



Research Office  
Legislative Council Secretariat

## Fact Sheet

# Bond markets in Hong Kong and Singapore

FS01/20-21

## 1. Introduction

1.1 Bond market is a significant part of the financial market in Hong Kong. It is an alternative source of financing alongside equity financing and bank loans. According to the Government, the development of a mature local bond market will facilitate the efficient allocation of funds, thereby promoting financial stability, strengthening Hong Kong's status as an international financial centre and promoting economic development.<sup>1</sup> Against this, Hong Kong introduced the Government Bond Programme in 2009 to promote the development of the local bond market, which has received fairly favourable response. Amid the challenging global economic situation and intense international competition, there are views that Hong Kong has room to continually improve its offering, for example by expanding access to a wider base of investors, to maintain its position as an international financial centre.

1.2. At the request of the Panel on Financial Affairs, the Research Office has prepared this fact sheet on the bond market<sup>2</sup> in Hong Kong. As Singapore shares many socio-economic similarities with Hong Kong, the study will also examine the latest market development and policy initiatives of Singapore. This fact sheet will begin with an overview on Hong Kong's bond market, including its market size and issuer composition, regulations and procedures on bond issuance and listing, and recent market developments. This is followed by an overview of Singapore's bond market with a discussion of its policy initiatives to promote bond market growth. The salient features of the bond markets in both places are summarized in the **Appendix**.

---

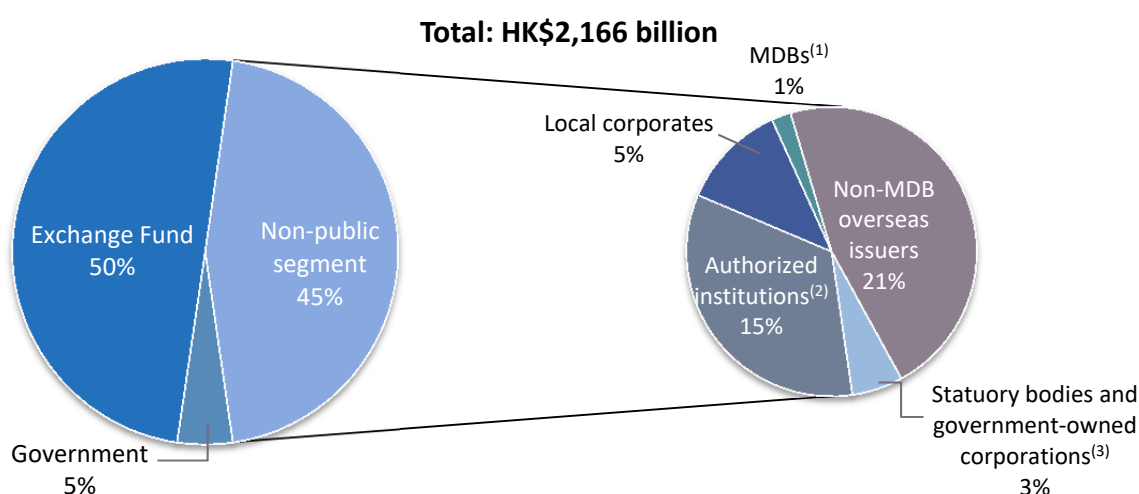
<sup>1</sup> See GovHK (2020).

<sup>2</sup> For the purpose of this fact sheet, bonds generally cover all debt securities (including government bonds, corporate bonds, shorter-tenor papers such as bills, and other types of fixed income instruments), unless specified otherwise. In most data sources, breakdown of debt securities by category is not readily available. In addition, most regulations do not distinguish among different types of debt securities.

## 2. Overview of the bond market in Hong Kong

2.1 Hong Kong's bond market is the third largest in Asia ex-Japan, after the Mainland and South Korea.<sup>3</sup> As of end-2019, outstanding Hong Kong dollar ("HKD") bonds amounted to HK\$2,166 billion. Exchange Fund Bills and Notes ("EFBN") issued by the Hong Kong Monetary Authority ("HKMA") and bonds issued by the non-public segment accounted for 45% and 50% of the outstanding bonds in Hong Kong respectively, while bonds issued under the Government Bond Programme (made up of iBond, Silver Bond and Institutional Bond)<sup>4</sup> accounted for the remaining 5% (**Figure 1**). Outstanding non-local currency bonds amounted to US\$147.87 billion (HK\$1,146 billion) as of September 2020.<sup>5</sup> However, there is no published data on the types of currencies and issuers.

