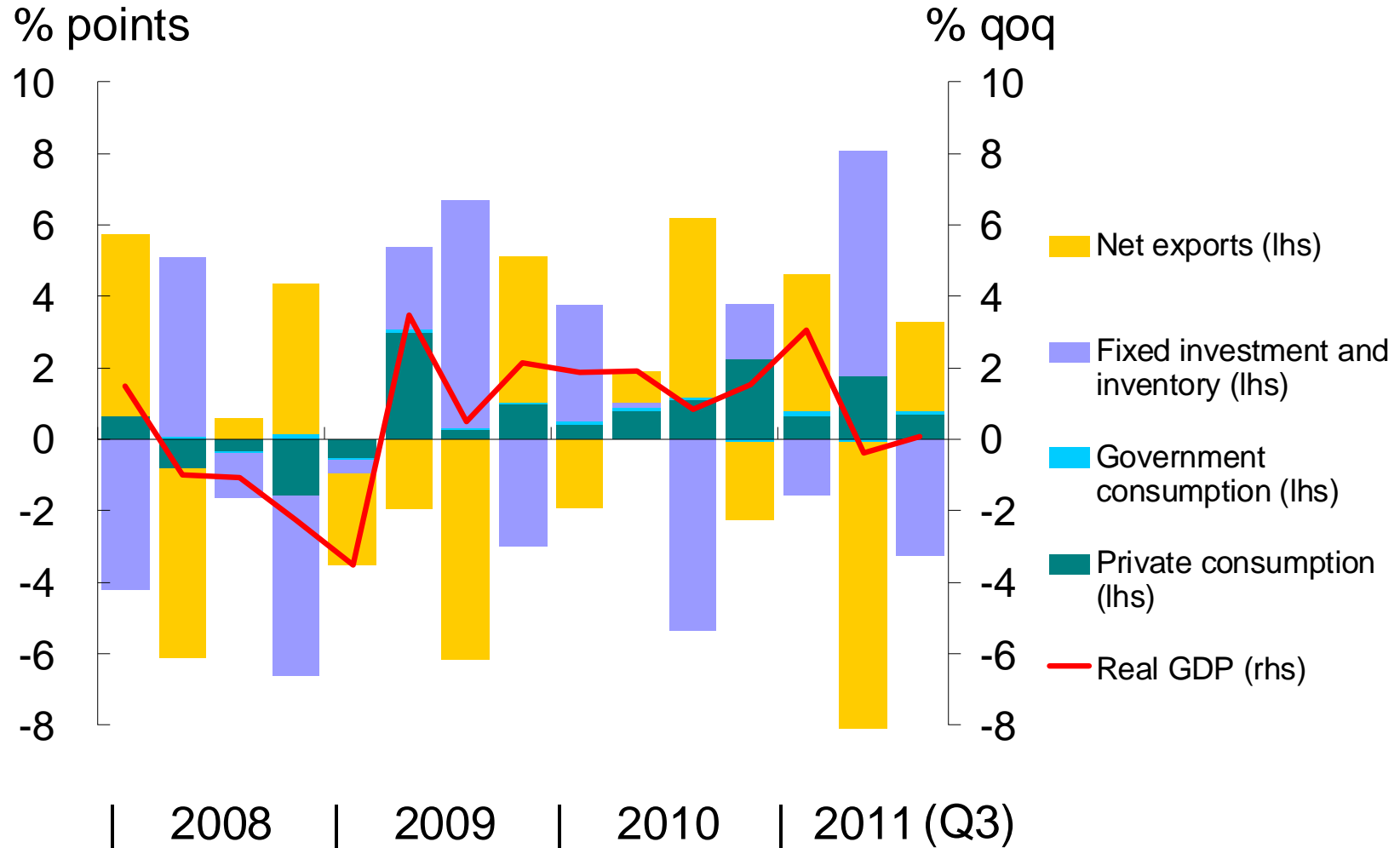
* Beijing and Shenzhen registered 0% mom in Aug 2011.

Sources: CEIC, WIND and staff estimates



HONG KONG ECONOMIC SITUATION

Changes in Real GDP

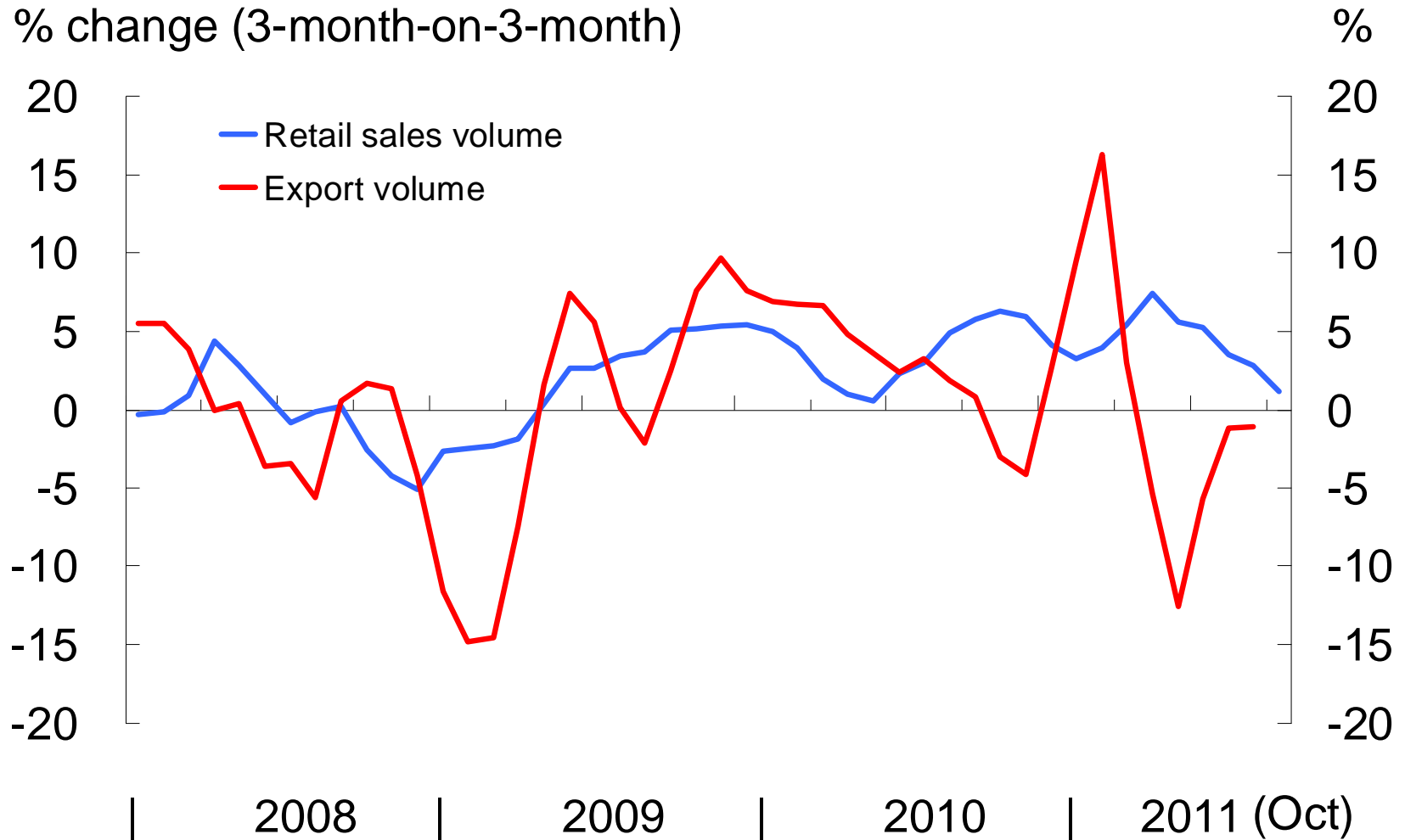


Sources: C&SD and staff estimates.



HONG KONG ECONOMIC SITUATION

Retail Sales and Exports

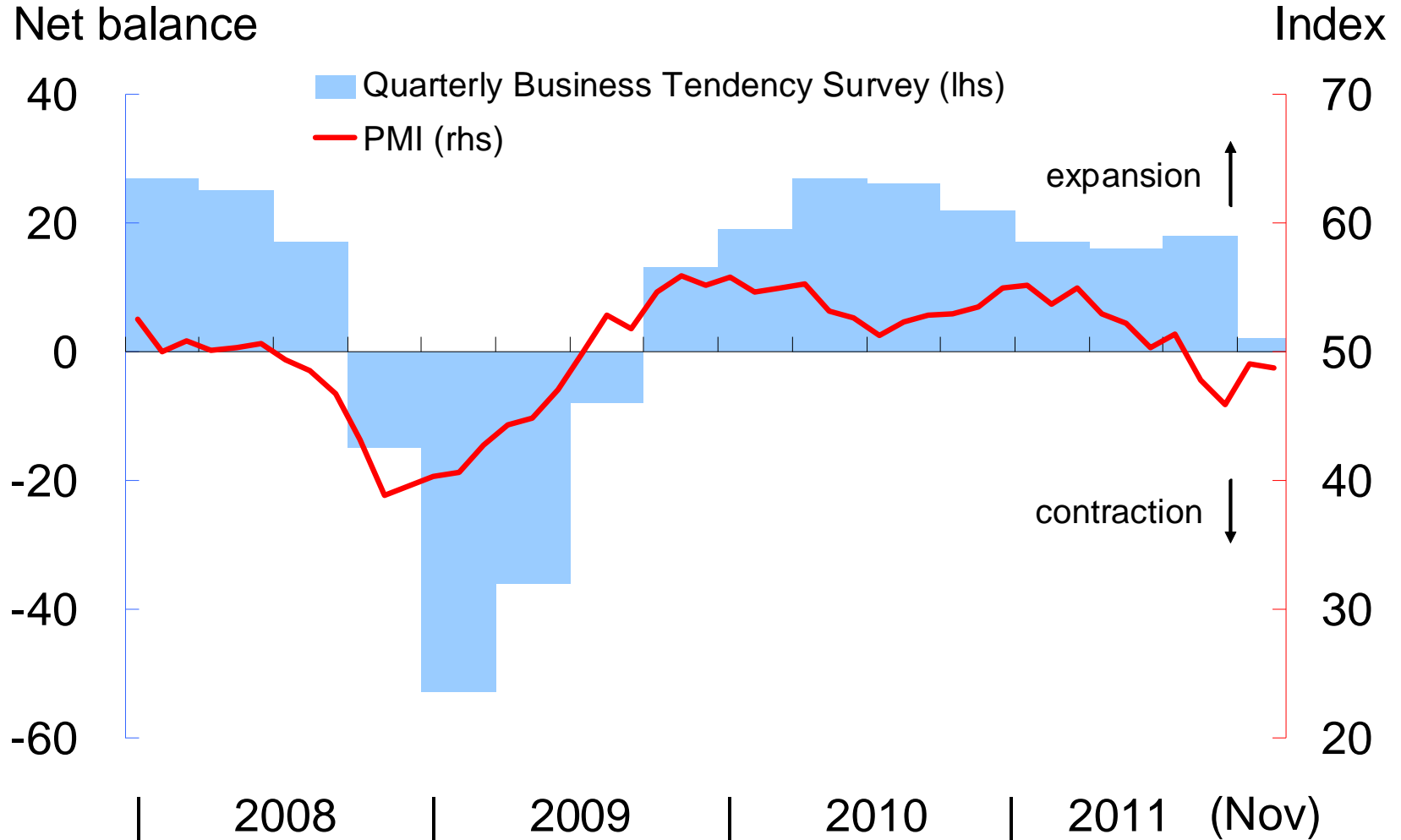


Source: C&SD.



HONG KONG ECONOMIC SITUATION

Business Outlook

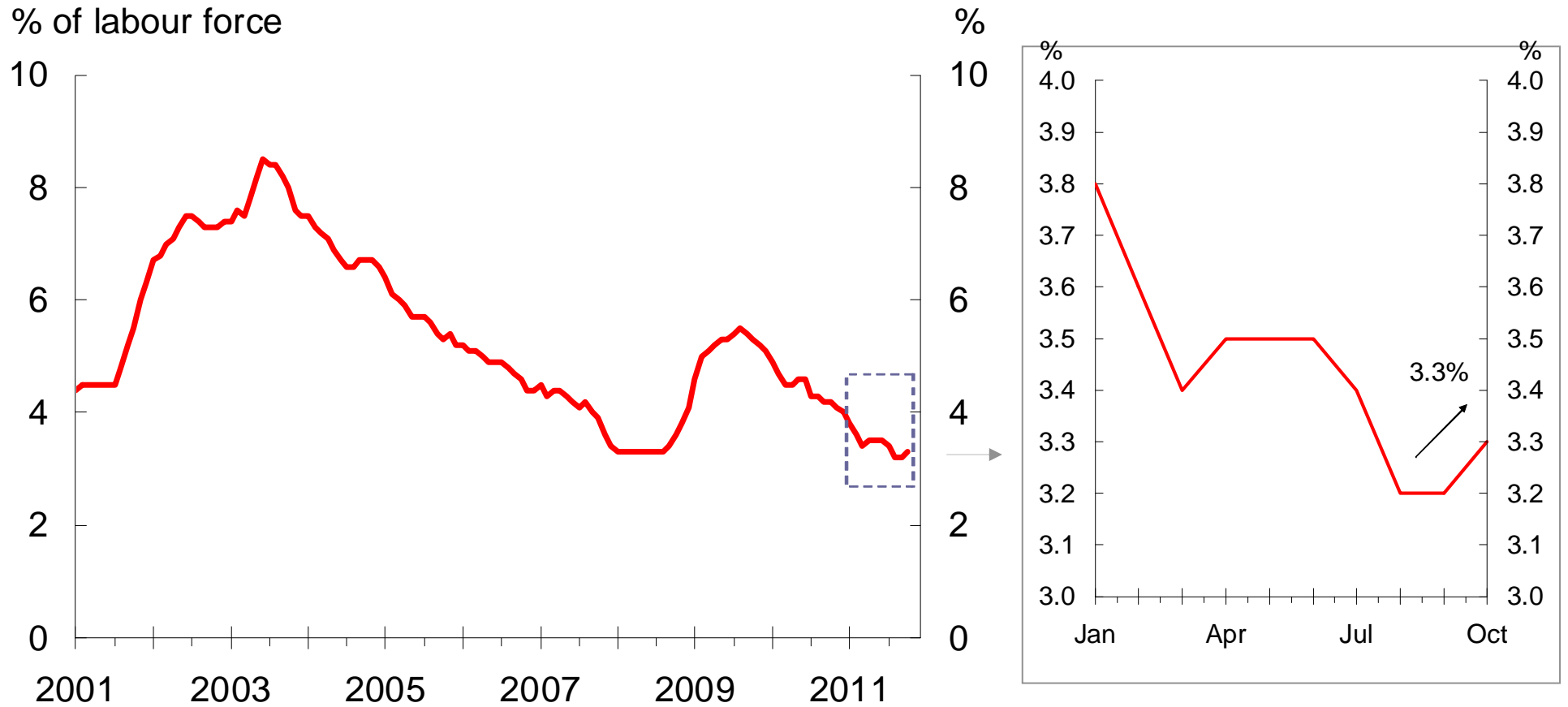


Sources: C&SD and Markit Economics.



HONG KONG ECONOMIC SITUATION

Unemployment rate

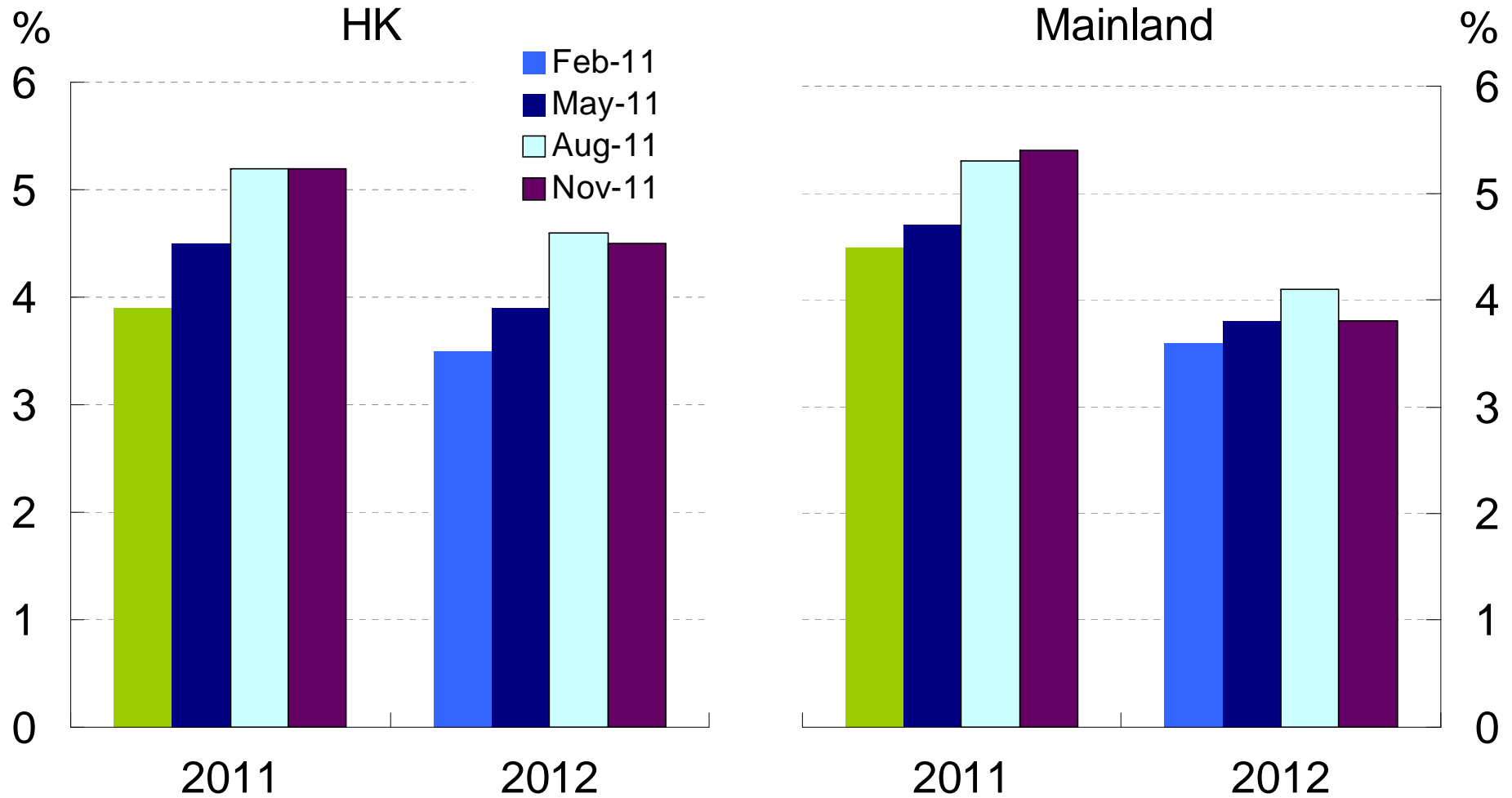


Source: C&SD.