**Figure 1 – Outstanding HKD bonds in Hong Kong by type of issuers (as at end-December 2019)**



Source: Hong Kong Monetary Authority (2020c).

Notes: (1) MDBs denotes multilateral development banks such as World Bank and Asian Development Bank.

(2) Authorized institutions include licensed banks, restricted licence banks and deposit-taking companies.

(3) Statutory bodies and government-owned corporations include public bodies such as The Hong Kong Mortgage Corporation, Airport Authority Hong Kong, MTR Corporation Limited, Urban Renewal Authority, etc. As they are typically considered as non-public issuers by the market, they are generally categorized under the "non-public segment" in the context of bonds.

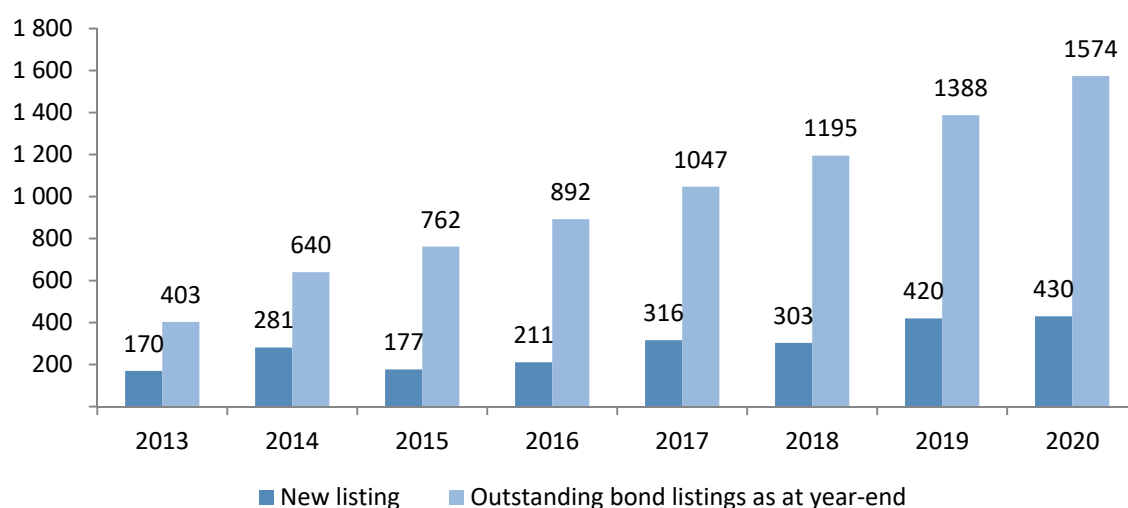
<sup>3</sup> In terms of total G3 currencies (USD, euro and Japanese yen) and local currency issuance. See Hong Kong Monetary Authority (2020b).

<sup>4</sup> Islamic bonds under the Hong Kong Government Bond Programme and bonds issued under the Government Green Bond Programme are excluded as they are USD-denominated.

<sup>5</sup> See AsianBondsOnline (2020).

2.2 Bonds are **traded** in the secondary market on exchanges or through over-the-counter ("OTC") markets<sup>6</sup>. Following the global trend, bond trading in Hong Kong takes place mostly through OTC markets as it is generally considered less formal and more flexible than trading on an exchange.<sup>7</sup> Only a fraction of bonds are traded through the Stock Exchange of Hong Kong ("SEHK").<sup>8</sup> One of the major reasons for issuers to list their bonds on exchanges is the investment mandates for mutual funds and unit trusts, which require them to invest in listed securities.<sup>9</sup> Currently, unlisted bonds issued in Hong Kong exceed those listed on SEHK by a large margin. In 2019, for instance, it is estimated that less than one-third of all bond issuances in terms of issue size were listed on SEHK and the remaining were unlisted.<sup>10</sup> As at end-2020, there were 1 574 bonds listed on SEHK, of which 430 were newly listed (**Figure 2**).

**Figure 2 – Number of bonds listed on SEHK**



Source: Hong Kong Exchanges and Clearing Limited (various years).

<sup>6</sup> OTC market is a decentralized market where market participants trade directly through dealers and brokers outside of formal exchanges, without the supervision of an exchange regulator. Contrary to trading on formal exchanges, OTC trading does not confine to standardized form of trading (e.g. clearly defined range of quantity and quality of products) and does not require prices to be published to the public. See Corporate Finance Institute (2020).

<sup>7</sup> See International Capital Market Association (2020) and International Monetary Fund (2020).

<sup>8</sup> In 2019, the total value of HKD bonds transacted in secondary markets in Hong Kong amounted to HK\$3,861.9 billion, compared to HK\$60.7 billion bonds turnover on SEHK. See Hong Kong Exchanges and Clearing Limited (2019).

<sup>9</sup> See Hong Kong Exchanges and Clearing Limited (2020b).

<sup>10</sup> According to AsianBondsOnline (2020), total G3 currencies (i.e. USD, euro and Japanese yen) and HKD bond issuance in Hong Kong – which is only a subset of all bonds issued in Hong Kong – amounted to US\$561.9 billion (HK\$4,375.9 billion) in 2019, compared to HK\$1,401.9 billion bonds newly listed on SEHK during the year.

2.3 Of the 1 574 listed bonds on SEHK as at end-December 2020, only 64 are open to **retail investors (Figure 3)**. The 64 listed bonds open to the public comprise pre-dominantly HKMA's Exchange Fund Notes, bonds issued under the Hong Kong Government Bond Programme, and bonds issued by the Ministry of Finance of the People's Republic of China. To date there has only been one listed corporate bond offered to retail investors, which is Renminbi ("RMB")-denominated and has matured in May 2020.<sup>11</sup> Unlisted bonds available to retail investors are also rare. According to the list of publicly offered investment products maintained by the Securities and Futures Commission ("SFC"), only four non-public segment unlisted bonds in Hong Kong have been offered to retail investors since 1 January 2010.<sup>12</sup>

**Figure 3 – Number of bonds listed on SEHK by currency denomination and types (as at end-December 2020)**

<b>Currency denomination</b>	<b>Offered to professional investors only</b>	<b>Offered to public</b>	<b>Total</b>
USD	1 335	-	1 335
HKD	75	32	107
RMB	43	32	75
EURO	35	-	35
Others	22	-	22
<b>All currencies</b>	<b>1 510</b>	<b>64</b>	<b>1 574</b>

Source: Hong Kong Exchanges and Clearing Limited (2020c).

### Regulations and procedures

2.4 Regulations for bonds in Hong Kong are heavily focused on **investor protection**. As such, regulations on bonds issued to retail investors (i.e.

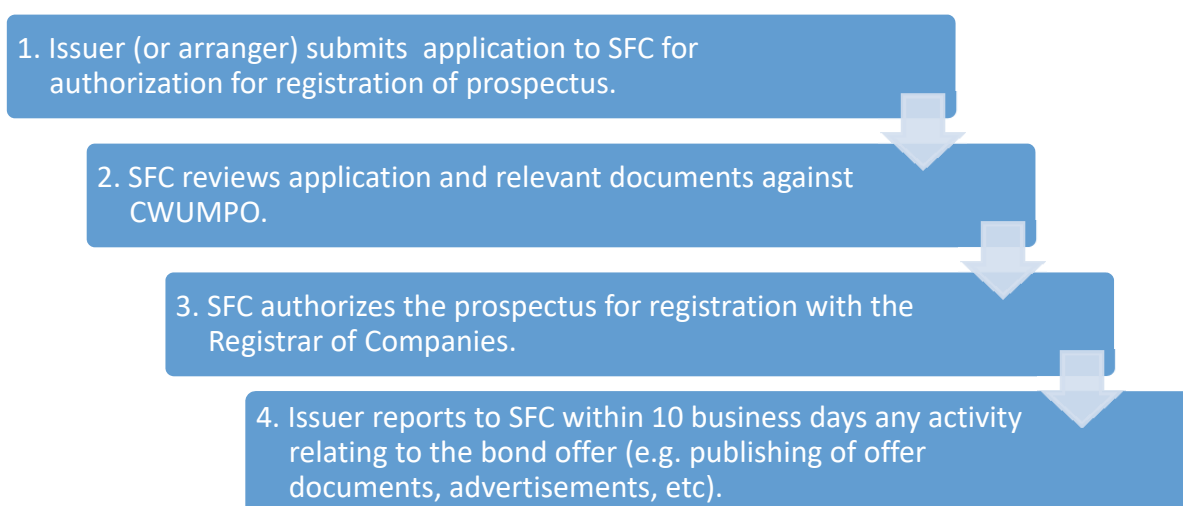
<sup>11</sup> The first issuer of listed retail bond on SEHK is Agricultural Development Bank of China. See Hong Kong Exchanges and Clearing Limited (2019).