HONG KONG ECONOMIC SITUATION

2011 and 2012 inflation forecasts for HK and Mainland

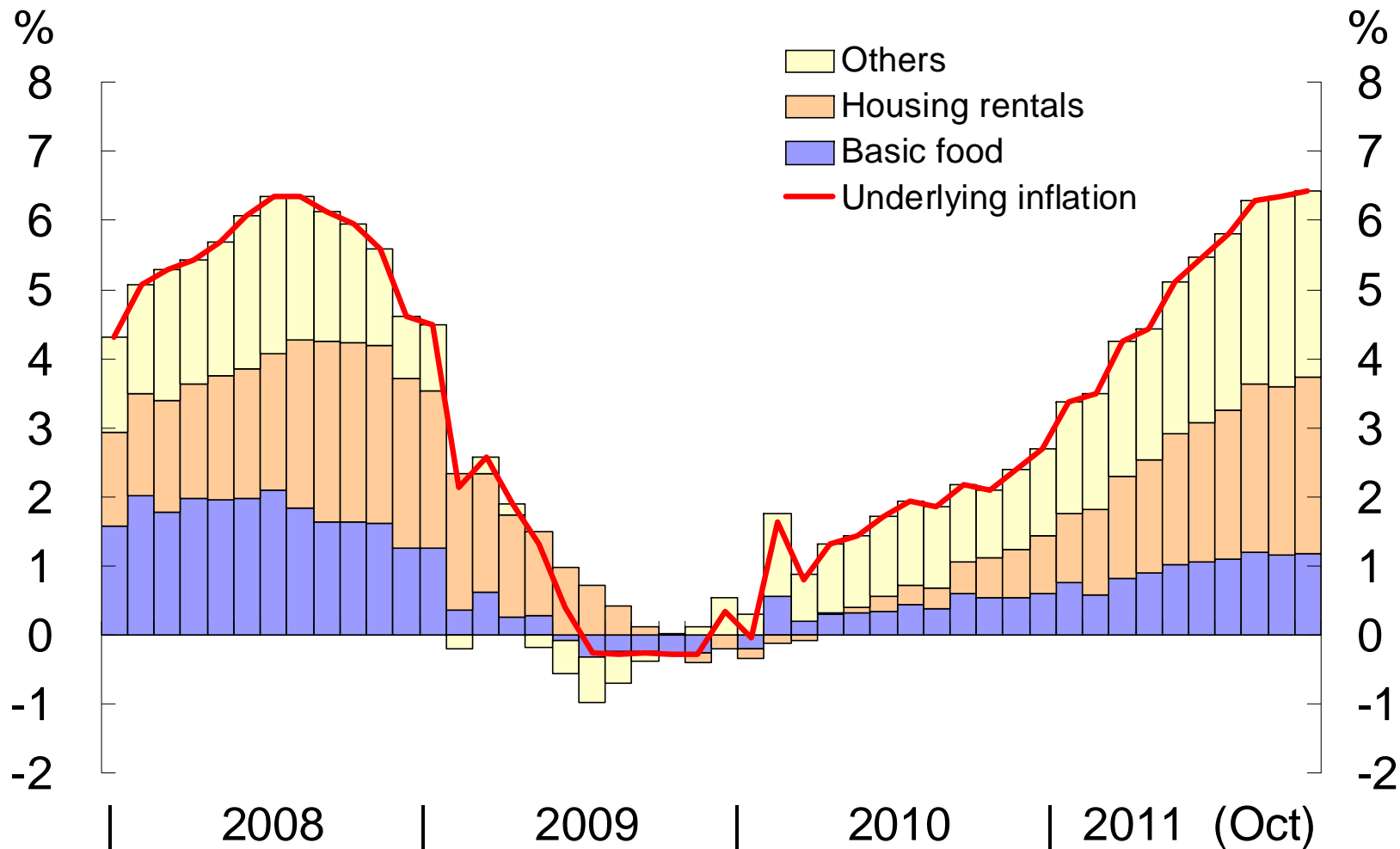


Source: Consensus Forecast (Feb, May, Aug and Nov 2011).



HONG KONG ECONOMIC SITUATION

Underlying inflation and contributions of its components

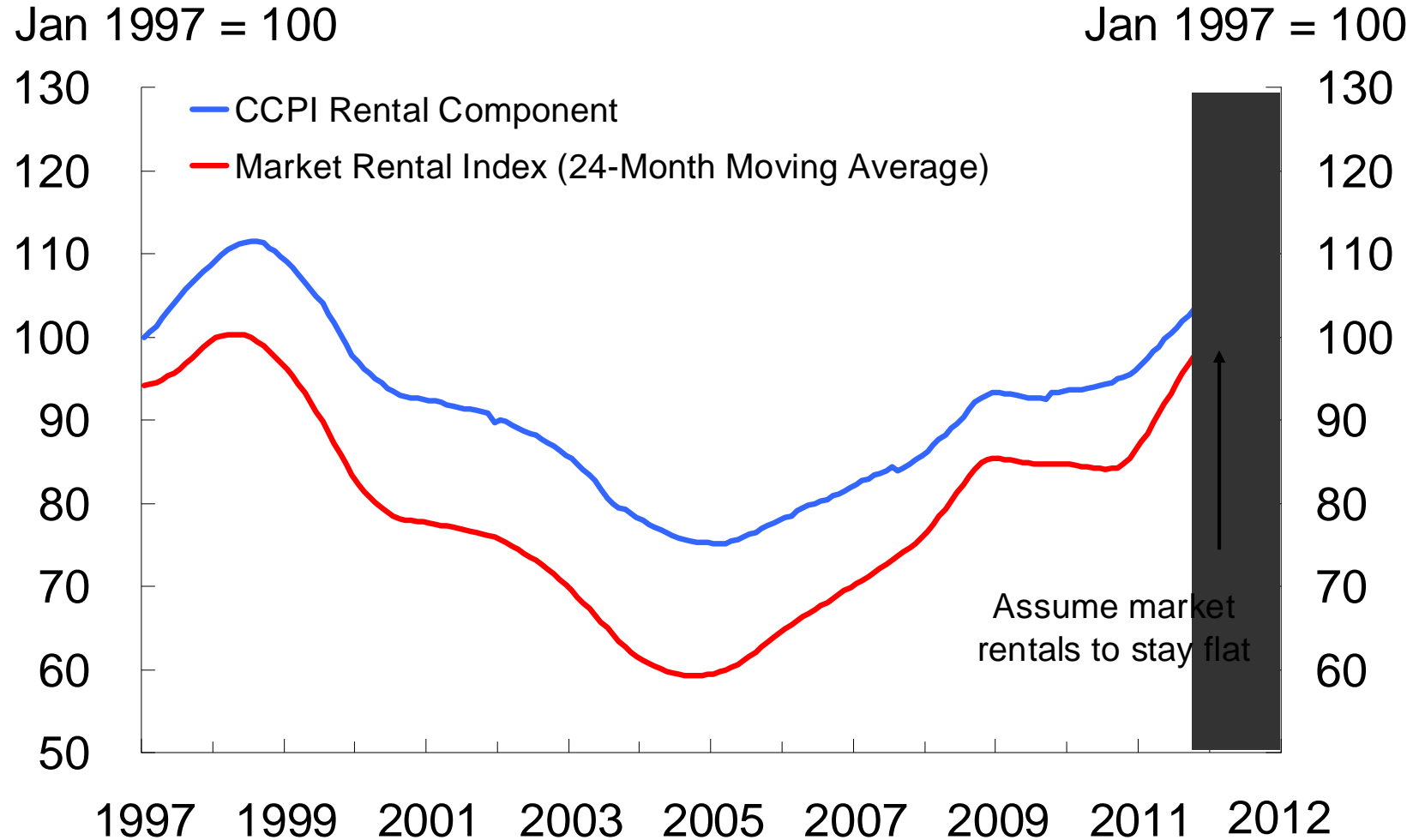


Underlying inflation: Netting out the effects of all Government's one-off relief measures from headline inflation.
Sources: C&SD and staff estimates.



HONG KONG ECONOMIC SITUATION

CCPI rental component and residential property rental index



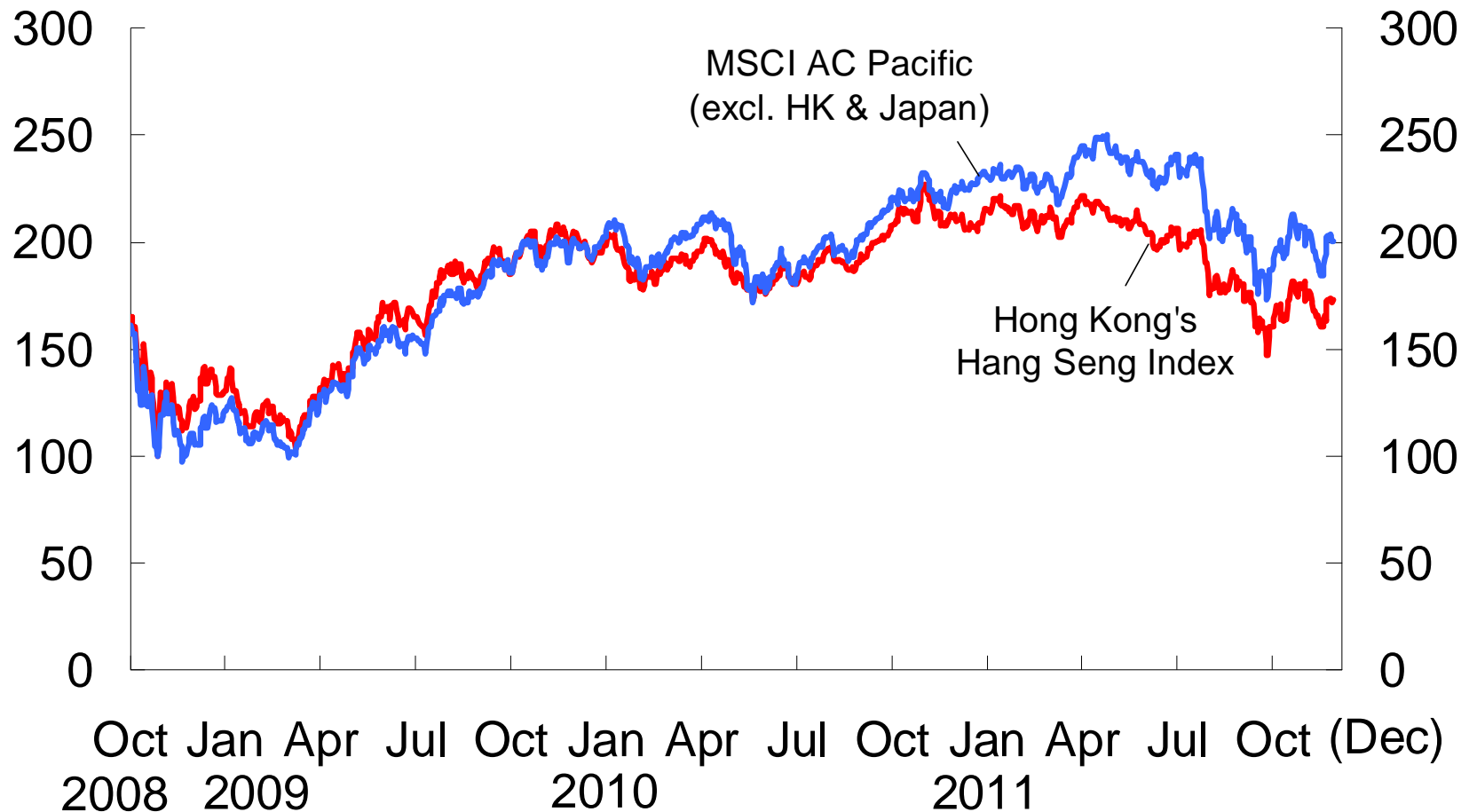
Sources: Rating and Valuation Department (R&VD), C&SD and staff estimates.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: EQUITY MARKET

Hong Kong and Asia Pacific equity market performance

Rebased to Oct 27, 2008 = 100

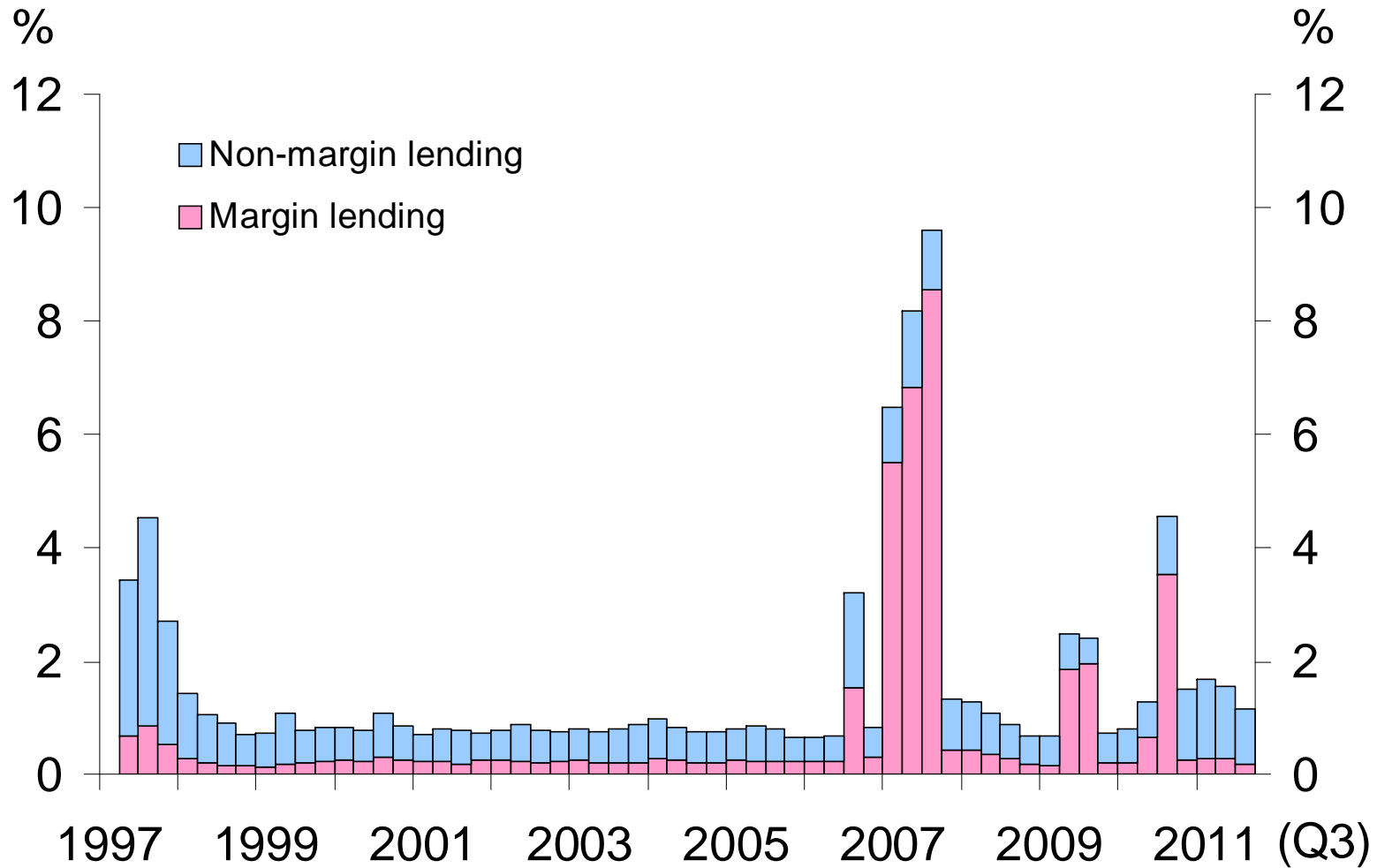


Source: Bloomberg.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: EQUITY MARKET

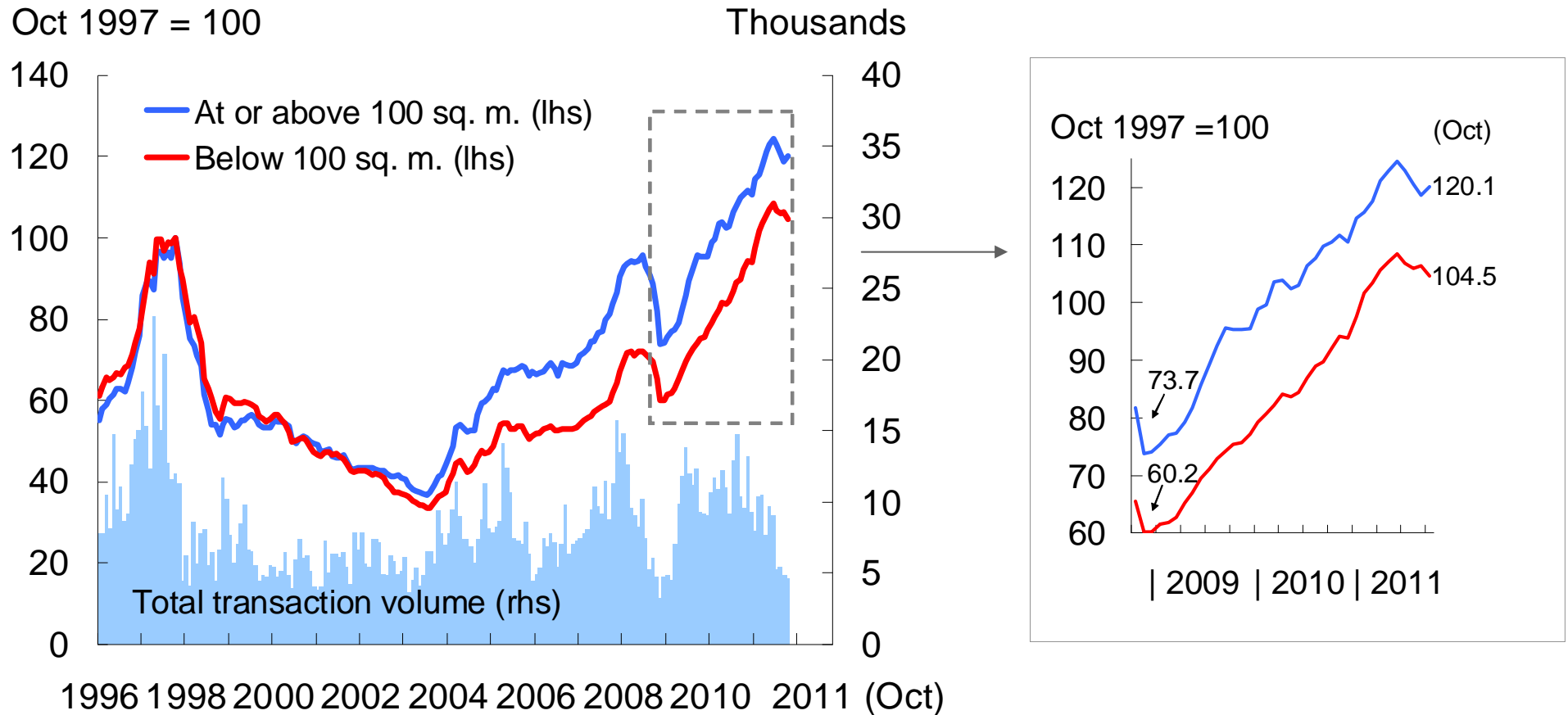
Share of stock-market-related loans to total domestic loans





ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Residential property prices and transaction volume



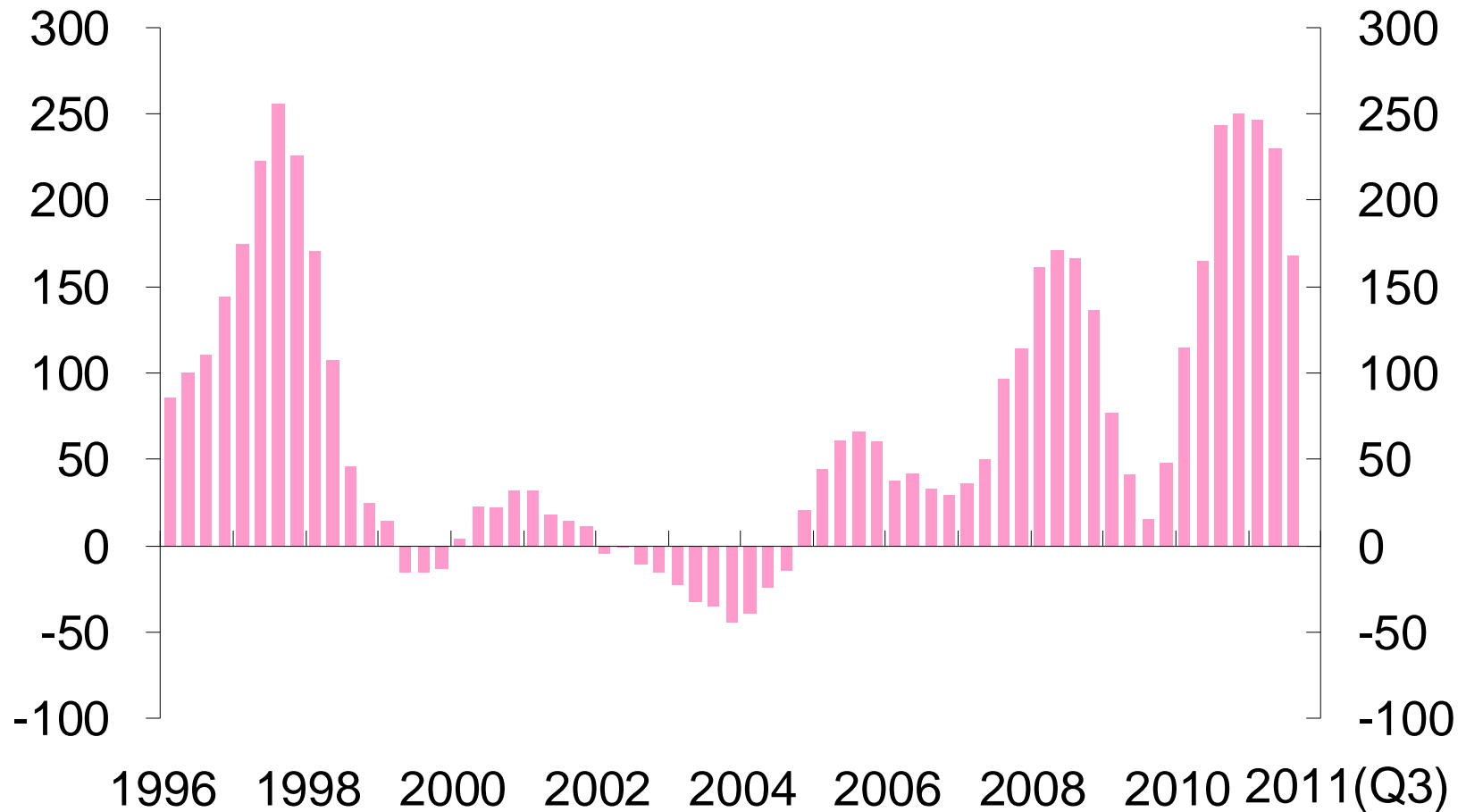
Source: Rating and Valuation Department.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Changes in property-related loans

Changes over a year ago (HK\$ billion)



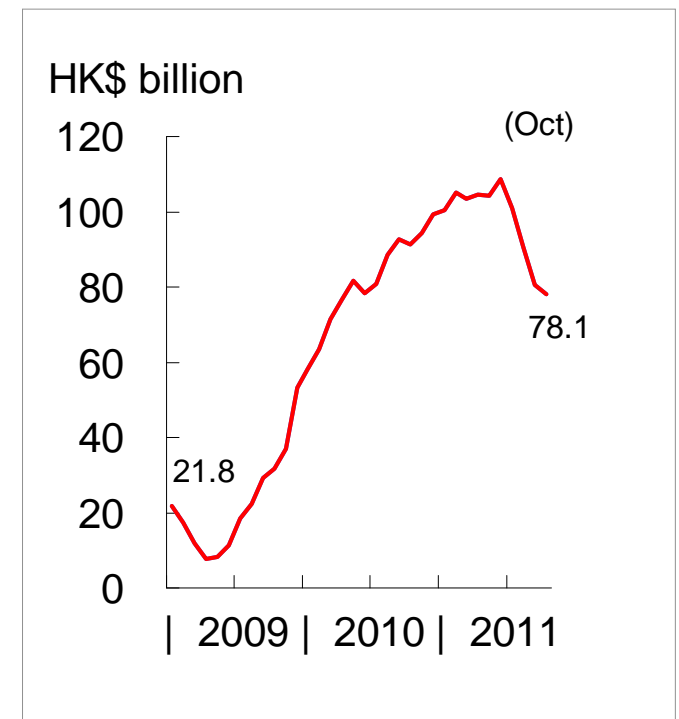
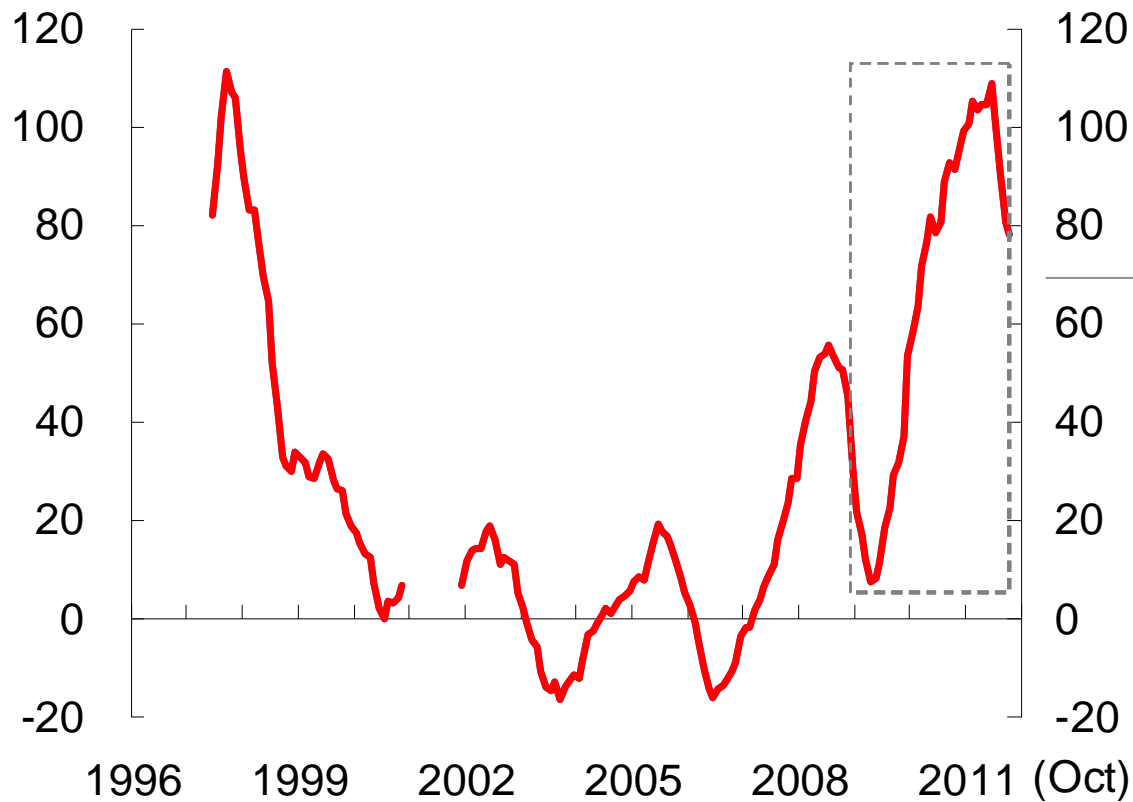
Source: HKMA.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Changes in outstanding mortgage loans

Changes over a year ago (HK\$ billion)

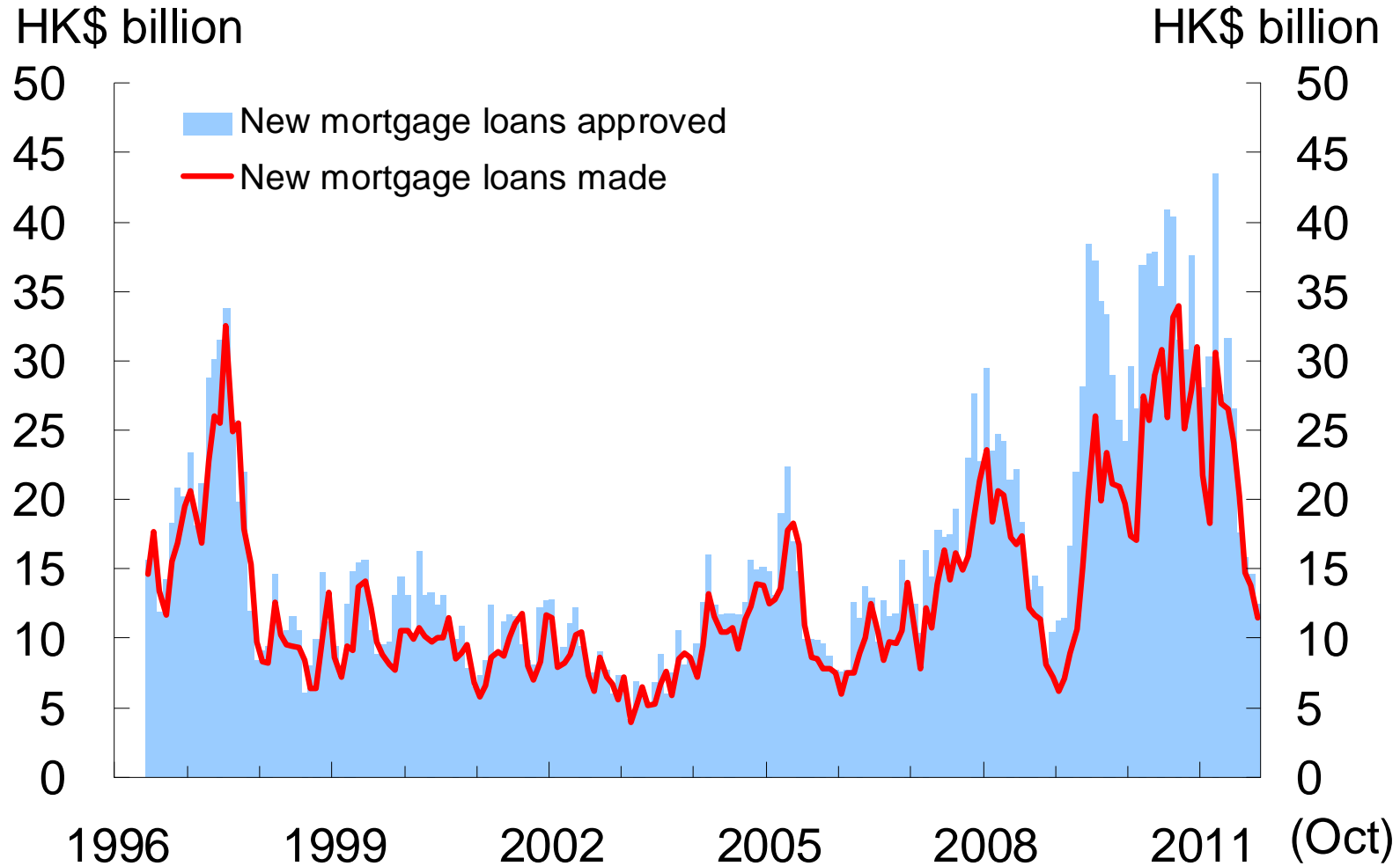


*There is a break in data series at December 2000 due to an increase in the number of surveyed institutions.
Source: HKMA.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

New mortgage loans made and approved



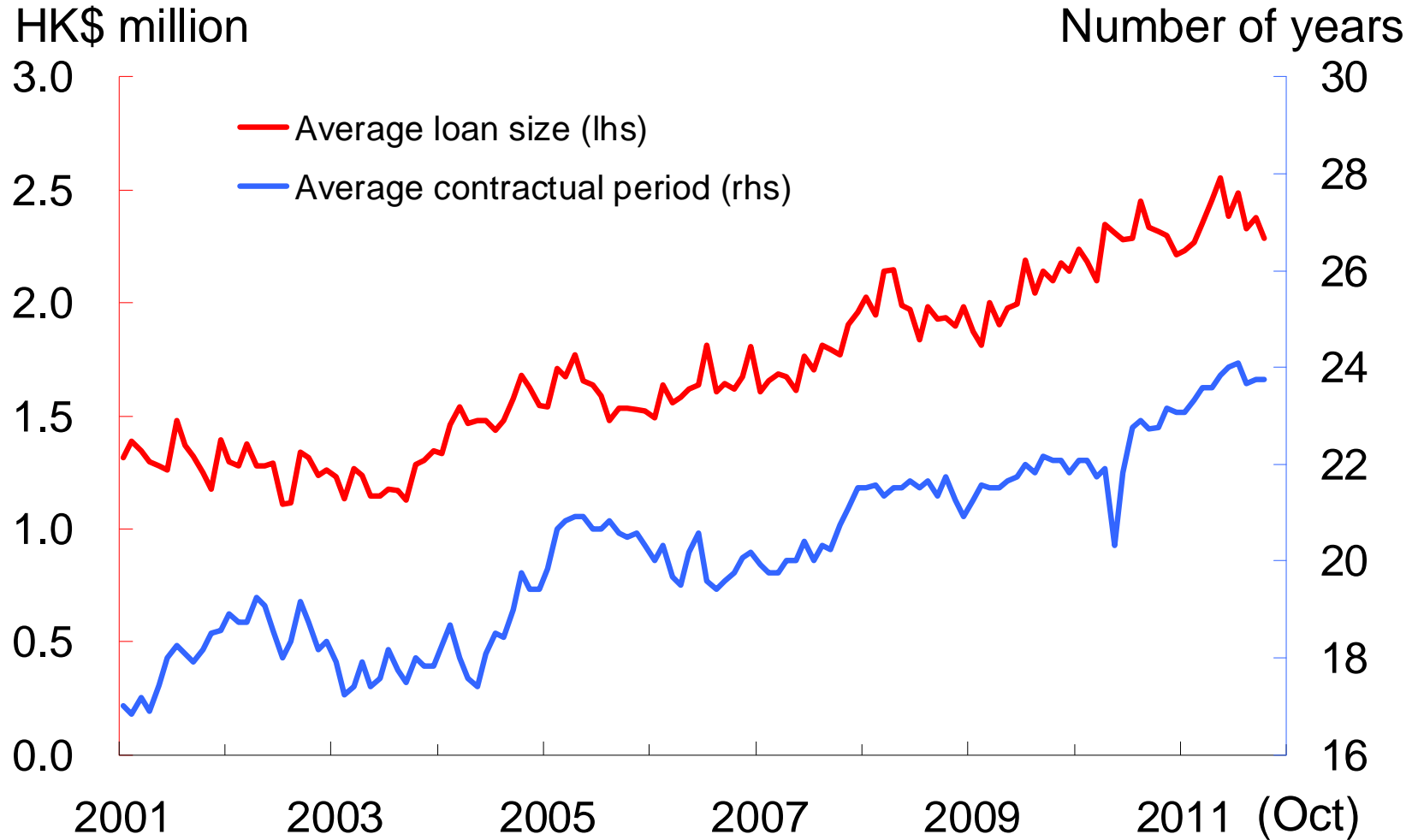
* There is a break in data series at December 2000 due to an increase in the number of surveyed institutions.