<sup>12</sup> See Securities and Futures Commission (2020). SFC has confirmed the information upon email enquiry.

public offer) differ from those issued to professional investors<sup>13</sup> only, with the former subject to more stringent requirements. Specifically, while issuance of bonds to the public is under the oversight of SFC, issuance of bonds aimed at professional investors (usually by way of tendering or private placement) does not require approval from SFC unless a listing on SEHK is sought.

2.5 Issuance of prospectus for a public offer of bonds is required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) ("CWUMPO"). SFC authorizes the registration of the prospectus related to a public offer against the requirements set out in CWUMPO. **Figure 4** illustrates the regulatory process for a public offer of bond issuance when exchange listing is not sought.

**Figure 4 – Regulatory procedures for public offer of unlisted bond in Hong Kong**



Source: Asian Development Bank (2016a).

### *Additional regulatory requirements for listing of bonds*

2.6 Issuers wishing to list their bonds on SEHK must obtain approval by SEHK and comply with the requirements set out in SEHK's Listing Rules. The listing-related functions, including approval for registration of prospectus, are

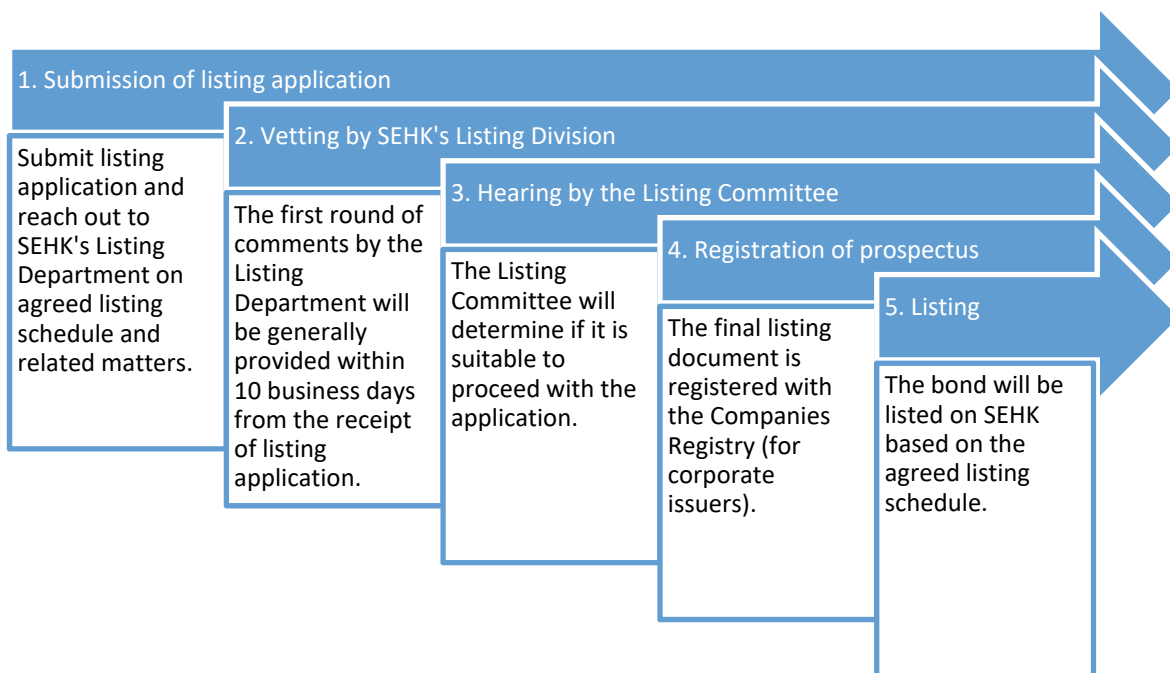
---

<sup>13</sup> Under the Securities and Futures Ordinance, professional investors include institutional investors and individual and corporations passing the portfolio or asset thresholds. In addition, an individual investor or corporate's consent is required in order for a financial intermediary to treat the investor as professional.

discharged by the Listing Division and the Listing Committee of SEHK. To be eligible for listing, the bonds (whether offered to the public or professional investors only) must be issued by government, supranational, or a corporate which is listed or deemed "suitable for listing", for example by meeting a net asset threshold of HK\$1 billion and providing two years of audited accounts.

2.7 Chapter 22 to Chapter 36 of SEHK's Main Board Listing Rules set out the requirements for bonds to be offered to retail investors in a public offering, covering methods of listing, qualifications for listing, application procedures and requirements, etc. **Figure 5** illustrates the typical process of listing a bond with public offering.