Source: HKMA.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Average loan size and average mortgage period

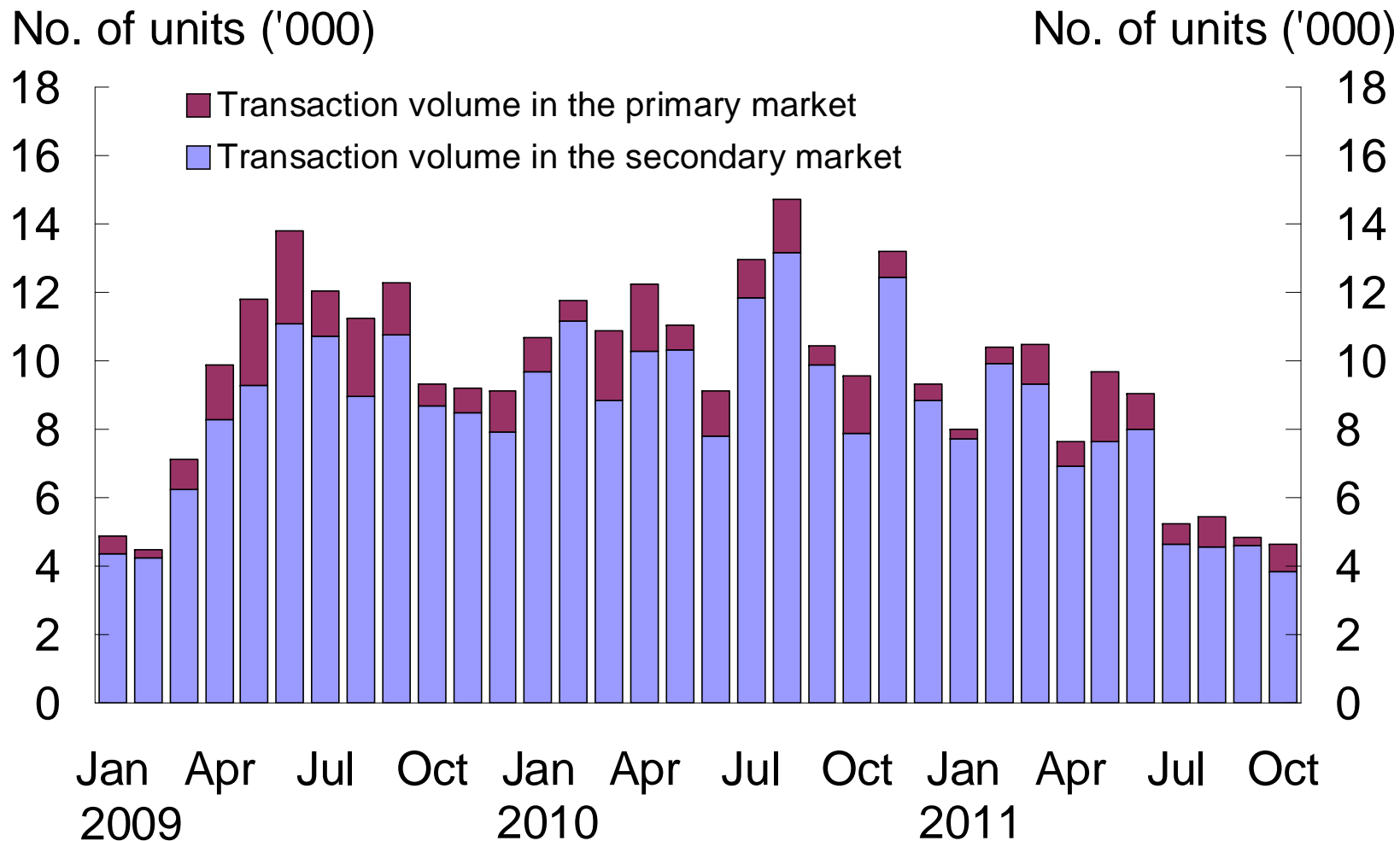


Source: HKMA.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Transaction volumes in residential property market

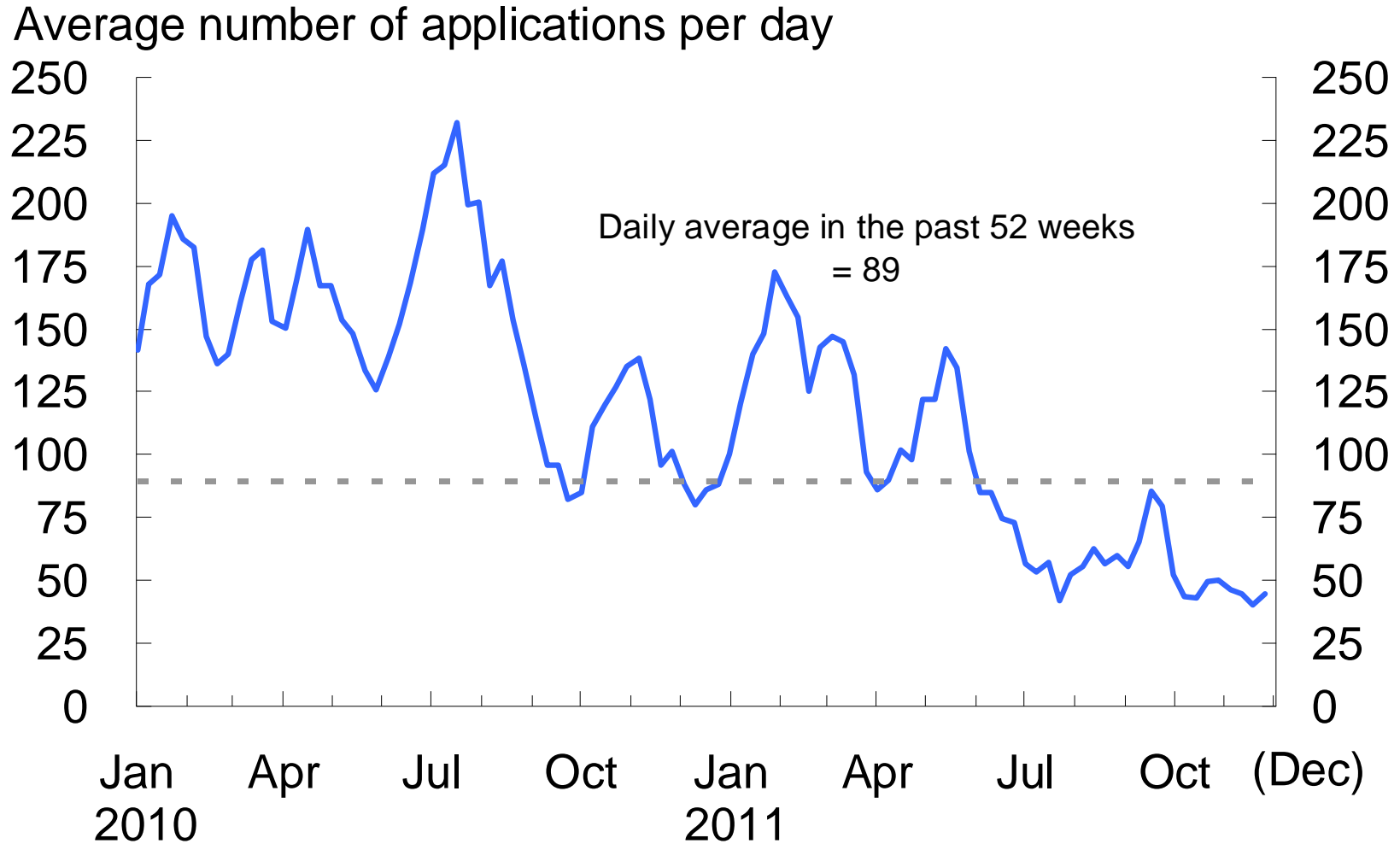


Source: Land Registry.



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Applications under Mortgage Insurance Programme



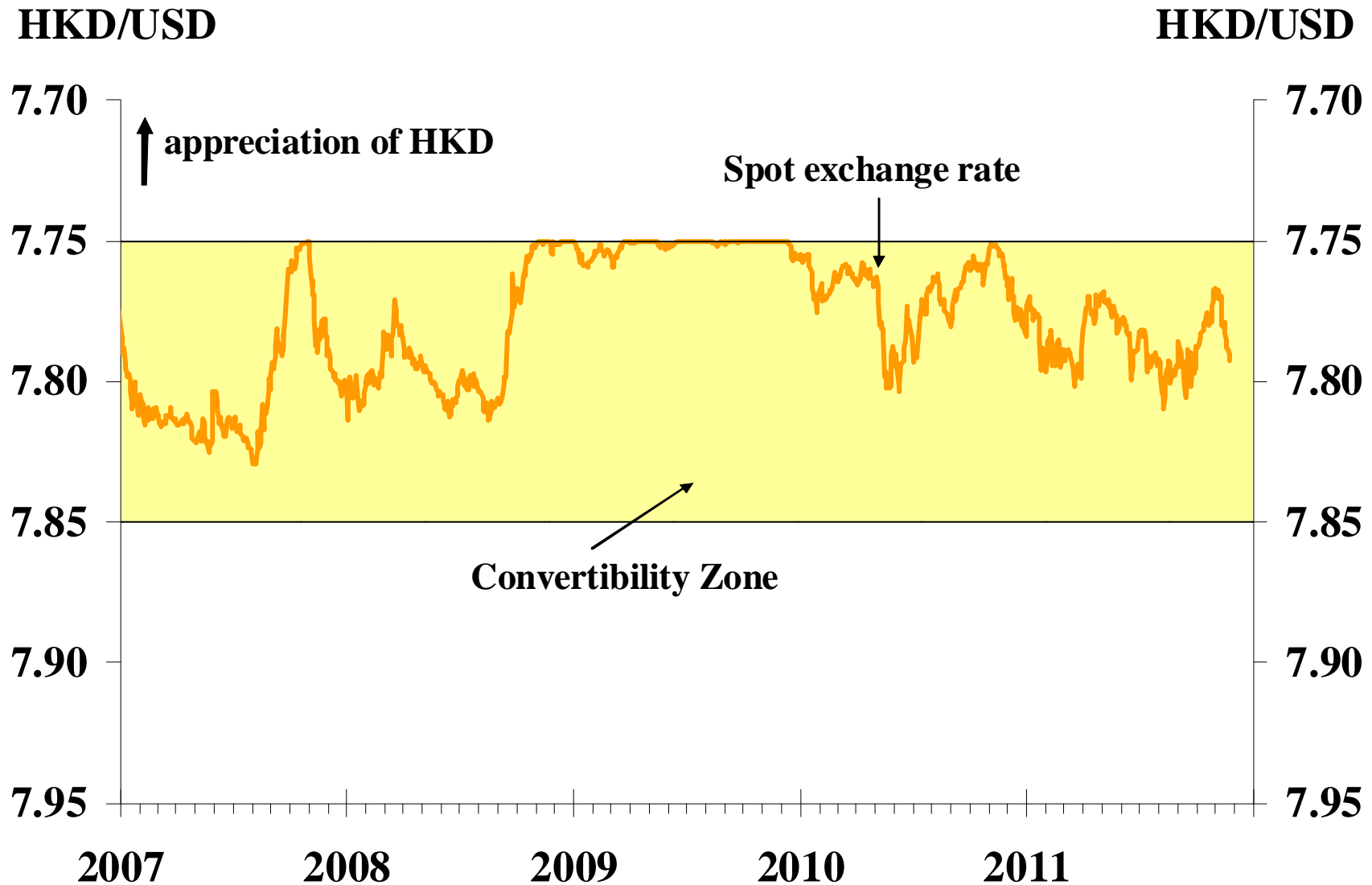
Source: Hong Kong Mortgage Corporation.