**Figure 5 – Typical process for listing a bond with public offering**



Source: Hong Kong Exchanges and Clearing Limited (2020b).

2.8 Listing of bonds only offered to **professional investors** is governed by the rules under Chapter 37 of the Main Board Listing Rules based on the "**light-touch**" approach, with streamlined requirements and shorter processing time<sup>14</sup> than for public offering. Instead of vetting the listing documents, SEHK only vets applicants for compliance with (a) listing eligibility, and

<sup>14</sup> The Main Board Listing Rules provide that SEHK will advise its decision on a listing application of professional debt securities within five business days. In practice, it often takes one or two business days.

(b) obligations to properly include disclaimer and responsibility statement in the listing documents. As such, SEHK warned that the vetting "should not be taken as an indication of the commercial merits or credit quality" of the relevant securities.<sup>15</sup>

2.9 There is no distinction in regulatory processes by issuer origin nor currency denomination. Regulations on foreign and domestic issuers, and on foreign-currency bonds and HKD bonds are the same.

### Recent market developments

2.10 Over the past decade or so, the Government has launched a series of initiatives to promote the development of emerging bond products in Hong Kong, including **Islamic bond (sukuk)** and **green bond**, with varying degrees of success. For example, the Government amended its laws in the early 2010s to put in place the legal and taxation frameworks for Islamic finance and issued three sukuk in the subsequent years. Currently, one sukuk issued by the Hong Kong Government and four issued by the Malaysian government are listed on SEHK.<sup>16</sup> However, there has been no corporate issuance of sukuk in Hong Kong.

2.11 For green bond, in addition to launching the Green Bond Grant Scheme in June 2018 to subsidize green bond issuers in obtaining green certification by the Hong Kong Quality Assurance Agency, the Government has issued USD-denominated green bonds under the **Government Green Bond Programme** inaugurated in May 2019. This is coupled with Hong Kong Exchanges and Clearing Limited's ("HKEX") new launch of the **Sustainable and Green Exchange**, an information platform on green finance investments in the region. Under this backdrop, green bonds arranged and issued in Hong Kong jumped from US\$3.2 billion (HK\$25.0 billion) in 2017 to US\$9.9 billion (HK\$77.1 billion) in 2019. By end-2019, green bonds arranged and issued in Hong Kong amounted to US\$26 billion (HK\$202.5 billion) cumulatively, over 70% of which were issued by Mainland entities.<sup>17</sup>

---

<sup>15</sup> See Hong Kong Exchanges and Clearing Limited (2020a).

<sup>16</sup> See Islamic Finance Foundation (2020).

<sup>17</sup> See Hong Kong Institute for Monetary and Financial Research (2020).



2.12 **Bond Connect** was launched jointly by HKMA and the People's Bank of China in May 2017 to enable mutual bond market access between the Mainland and Hong Kong. Northbound trading was launched first, allowing Hong Kong and overseas investors to invest in the China Interbank Bond Market through Hong Kong's financial infrastructure and institutions. In the first eight months of 2020, Bond Connect accounted for 52% of foreign investors' total turnover in the China Interbank Bond Market.<sup>18</sup> Reportedly HKMA and the People's Bank of China are planning to launch the Southbound trading to allow Mainland investors to invest in Hong Kong's bond market. The move is expected to help enhance Hong Kong's status as an international financial centre, but there is yet a revealed timeline for the implementation.<sup>19</sup>

2.13 The **Government Bond Programme**, first launched in 2009, aims to promote the development of the local bond market. In addition to retail bond issuances, the Programme also comprises institutional bond issuances with tenors ranging from two to 15 years. Since its launch, the Programme has been fairly well-received, as partly evident from the oversubscription of all retail issuances (**Figure 6**). While low risk investment might be a reason, favourable public response might also indicate a strong demand for bond products from retail investors. As discussed in the above section, **retail investors'** access to bonds remains limited in Hong Kong. According to a study report of HKEX, apart from accessing OTC via banks, retail investors mainly access the bond market through mutual funds or exchange traded funds, which may involve higher costs due to large pricing spread and commissions charged by agent banks. On the other hand, bond listing offers better transparency compared with OTC markets, which may help lower the transaction cost. It may also be an attractive option to issuers, as it can open up new and potentially cheaper funding sources.<sup>20</sup>

---

<sup>18</sup> See Hong Kong Monetary Authority (2020a).