CURRENCY STABILITY

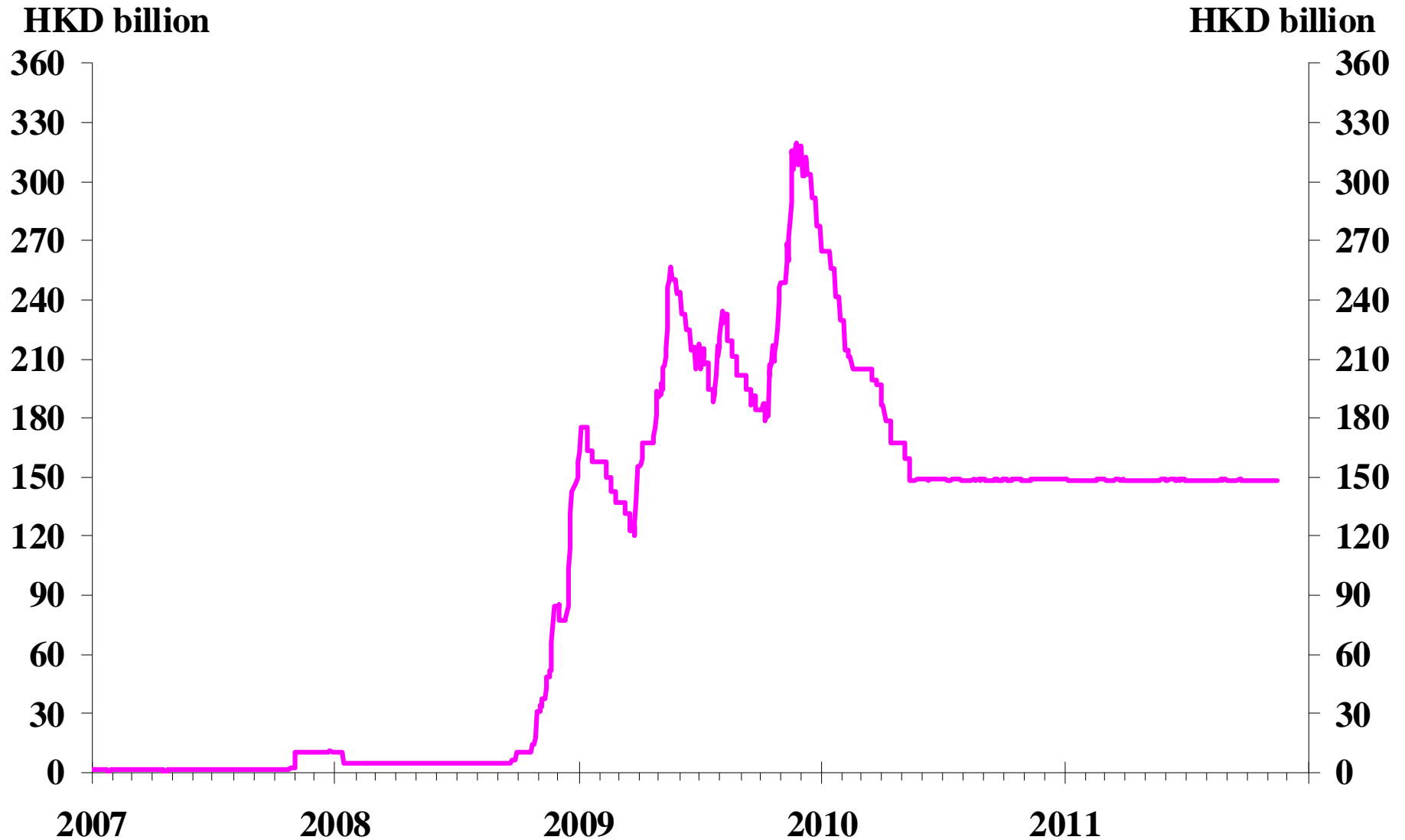


HONG KONG DOLLAR SPOT EXCHANGE RATE



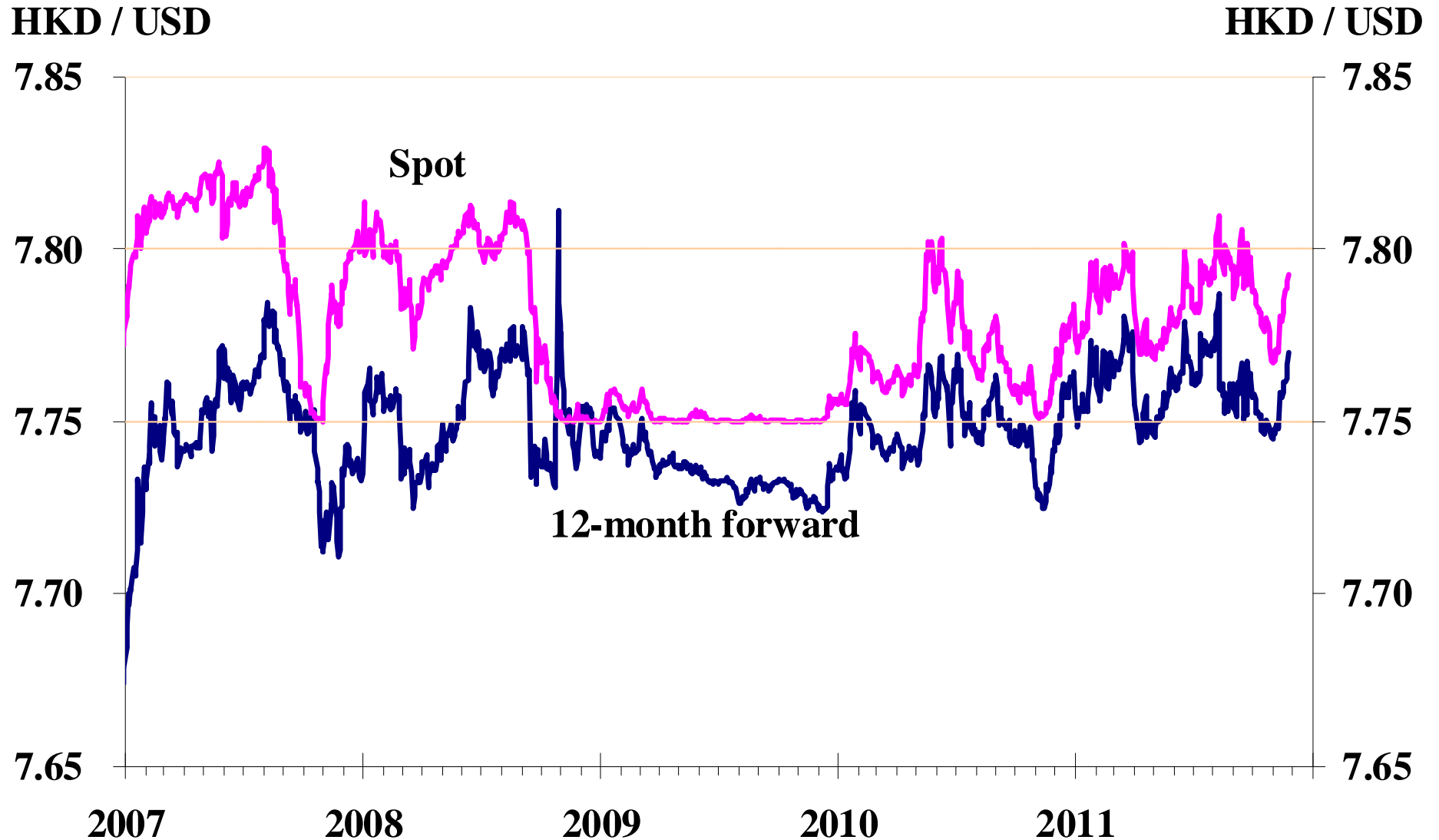


AGGREGATE BALANCE



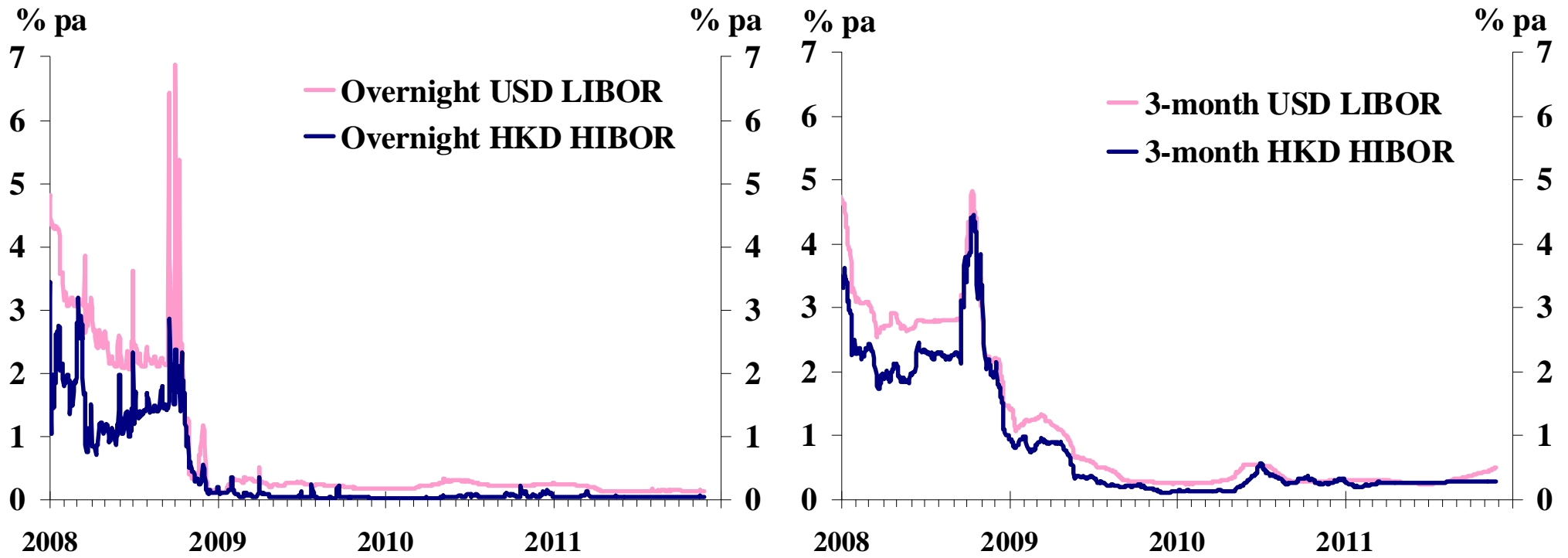


HONG KONG DOLLAR FORWARD EXCHANGE RATE



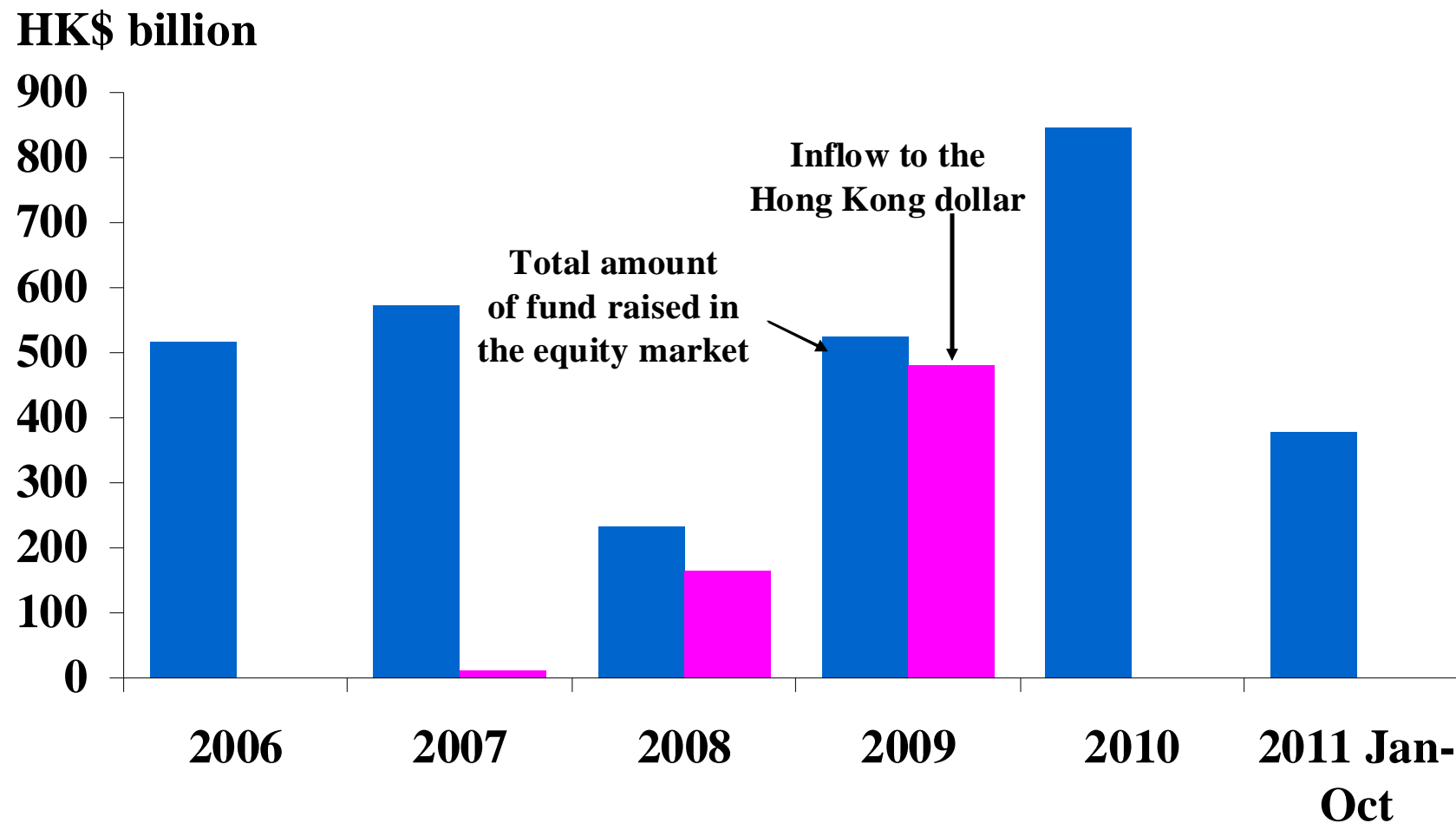


DOMESTIC INTEREST RATES





EQUITY FUND-RAISING AND NET INFLOWS



Note (1): Total amount of fund raised in the equity market include those from IPOs, right issues, placings, open offers, consideration issues, exercise of warrants and share option scheme.

Note (2): The 2008-09 figures are slightly different from data of Hong Kong Exchanges and Clearing Limited, since fund raising activities not involving Hong Kong dollar flows have been excluded.



BANKING STABILITY



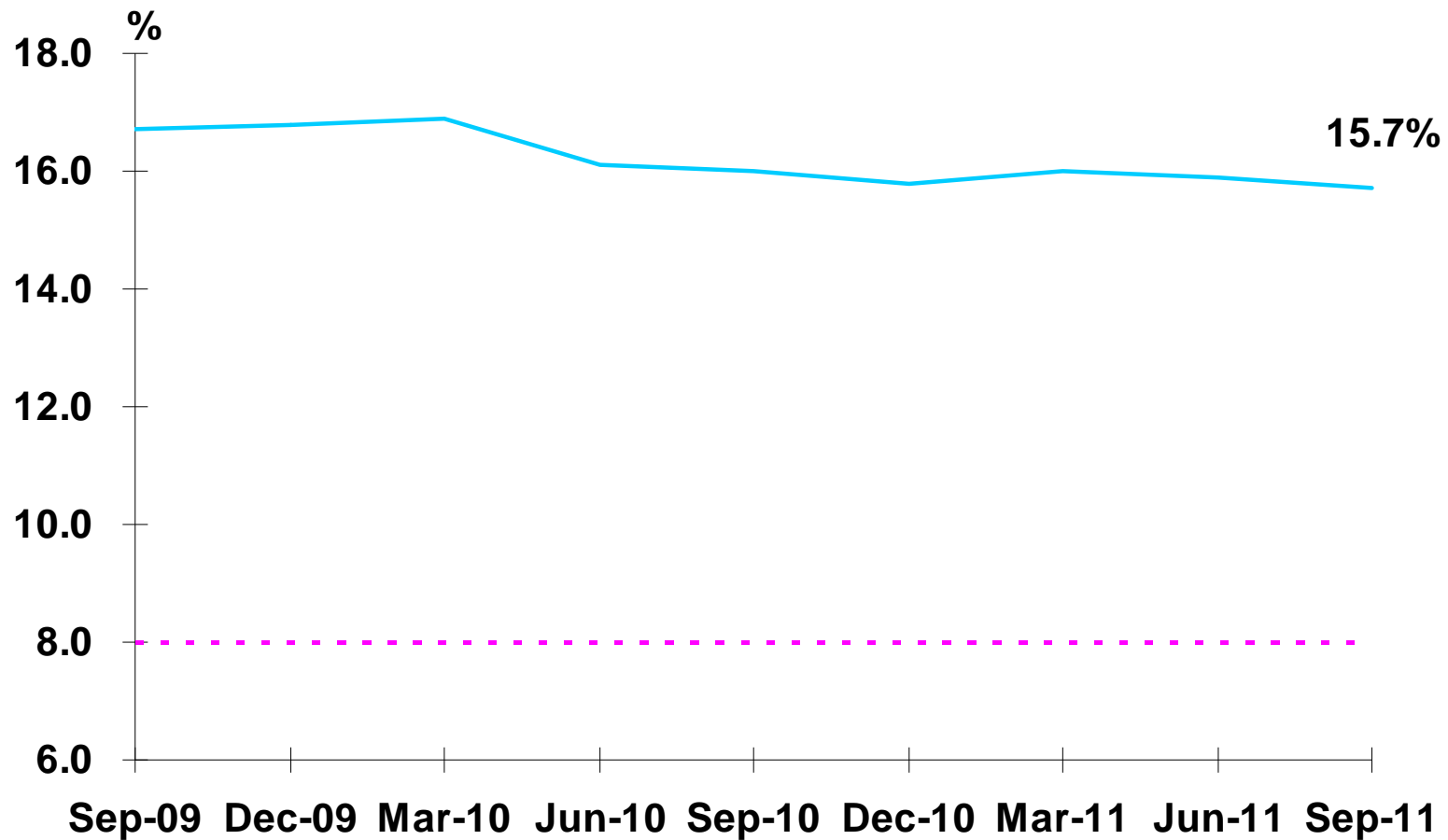
BASEL II Enhancements & BASEL III Implementation Progress

- **Basel II enhancements**
 - Negative vetting of the Amendment Rules completed by LegCo on 23 November 2011
 - Amendment Rules will take effect from 1 January 2012 in line with the Basel Committee's timetable.
- **Basel III**
 - Industry consultation on proposed amendments to Banking Ordinance conducted in October 2011.
 - Banking (Amendment) Bill 2011 is intended to be introduced into LegCo in December 2011.
 - Basel III capital reforms will raise quality and level of banks' capital and promote the build-up of capital buffers.
 - Basel III liquidity ratios will strengthen banks' capability to withstand short-term liquidity shocks and ensure availability of more stable and longer-term funding.
 - Regulatory framework for "Global Systemically Important Banks" issued in November 2011.



BANKING SECTOR PERFORMANCE

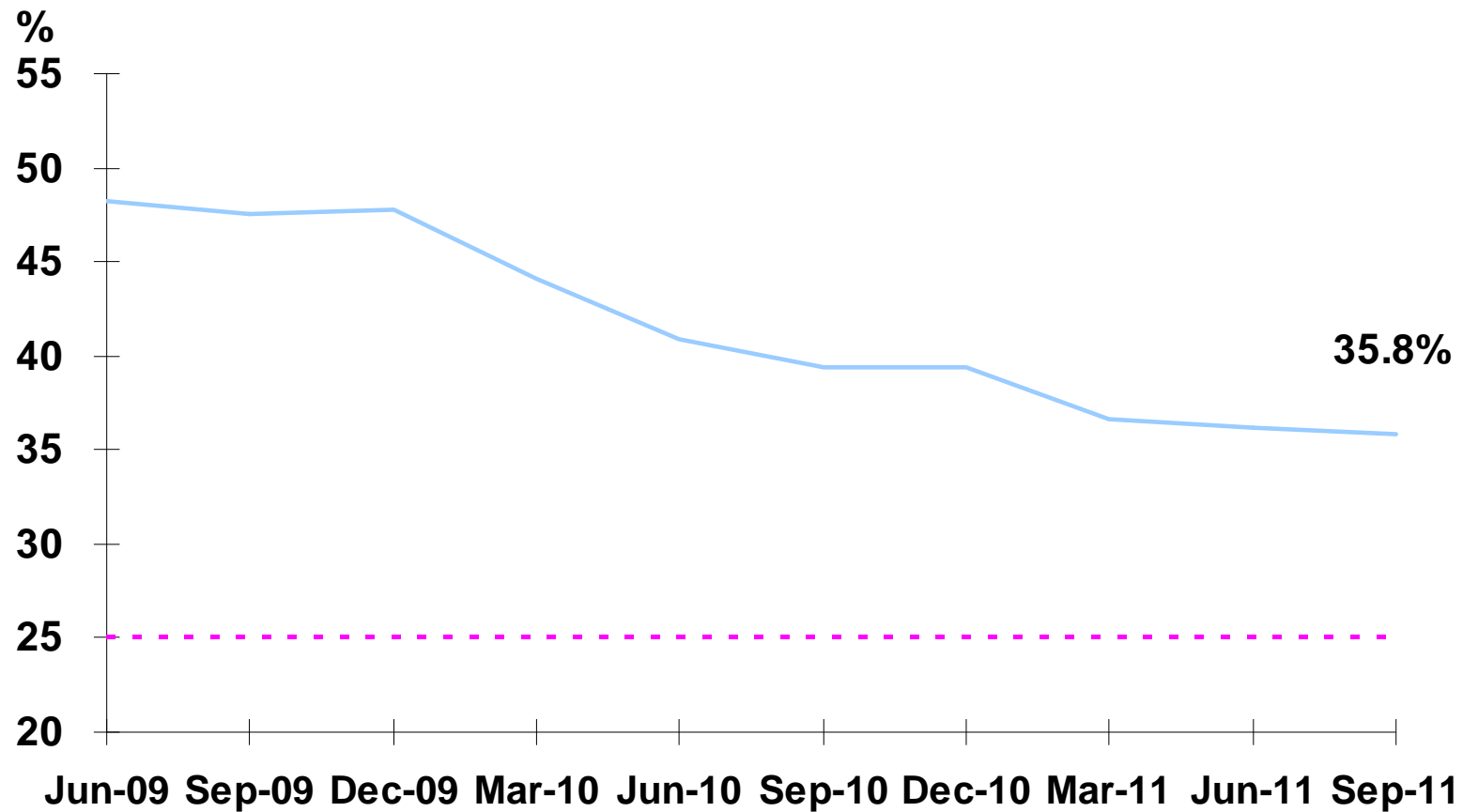
Locally incorporated AIs continued to be well capitalised





BANKING SECTOR PERFORMANCE

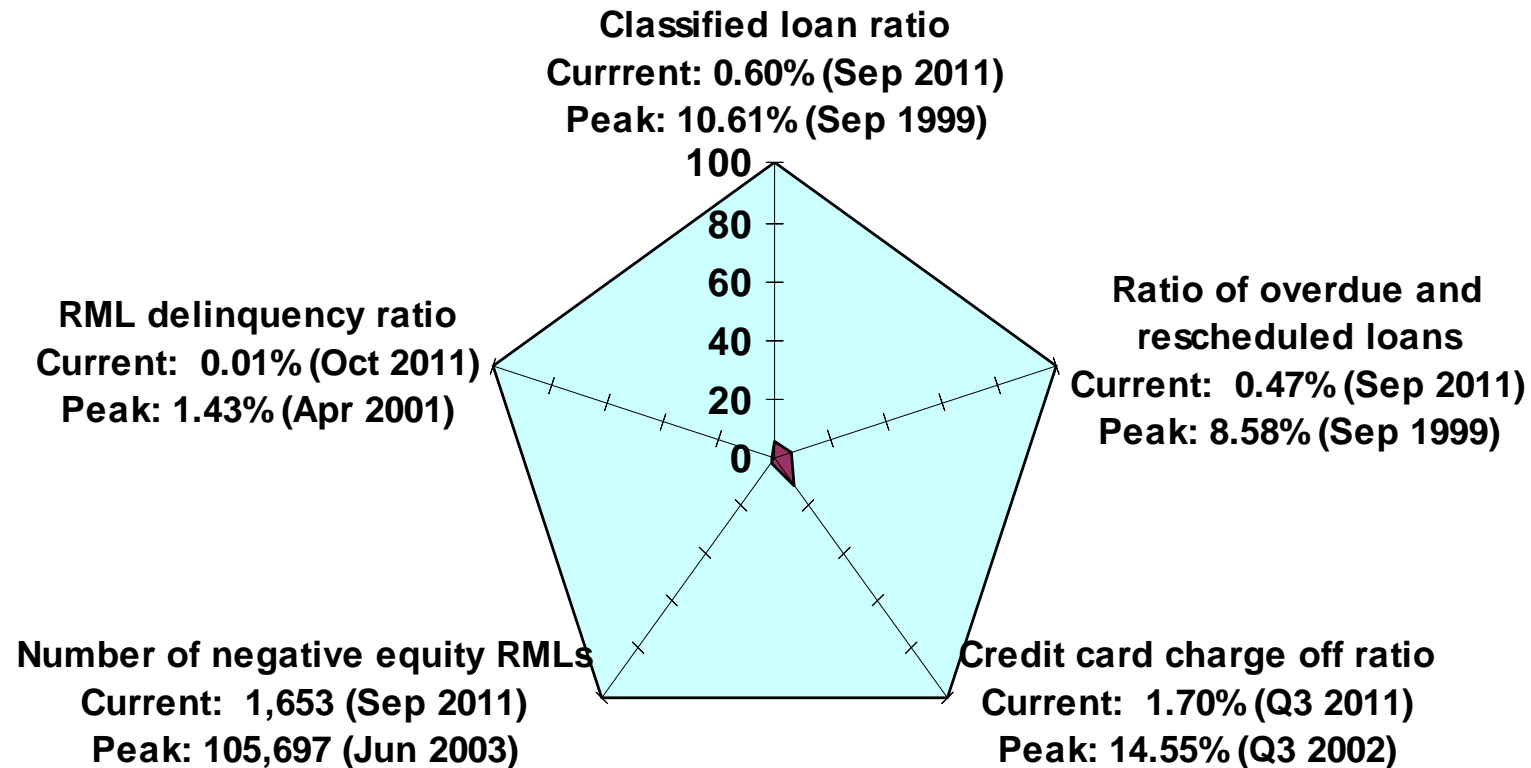
Liquidity ratio of retail banks remained well above statutory minimum of 25%