<sup>19</sup> See South China Morning Post (2020).

<sup>20</sup> See Hong Kong Exchanges and Clearing Limited (2020b).



**Figure 6 – Subscription application and issue amount under the Hong Kong Government Bond programme**

	Year of issuance	Subscription applications received (HK\$ billion)	Final issue amount (HK\$ billion)	Oversubscription (times)
<b>Inflation-linked bond ("iBond")</b>				
1 <sup>st</sup> iBond	2011	13.2	10	0.3
2 <sup>nd</sup> iBond	2012	49.8	10	4.0
3 <sup>rd</sup> iBond	2013	39.6	10	3.0
4 <sup>th</sup> iBond	2014	28.8	10	1.9
5 <sup>th</sup> iBond	2015	35.7	10	2.6
6 <sup>th</sup> iBond	2016	22.5	10	1.3
7 <sup>th</sup> iBond	2020	38.4	15	1.6
<b>Silver Bond</b>				
1 <sup>st</sup> Silver Bond	2016	8.9	3	2.0
2 <sup>nd</sup> Silver Bond	2017	4.2	3	0.4
3 <sup>rd</sup> Silver Bond	2018	6.2	3	1.1
4 <sup>th</sup> Silver Bond	2019	7.9	3	1.6
5 <sup>th</sup> Silver Bond	2020	43.2	15	1.9

Source: GovHK (various years).

2.14 While the Government Bond Programme has to some degree livened up the bond market, **issuance by local corporates and overseas entities** fluctuates considerably from year to year.<sup>21</sup> Apart from factors like economic outlook and capital raising needs, due to the currency peg with USD under the Linked Exchange Rate System, large local corporates often opt to raise funds in more established USD bond markets overseas, and would only issue debts in the local bond market when borrowing cost is attractive enough. Similarly, overseas entities are cost sensitive and their decision to tap into Hong Kong's bond market is often driven by bond yields.<sup>22</sup> In view of international competition, Hong Kong has provided incentives for bond issuers to support the growth of the bond market. In May 2018, the Government launched a three-year **Pilot Bond Grant Scheme**, which subsidizes half of the eligible issuance expenses (subject to a HK\$2.5 million cap for rated

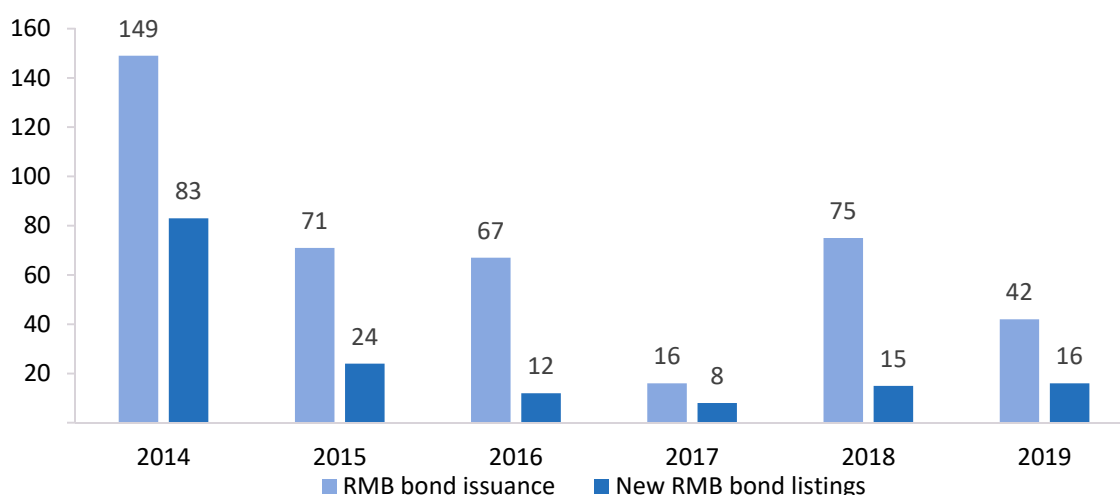
<sup>21</sup> For example, bond issuance by local corporates amounted to HK\$15.4 billion in 2016. The amount fell to HK\$3.3 billion in 2017, and rose to HK\$34.6 billion in 2018.