BANKING SECTOR PERFORMANCE

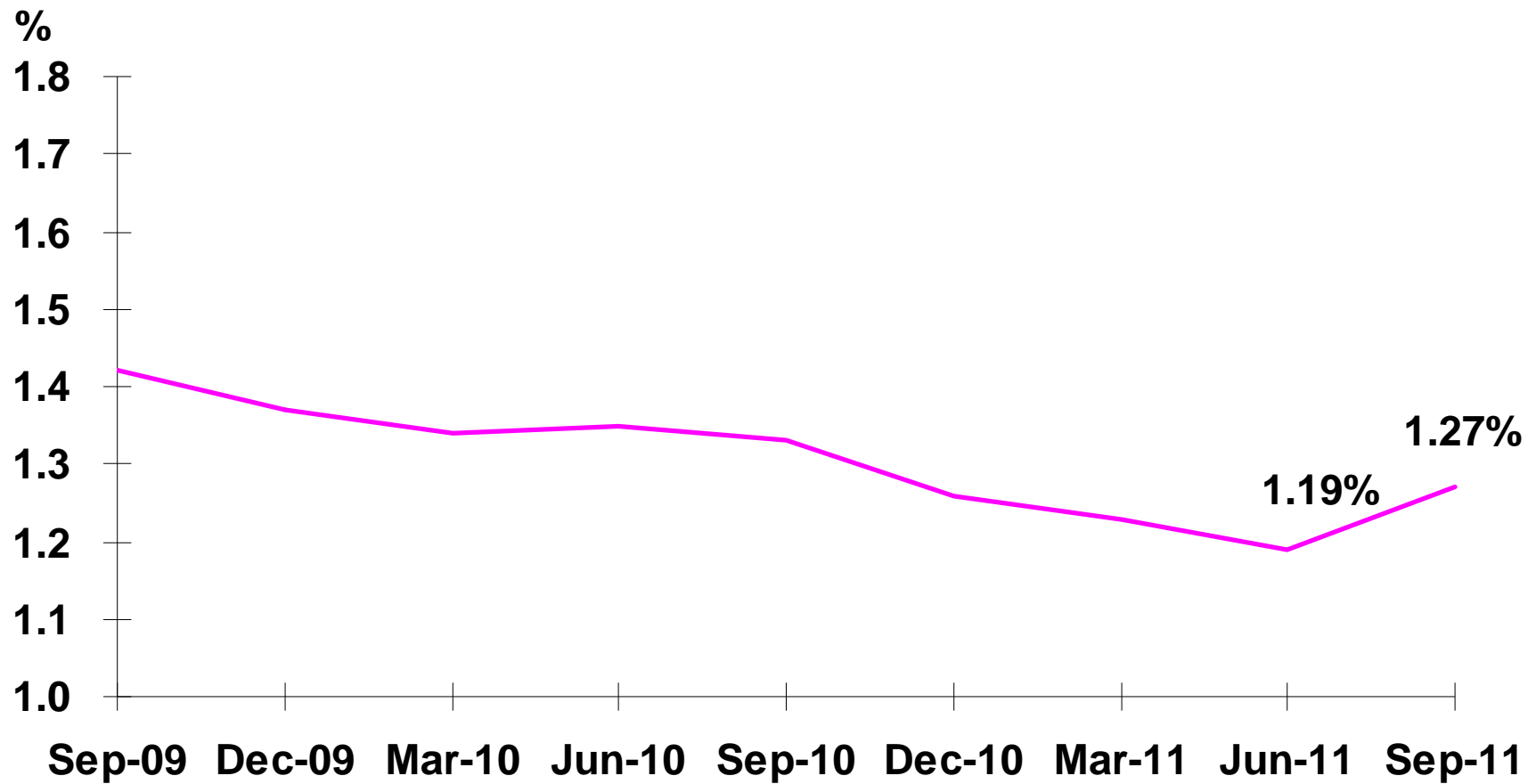
Asset quality indicators remained good compared with historical standards





BANKING SECTOR PERFORMANCE

Net interest margin of retail banks



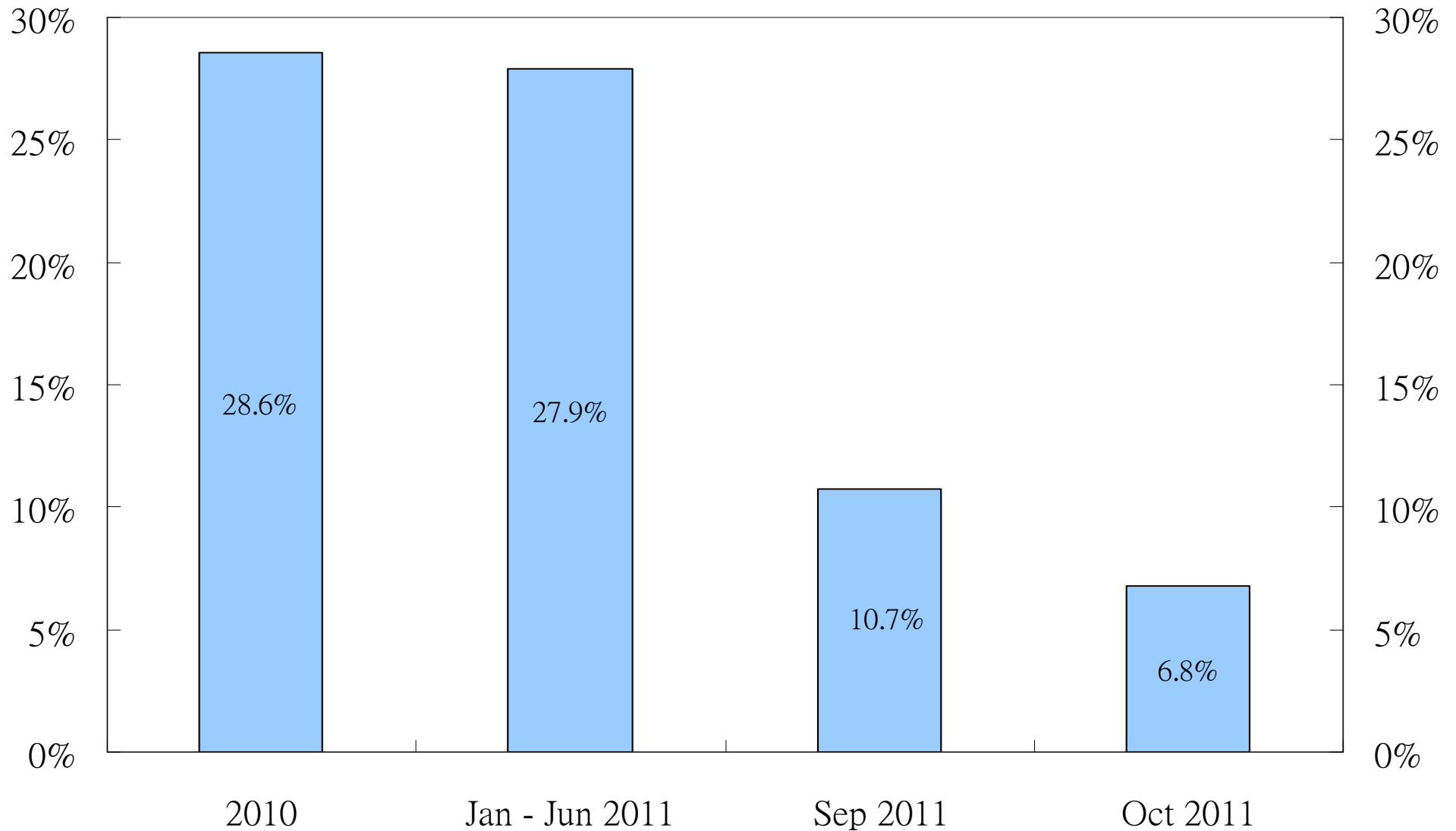


CREDIT GROWTH OF BANKS IN HONG KONG

Loan growth of banks in Hong Kong

Annualised growth rates (%)

Annualised growth rates (%)





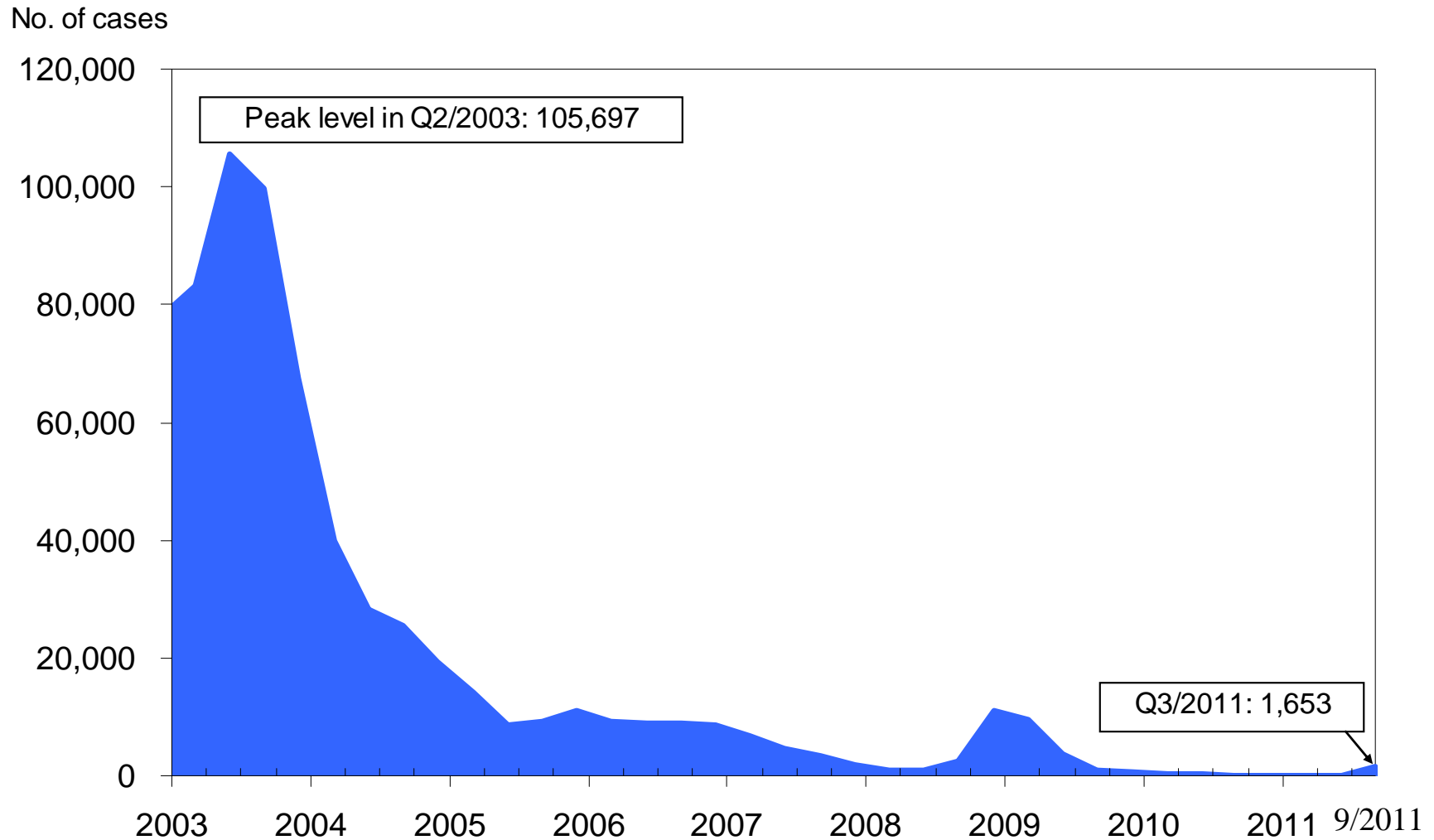
RISK MANAGEMENT IN RESIDENTIAL MORTGAGE LOANS (“RMLs”)

- In May and June 2011, there were signs of renewed exuberance following high transaction prices recorded in government land sale auctions. The HKMA introduced on 10 June the fourth round of countercyclical macroprudential measures to strengthen the risk management of banks in Hong Kong.
- Recently, we observed signs of slowing down in the property market amid deepening of the European sovereign debt crisis, uncertainties over the global economic outlook and increases in mortgage rates.
- Property transaction in Q3/2011 fell noticeably. In October, the number of new RML applications dropped to 6,613, which was 71% lower than the recent peak recorded in March 2011. The value of new RMLs approved fell 71% over the same period to HK\$12 billion.



RESIDENTIAL MORTGAGE LOANS (“RMLs”) IN NEGATIVE EQUITY

The number of RMLs in negative equity increased to 1,653 in Q3/2011. The number of RMLs in negative equity accounted for a very small portion of total outstanding mortgage loans.





RESIDENTIAL MORTGAGE LOANS (“RMLs”) IN NEGATIVE EQUITY

- The vast majority of the negative equity cases were related to mortgage loans with loan-to-value ratio at 90% or above, including staff housing loans and RMLs under mortgage insurance programme.
- The increase in the number of negative equity does not affect the overall quality of the RML portfolio of the banking sector. As of end-September 2011, there has not been any RMLs in negative equity with repayment overdue for more than three months.
- The HKMA will continue to monitor the market situation closely and introduce appropriate measures in the light of the latest development in the property market to safeguard the banking stability in Hong Kong.



INVESTOR PROTECTION

- Results of mystery shopping exercise were published in May
- Issued a circular in October to further elaborate on the HKMA's expected standards of conduct for AIs engaged in selling accumulators
- Stepped up efforts in investor education, e.g. regarding the risks of exchange-traded funds and accumulators
- The HKMA has been providing assistance to the Financial Services and the Treasury Bureau to enable the establishment of Investor Education Council and Financial Dispute Resolution Centre
- The HKMA will jointly host with the OECD and the SFC a Regional Seminar on Financial Consumer Protection and Education in Hong Kong in the second half of 2012



SHARING OF MORTGAGE DATA FOR CREDIT ASSESSMENT

- Als that have mortgage business have completed the IT development work required for full automation of uploading mortgage data to the Credit Reference Agency and mortgage count enquiry.
- The HKMA is working with the industry to set the threshold for non-mortgage related consumer credit facilities as required by the Office of the Privacy Commissioner for Personal Data (PCPD). Subject to the PCPD's endorsement of the threshold, for non-mortgage related consumer credit facilities of an amount not less than the threshold, Als will be allowed to access the mortgage count of customers for the purpose of considering granting, renewing or reviewing such non-mortgage related consumer credit facilities.



DEPOSIT PROTECTION

- The Deposit Protection Scheme (DPS) has been operating smoothly for 5 years. Under the enhanced protection limit of HK\$500,000, 90% of depositors are fully protected by the DPS.
- A peer review on deposit insurance system (DIS) was launched by the Financial Stability Board in June 2011. The HKMA, representing Hong Kong, is chairing the review team. Opportunity will also be taken to assess the robustness of the DPS in Hong Kong, taking into account reform experience of other major DIS.
- Closely monitoring the compliance of banks with the enhanced representation requirements on protection status of deposits. On-site examinations have commenced.
- Extensive publicity campaigns continued to maintain public awareness of the DPS at a high level.



FINANCIAL INFRASTRUCTURE



REFORMING OTC DERIVATIVES MARKET

- To comply with the G20's commitments in reforming the OTC derivatives market, Hong Kong is working towards putting in place a regulatory regime for its OTC derivatives market by end-2012. The HKMA and SFC are currently working with the Government on the legislative amendments necessary for implementing this new regulatory regime
- The HKMA and SFC jointly issued a consultation paper on the proposed regulatory regime for the OTC derivatives market on 17 October 2011. Market comments in response to this consultation will be critical to finalising some of the key aspects of the regime and the legislative amendments
- The proposed regulatory regime will cover mandatory reporting and clearing requirements. The reporting and clearing requirements will initially be applied to interest rate swaps and non-deliverable forwards, and will extend to other asset classes in subsequent phases
- The HKMA will ride on its existing Central Moneymarkets Unit (CMU) infrastructure to develop a trade repository. Hong Kong Exchanges and Clearing Ltd is also building a local central counterparty for OTC derivatives in Hong Kong. These infrastructures are scheduled for launch in 2012



GOVERNMENT BOND PROGRAMME

- Institutional Bond Issuance Programme:
 - Eight issues totalling HK\$35.5 billion outstanding as at mid-November
 - Tenors from 2 years up to 10 years have been offered in order to build a benchmark yield curve
 - The tenders attracted a diverse group of end-investors, such as investment funds, insurance companies and pension funds
- Retail Bond Issuance Programme:
 - Successful issuance of HK\$10 billion inflation-linked bond, the iBond, to Hong Kong residents on 28 July
 - Attracted over 155,000 applications, with application monies exceeding HK\$13 billion
 - Help promote retail investors' awareness and interest in bond investment



PROMOTING ASSET MANAGEMENT BUSINESS

- Working closely with other Government agencies and the private sector to explore ways to strengthen the competitiveness of Hong Kong's asset management industry and reinforce Hong Kong's position as a leading asset management centre
- Stepping up marketing efforts to proactively reach out to overseas and Mainland fund managers and investors to promote Hong Kong's financial platform, and also provide them with insights on our regulatory developments, as they plan to establish or expand their presence in Hong Kong. Promotional campaigns so far covered New York, London, Switzerland and Luxembourg
- Building on the feedback from our regular dialogues with industry players, we continue to improve our platform and keep pace with the latest developments in the asset management industry



FINANCIAL INFRASTRUCTURE

- Continued to maintain safety and efficiency of financial infrastructure
- Continued to enhance financial infrastructure, especially for supporting the continual growth of RMB business in Hong Kong
- Developing a trade repository for over-the-counter derivatives trades to enhance market surveillance and transparency, and bring Hong Kong in line with international standards

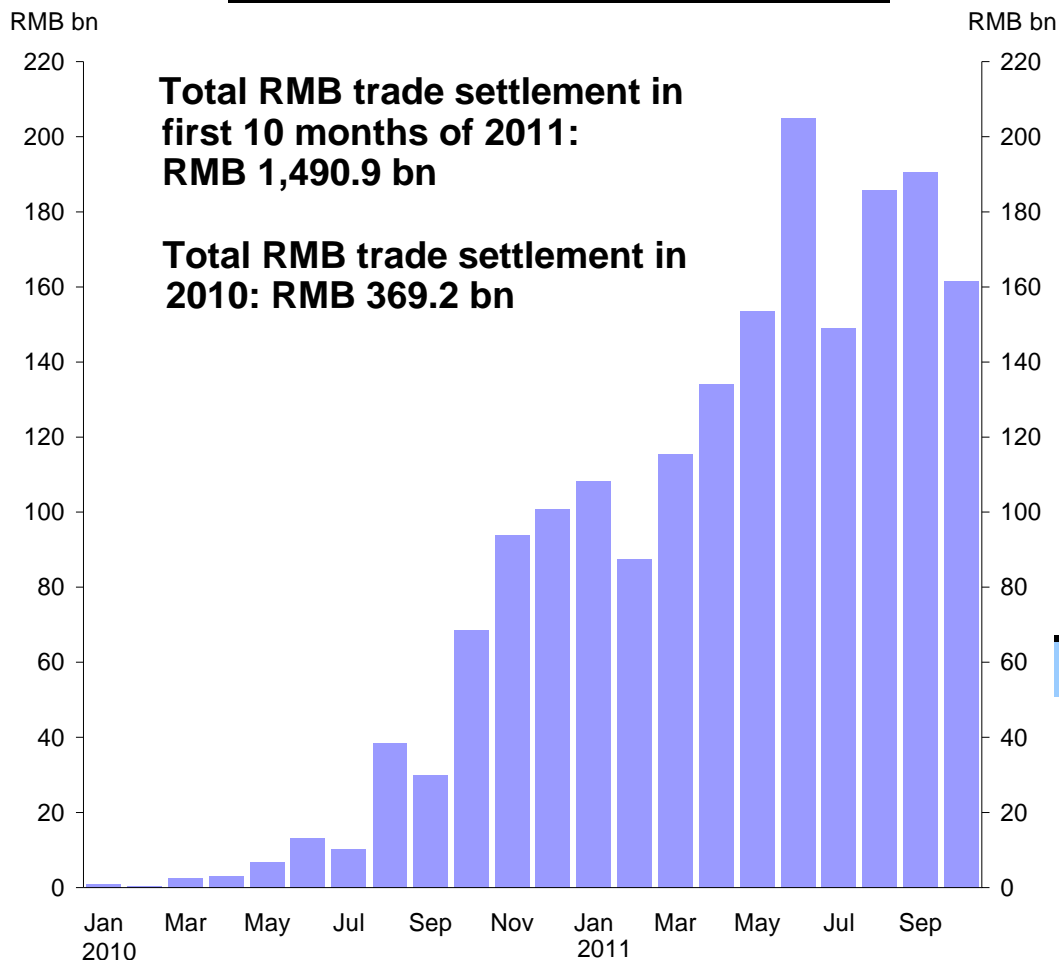


HONG KONG AS AN INTERNATIONAL FINANCIAL CENTRE



Continuous progress in RMB trade settlement

RMB trade settlement conducted through banks in Hong Kong



Mainland's trade settled in RMB (RMB billion) As percentage of Mainland's total trade (%)

2010	H1	67.0	0.7
	H2	439.3	4.0
	Annual	506.3	2.5
2011	H1	957.6	8.6
	Q3	583.4	9.3

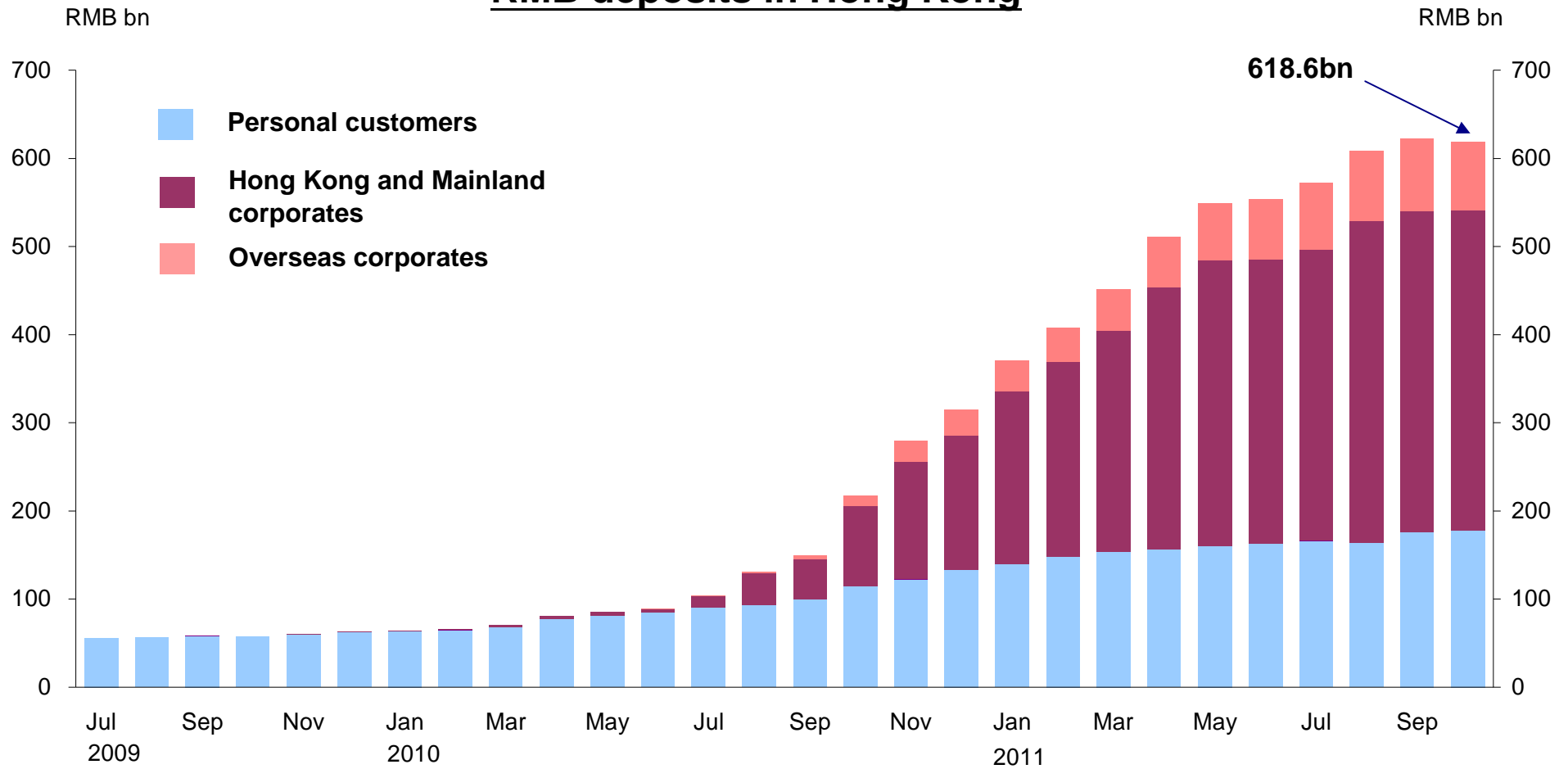
RMB trade settlement conducted through banks in Hong Kong (RMB billion) As percentage of Mainland's trade settled in RMB (%)

2010	Annual	369.2	72.9
2011	Q1	311.3	86.4
	Q2	492.7	82.5
	Q3	525.4	90.1



Steady growth of RMB deposits in Hong Kong

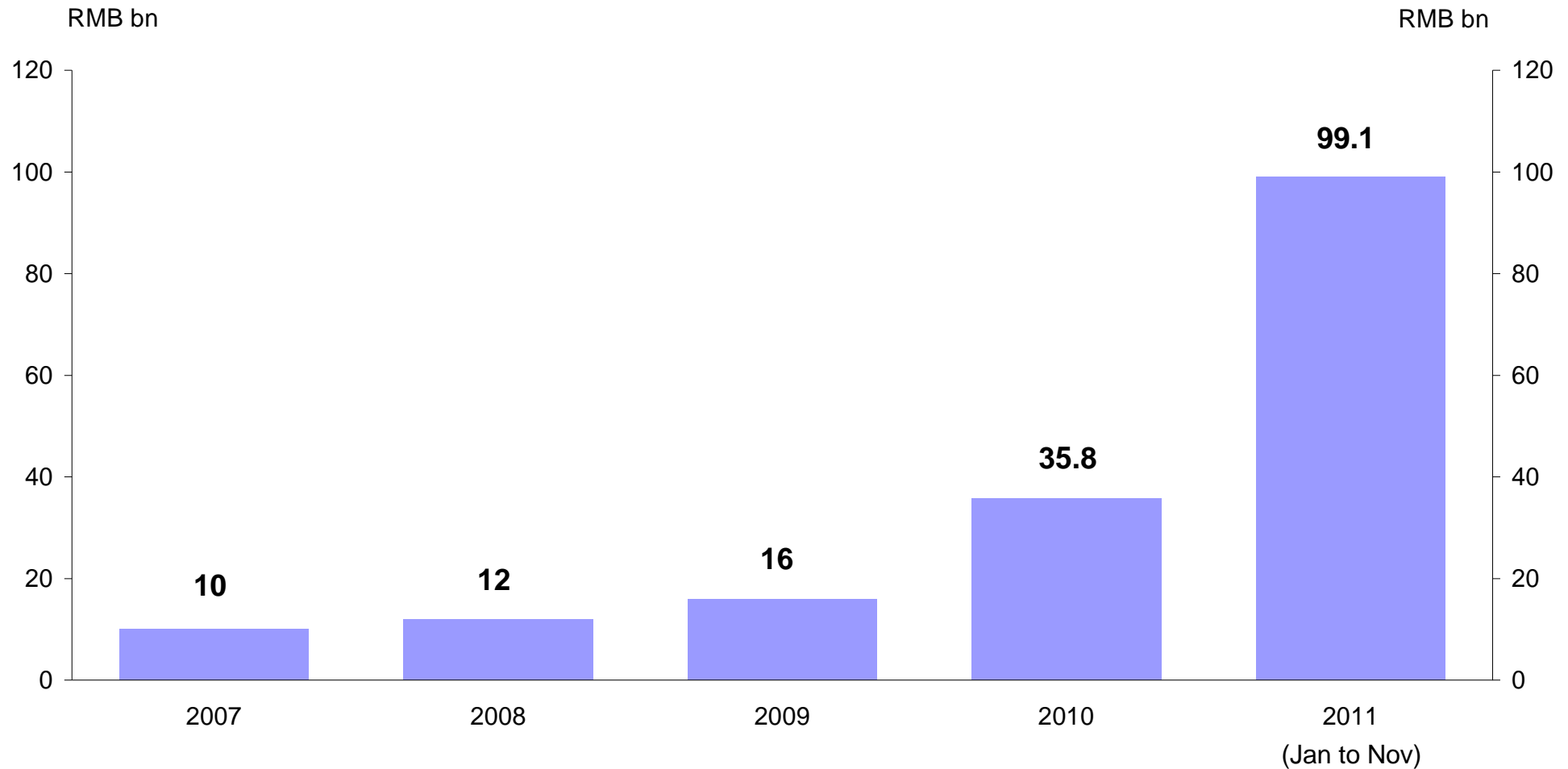
RMB deposits in Hong Kong





Significant expansion of RMB bond issuance in Hong Kong

RMB bond issuance in Hong Kong





Hong Kong as key platform supporting RMB business overseas

- **A global RMB payment and settlement network**
 - At end-Oct 2011, there were 184 participating banks in Hong Kong's RMB clearing platform, of which 161 were branches and subsidiaries of foreign banks and overseas branches of Mainland banks
 - Banks in Hong Kong are also actively providing RMB correspondent banking services to banks overseas
- **HKMA's proactive promotion work**
 - **2011:** Conducted roadshows in Australia, Russia, UK and Spain
 - **2012:** Plans to visit South America and other places with close trade and investment links with China



Promising Outlook for Hong Kong as Offshore RMB Centre

- Supportive measures of the Central Government:
Arrangement for use of RMB for foreign direct investments will generate significant demand for RMB financing in Hong Kong
- More two-way movements in cross-border RMB trade flows and offshore RMB pricing show that the Hong Kong offshore RMB market is maturing
- Expansion of currency swap agreement between PBoC and HKMA allows provision of liquidity to maintain stability of offshore RMB market in Hong Kong when necessary, supporting steady business development



INCREASING REGIONAL AND INTERNATIONAL FINANCIAL CO-OPERATION

Financial Stability Board (FSB)

- The HKMA attended Plenary Meetings of the FSB in July and October. The meetings discussed risks and vulnerabilities affecting global financial stability, and reviewed the progress of major regulatory reform initiatives. A package of measures to address the moral hazard risks posed by systemically important financial institutions was developed and endorsed by G20 Leaders. The reform of the OTC derivatives markets will be the main focus of FSB in 2012.
- The HKMA attended the inaugural meeting of the FSB Regional Consultative Group for Asia in November, which was set up to broaden outreach to non-FSB members in the region. The HKMA participated in the discussion on the importance of capital markets development for financial stability.

Executives' Meeting of East Asia and Pacific Central Banks (EMEAP)

- The HKMA conducted analyses for discussion at the EMEAP Deputies' and Monetary and Financial Stability Committee Meetings in November to assess risks and vulnerabilities in the region and policy implications. Members also discussed issues of common interests in the global financial regulatory reforms.



INVESTMENT ENVIRONMENT AND PERFORMANCE OF THE EXCHANGE FUND



INVESTMENT ENVIRONMENT IN Q1-Q3 2011

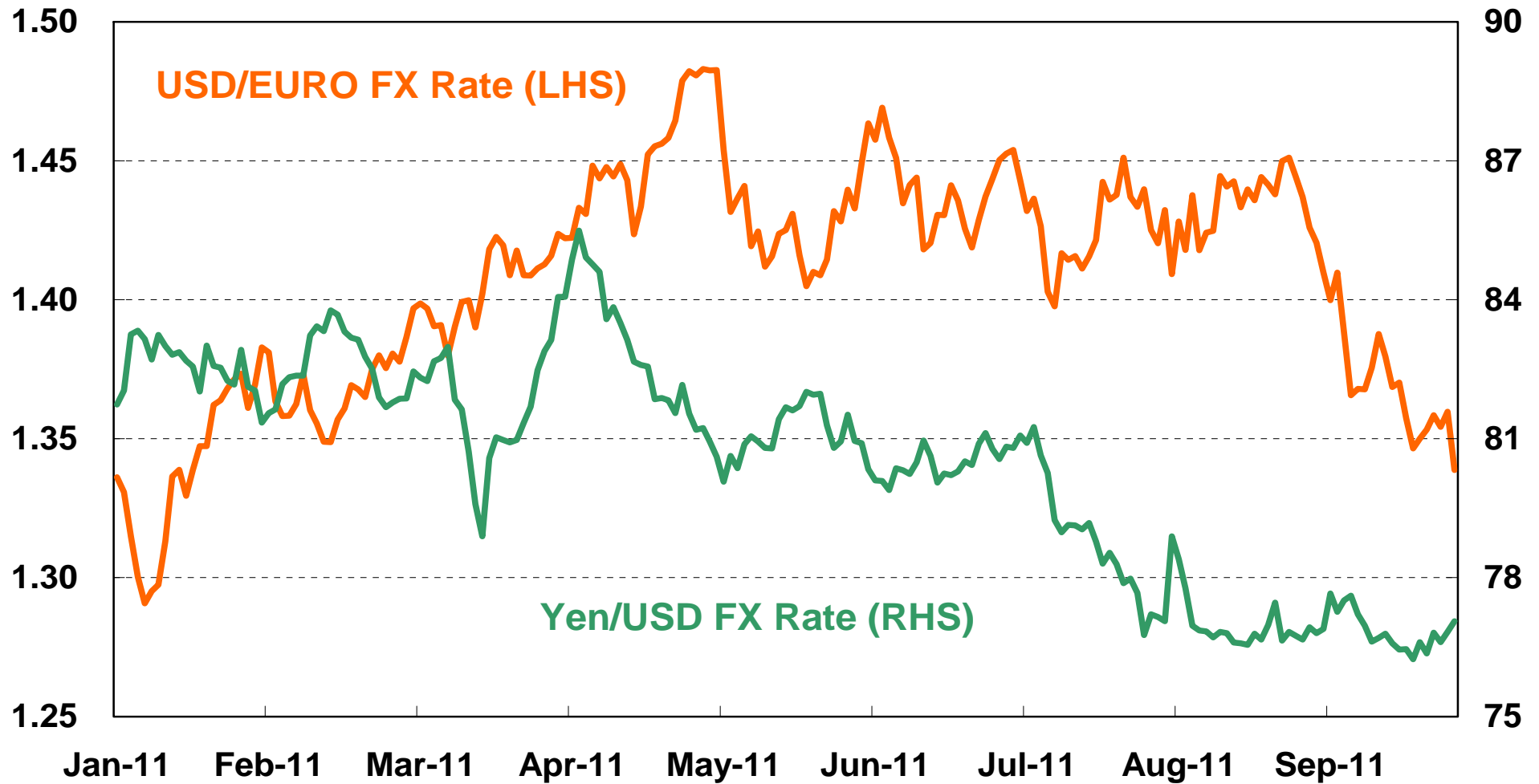
- **Exchange rates:** The US dollar weakened against major currencies in Q1 and came under further pressure through August, especially after one notch downgrade by S&P. However, safe haven flows amid concerns of deeper European debt crisis, liquidity problem of European banks and possible economic recession drove US dollar markedly higher in September.
- **Equity markets:** After posting modest gains in Q1, major stock markets in developed economies became volatile as risk appetite deteriorated. Selling pressure intensified after the credit rating downgrade of the US and amid the worsening European sovereign debt crisis. All stock indices fell sharply in Q3.
- **Interest rates:** US Treasury yields rose in the first quarter on investor expectation of economic improvement but fell significantly in the second quarter amid safe haven flows into bond market as the European sovereign debt crisis intensified. In view of the weaker economic outlook and in anticipation of the additional policy accommodation by the Fed, US Treasury yields declined significantly in Q3, hovering around the lowest levels in decades. Meanwhile, German government bond yields also fell in tandem.