<sup>22</sup> See 財政司司長 (2013) and Hong Kong Monetary Authority (2020c).

bonds/issuers/guarantors; or a cap of HK\$1.25 million where none of the bond, issuer and guarantor possesses a credit rating). Eligible issuers must be first-time bond issuers.<sup>23</sup>

2.15 **Offshore RMB bonds** ("dim sum bonds") have been a significant part of Hong Kong's bond market. However, its growth seems to have moderated in recent years. The number of dim sum bond issuances dropped from 149 in 2014 to 42 in 2019, while the fund raised decreased from RMB196.8 billion (HK\$245.6 billion) to RMB49.4 billion (HK\$55.2 billion) during the period.<sup>24</sup> The number of newly listed RMB bonds also declined from the peak of 83 in 2014 to 16 in 2019 (**Figure 7**). The decline is considered in part due to competition from the onshore RMB bond market as the Mainland continues to open up its bond market to foreign issuers<sup>25</sup> and foreign investors, for example through the Qualified Foreign Institutional Investor scheme and Bond Connect. Overseas markets are also competing in the offshore RMB bond market. In London, for example, it has seen marked growth in the dim sum bond market, with 109 such bonds listed on the London Stock Exchange as at end-November 2020, compared to just 19 in 2014.<sup>26</sup>

**Figure 7 – RMB bonds issued and listed in Hong Kong**



Sources: Hong Kong Exchanges and Clearing Limited (various years) and Financial Services and the Treasury Bureau (2020).

<sup>23</sup> See Hong Kong Monetary Authority (2018).

<sup>24</sup> See Financial Services and the Treasury Bureau (2020).

<sup>25</sup> The Mainland has allowed foreign entities to issue RMB bonds in the China Interbank Bond Market since 2005, starting with MDBs only at first. Since 2015, the scope of foreign issuers permitted has been gradually expanded to include international commercial banks, foreign non-financial enterprises, financial institutions and foreign governments. See E, Zhihuan and Liu, Yaying (2018).

<sup>26</sup> See City of London (2020).

### 3. Overview of the bond market in Singapore

3.1 Much of the development of Singapore's bond market began after 1997.<sup>27</sup> As the 1997-1998 Asian Financial Crisis highlighted the need to develop a domestic bond market, the Singapore government spearheaded a number of efforts to promote bond market development, such as creating a sizable government bond market, raising investor awareness, strengthening bond-related knowledge and conduct of financial professionals, establishing the physical infrastructure and markets for hedging.<sup>28</sup> Against this backdrop, Singapore's bond market has grown more than tenfold in the past 13 years, attracting global issuers and investors. As of end-2019, outstanding Singaporean dollar ("SGD") bonds amounted to S\$450.7 billion (HK\$2,609 billion).<sup>29</sup> Outstanding foreign currency bonds amounted to US\$84.61 billion (HK\$656 billion) as of September 2020.<sup>30</sup>

3.2 Known as Singapore Government Securities ("SGS") and expanded in the early 2000s, the Singapore government bond programme comprises bonds and bills with maturities ranging from two to 30 years. The programme takes up a significant share in Singapore's bond market, accounting for 40% of the outstanding local currency bonds as of end-2019. Non-public segment, comprising corporations, financial institutions and statutory boards, accounted for another 37% of the outstanding amount, while Monetary Authority of Singapore ("MAS") bills accounted for the remaining 23%. (**Figure 8**) Similar to Hong Kong, government bonds in Singapore were issued primarily for market development purpose, as the Singaporean government's strong fiscal position means that it does not need deficit financing.

---

<sup>27</sup> See Asian Development Bank (2016b).

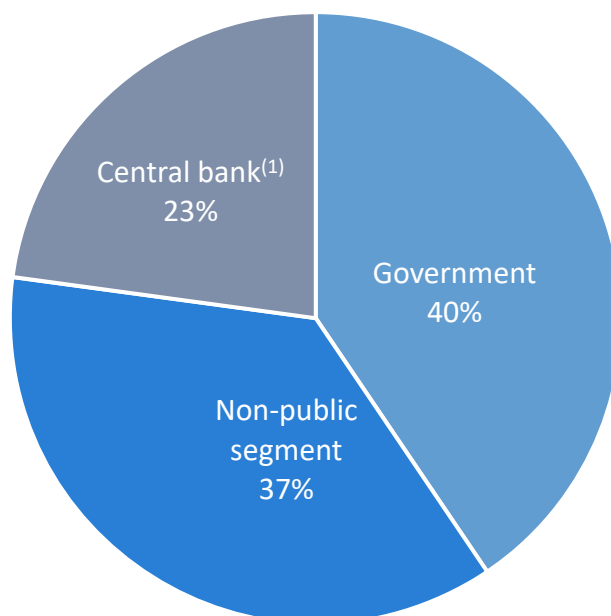
<sup>28</sup> See Teo (2002).