CURRENCY MARKETS

USD/Euro FX Rate

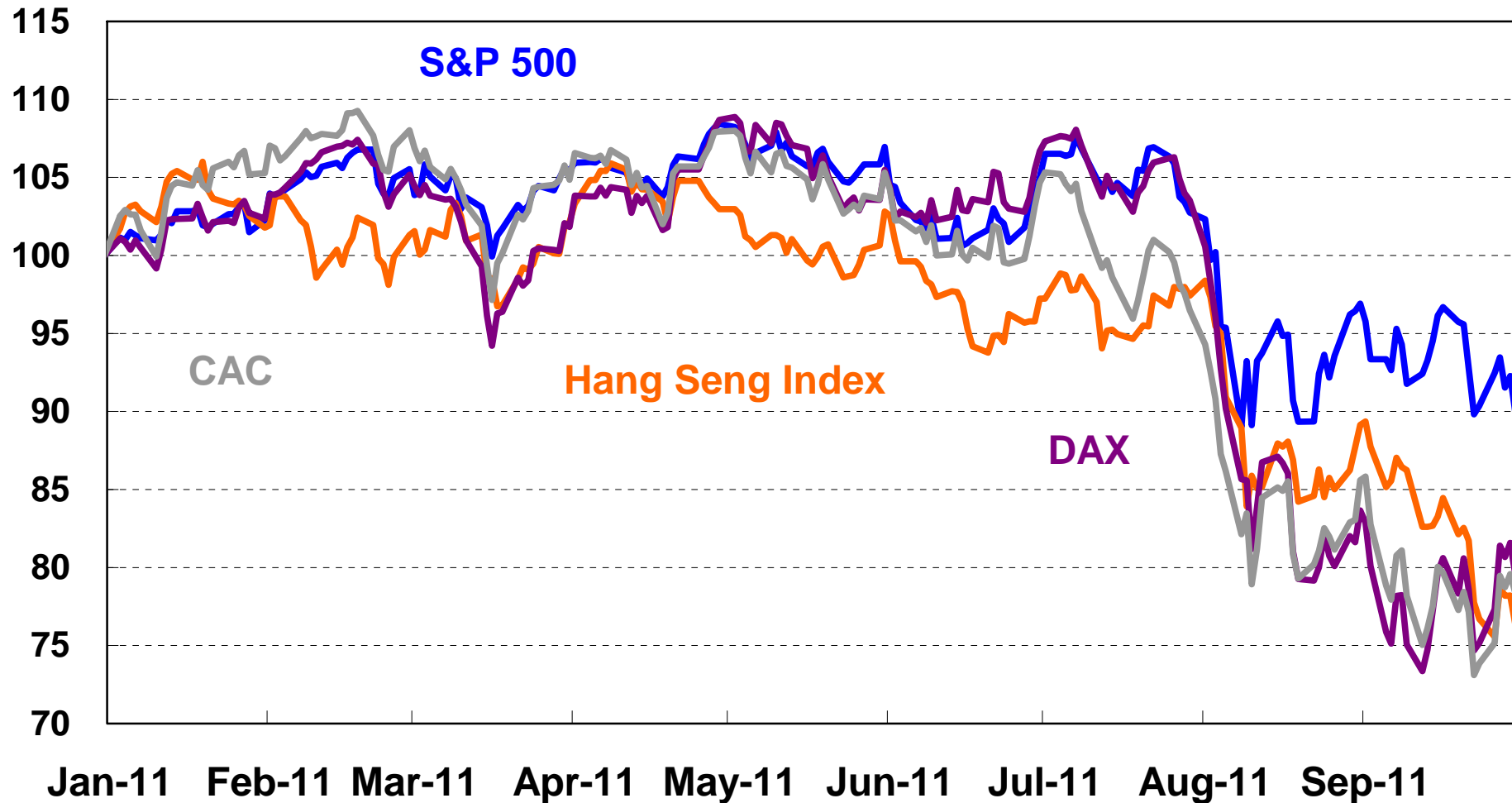
Yen/USD FX Rate





EQUITY MARKETS

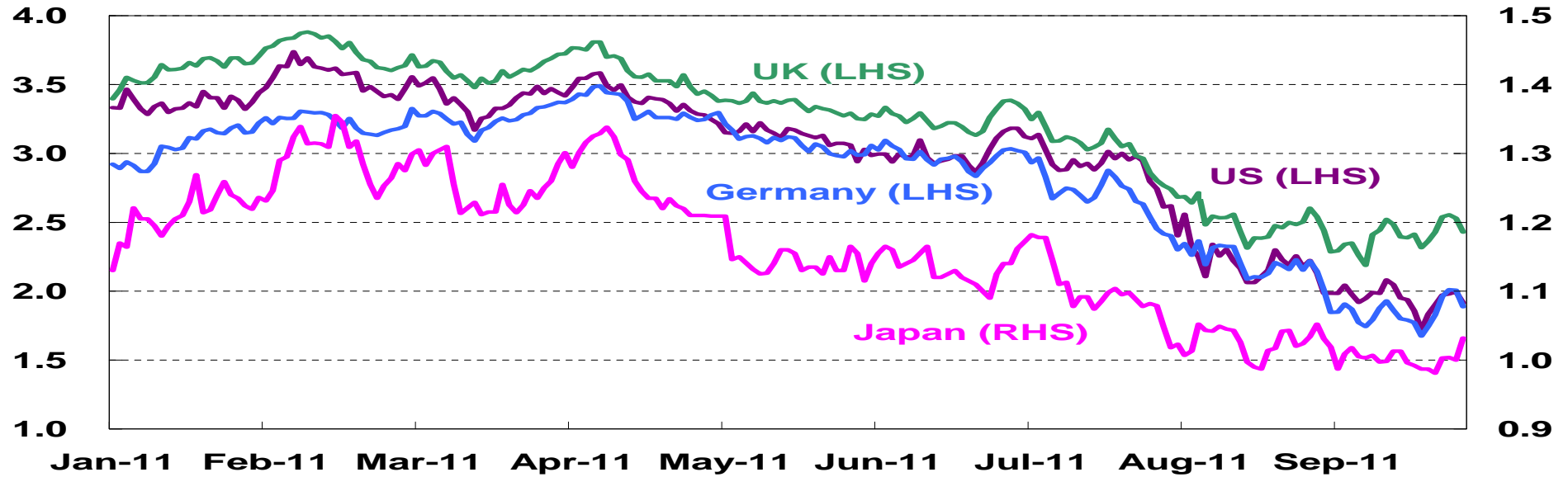
Normalized Index Level (2010 year-end = 100)





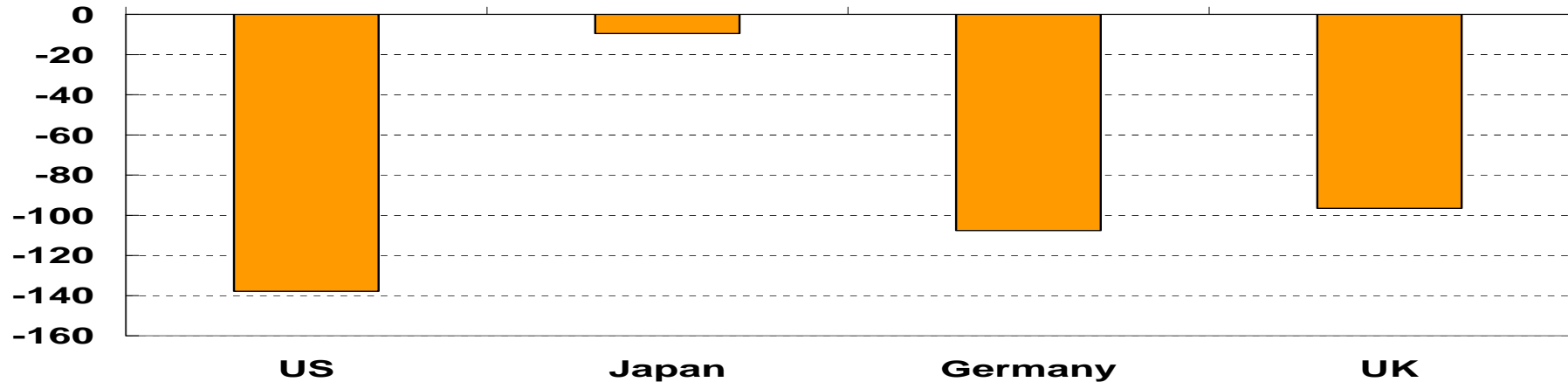
CHANGES IN 10-YEAR GOVERNMENT BOND YIELDS

Yield (%)



(bps)

2011 Q1-3 bond yield change (bps)





INVESTMENT INCOME

	2011	2010	2009	2008
(HK\$ billion)	Jan - Sep *	Full Year	Full Year	Full Year
Hong Kong equities ^{^@}		11.6	48.9	(77.9)
Other equities [^]		27.1	48.8	(73.1)
Foreign exchange		(3.1)	9.8	(12.4)
Other investments ^{&}		1.7	0.8	-
Bonds [#]		<u>42.1</u>	<u>(0.6)</u>	<u>88.4</u>
Investment income/(loss) ^{@&}		79.4	107.7	(75.0)

* Unaudited figures

[^] Including dividends

[#] Including interest

[@] Excluding valuation changes in Strategic Portfolio

[&] Including valuation changes of investment held by EF's investment holding subsidiaries



CHANGES IN INVESTMENT INCOME, PAYMENT TO FISCAL RESERVES AND ACCUMULATED SURPLUS

(HK\$ billion)	← 2011 →				2010
	Jan - Sep*	Q3	Q2	Q1	Full year
Investment income/(loss)			21.6	24.8	79.4
Other income			0.1	-	0.2
Interest and other expenses			<u>(1.6)</u>	<u>(1.2)</u>	<u>(4.8)</u>
Net investment income/(loss)			20.1	23.6	74.8
Payment to Fiscal Reserves #			(9.1)	(9.2)	(33.8)
Payment to HKSAR government funds and statutory bodies #			(1.3)	(1.1)	(3.9)
Valuation change of Strategic Portfolio less valuation change of investment held by EF's investment holding subsidiaries^			<u>(0.5)</u>	<u>(1.3)</u>	<u>0.9</u>
Increase/(Decrease) in EF Accumulated Surplus			9.2	12.0	38.0

* **Unaudited figures**

The fixed rate of fee payment is 6.0% for 2011 and 6.3% for 2010

^ **Including dividends**



HISTORICAL INVESTMENT INCOME

(HK\$ billion)

Year	Full Year	Q4	Q3	Q2	Q1
2001	7.4	13.6	10.4	(2.0)	(14.6)
2002	47.0	26.3	(2.1)	26.5	(3.7)
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**&	N/A	N/A		21.6	24.8

* Excluding valuation changes in the Strategic Portfolio

Unaudited figures

& Including valuation changes of investment held by EF's investment holding subsidiaries

N/A: Not Applicable



EXCHANGE FUND ABRIDGED BALANCE SHEET

(HK\$ billion)	At 30 Sep 2011*	At 31 Dec 2010	At 31 Dec 2009
ASSETS			
Deposits		198.4	126.3
Debt securities		1,706.7	1,637.6
Hong Kong equities		152.6	142.9
Other equities		245.3	214.9
Other assets#		<u>42.0</u>	<u>27.7</u>
Total assets		<u>2,345.0</u>	<u>2,149.4</u>
LIABILITIES AND FUND EQUITY			
Certificates of Indebtedness		225.9	199.0
Government-issued currency notes & coins in circulation		8.9	8.4
Balance of the banking system		148.7	264.6
Exchange Fund Bills and Notes		654.2	536.4
Placements by banks and other financial institutions		23.2	28.3
Placements by Fiscal Reserves		592.3	504.1
Placements by HKSAR government funds and statutory bodies		76.8	41.8
Other liabilities		<u>23.5</u>	<u>13.3</u>
Total liabilities		1,753.5	1,595.9
Accumulated Surplus		<u>591.5</u>	<u>553.5</u>
Total liabilities and fund equity		<u>2,345.0</u>	<u>2,149.4</u>

* Unaudited figures

Including investment in EF's investment holding subsidiaries amounted to HK\$23.5 billion at 30 Sep 2011 (HK\$14.7 billion at 31 Dec 2010)



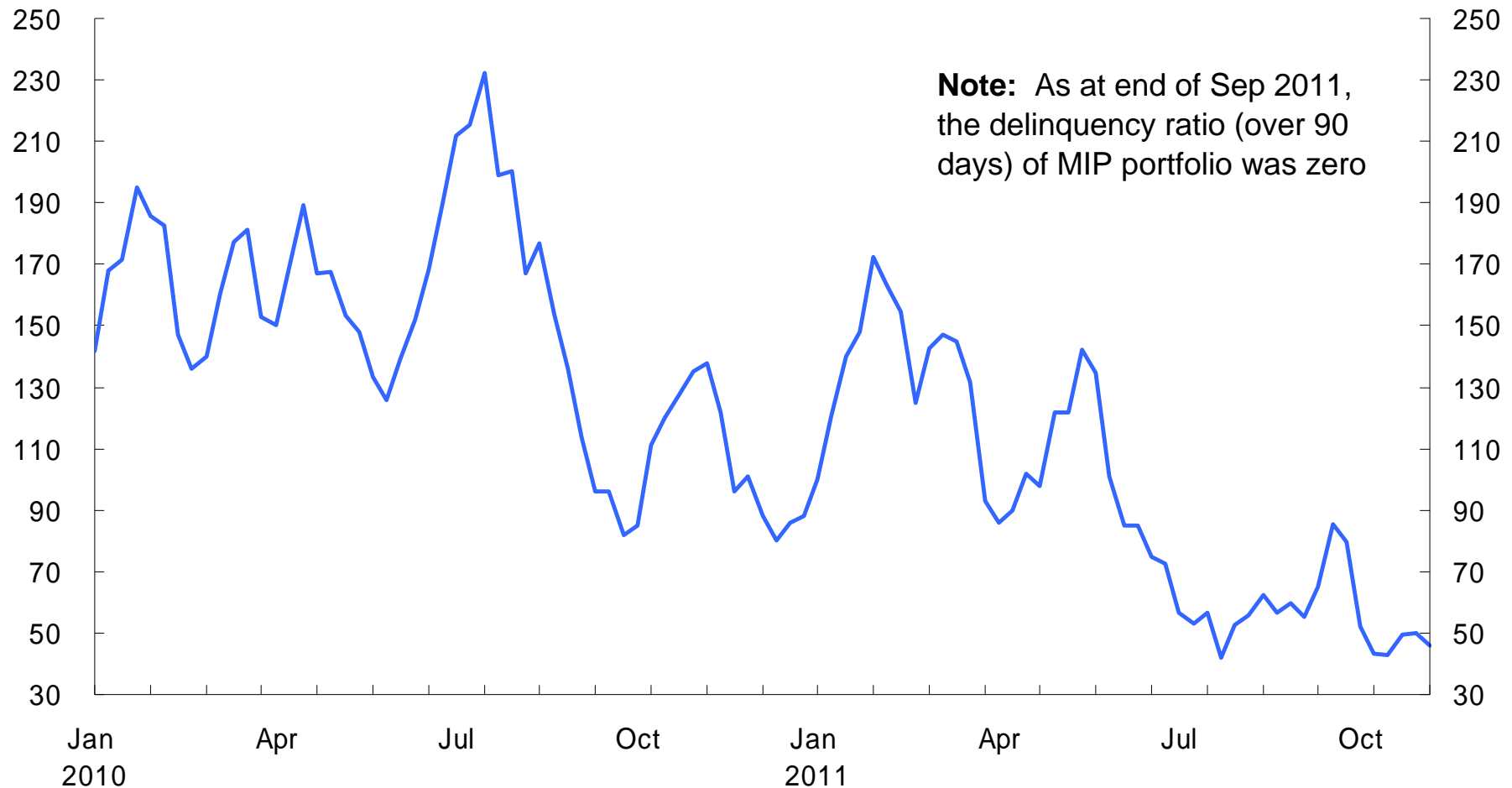
HONG KONG MORTGAGE CORPORATION



ASSESSMENT OF RISK ON HONG KONG'S FINANCIAL STABILITY: PROPERTY MARKET

Slow down in MIP loan applications

Average number of applications per day



Source: Hong Kong Mortgage Corporation



SME Financing Guarantee Scheme

- From the launch on 1 January 2011 up to mid-November 2011:
218 applications received for aggregate loan amount of around HK\$750 million;
Average loan interest rate of 5.2% p.a. and guarantee fee of 1.5% p.a.
- In October 2011, a number of product enhancements were introduced:
 - i. Increase of the interest rate ceilings from 8% / 10% p.a. to 10% / 12% p.a.
 - ii. SFGS can guarantee loans refinanced from the Government's Special Loan Guarantee Scheme upon expiry of existing guarantee
 - iii. Drawdown on all types of revolving facilities can be in HK dollars or foreign currencies
 - iv. Allowing temporary excess of revolving facility limit on one-off basis to provide flexibility to SMEs
 - v. Clarification of the collateral sharing arrangement with banks



Reverse Mortgage Programme

- The Reverse Mortgage Programme launched by the Hong Kong Mortgage Corporation on 11 July 2011 receives good response in the market
- By 11 November 2011, there have been 128 applications, with total property value totalling HK\$478 million
 - Average age of borrowers: 70 years old
 - Payment terms: 10-year (30%), 15-year (20%), 20-year (16%), life (34%)
 - Average property value: HK\$3.7 million
 - Average monthly payout: HK\$13,000
 - Average property age: 30 years