<sup>29</sup> See Monetary Authority of Singapore (undated).

<sup>30</sup> See AsianBondsOnline.

**Figure 8 – Outstanding local currency bonds in Singapore by type of issuer (as at end-December 2019)**

**Total: SGD450.7 billion (HK\$2,609 billion)**



Source: Monetary Authority of Singapore.

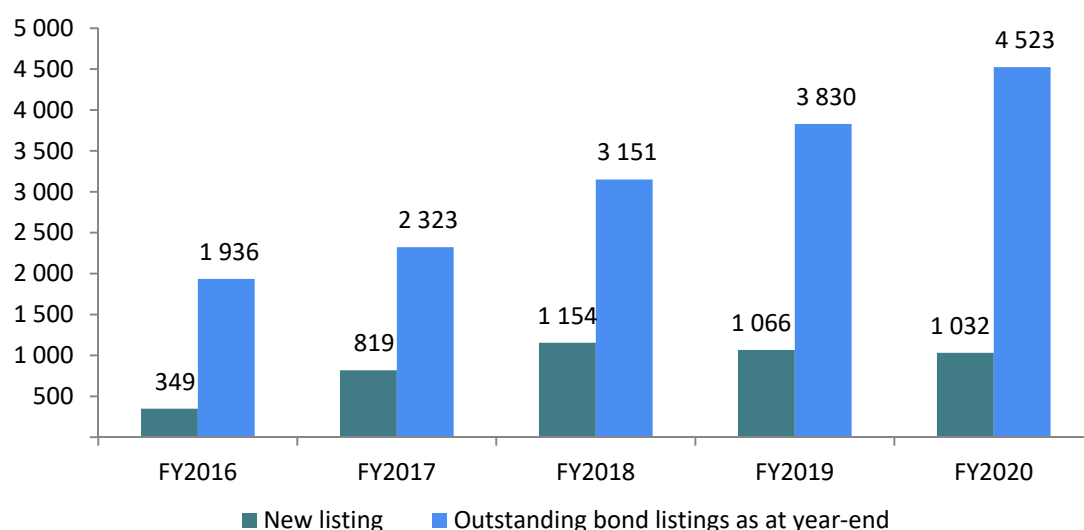
Note: (1) Central bank figure refers to MAS Bills.

3.3 SGS bonds and bills are listed on the Singapore Exchange ("SGX"). Together with those issued by non-public segment, there were 4 523 bonds listed on SGX as of 30 June 2020, making it the fifth ranking exchange in Asia Pacific in terms of number of bonds listed.<sup>31</sup> New bond listings jumped from 349 in FY2016 to 819 in FY2017, and exceeded 1 000 in the subsequent financial years (**Figure 9**).

---

<sup>31</sup> The top four exchanges by number of bonds listed were Shanghai Stock Exchange, Korea Exchange, National Stock Exchange of India, and Shenzhen Stock Exchange. See World Federation of Exchanges (2020).

**Figure 9 – Number of bond listings on SGX from FY2016 to FY2020<sup>(1)</sup>**



Sources: Singapore Exchange (various years).

Note: (1) SGX's financial year is from 1 July to 30 June.

3.4 Of the listed bonds on SGX, 92% were issued by foreign issuers and 99% were denominated in foreign currencies, primarily in USD.<sup>32</sup> Similar to Hong Kong, offshore RMB bonds in Singapore saw a slowdown in recent years. In 2019, RMB bond issuance in Singapore totalled RMB4.2 billion (HK\$4.7 billion), down from RMB35 billion (HK\$43.7 billion) in 2014.<sup>33</sup> Overall, most listed bonds in Singapore are targeted at institutional investors. As of end-December 2020, only 31 of the 4 637 bonds listed on SGX were open to retail investors. Despite the small number, 10 of them were corporate bonds while the remaining were SGS bonds.

### Regulations and procedures

3.5 Similar to Hong Kong, one key regulatory procedure for bond issuance in Singapore is the registration of prospectus. Bonds distributed to the public (referred to as "retail bonds" in Singapore regulations) require the lodgement of a prospectus and the registration of the prospectus by MAS. In contrast, no regulatory filings with MAS are required for bonds offered or issued to Accredited or Institutional Investors<sup>34</sup> ("wholesale bonds").

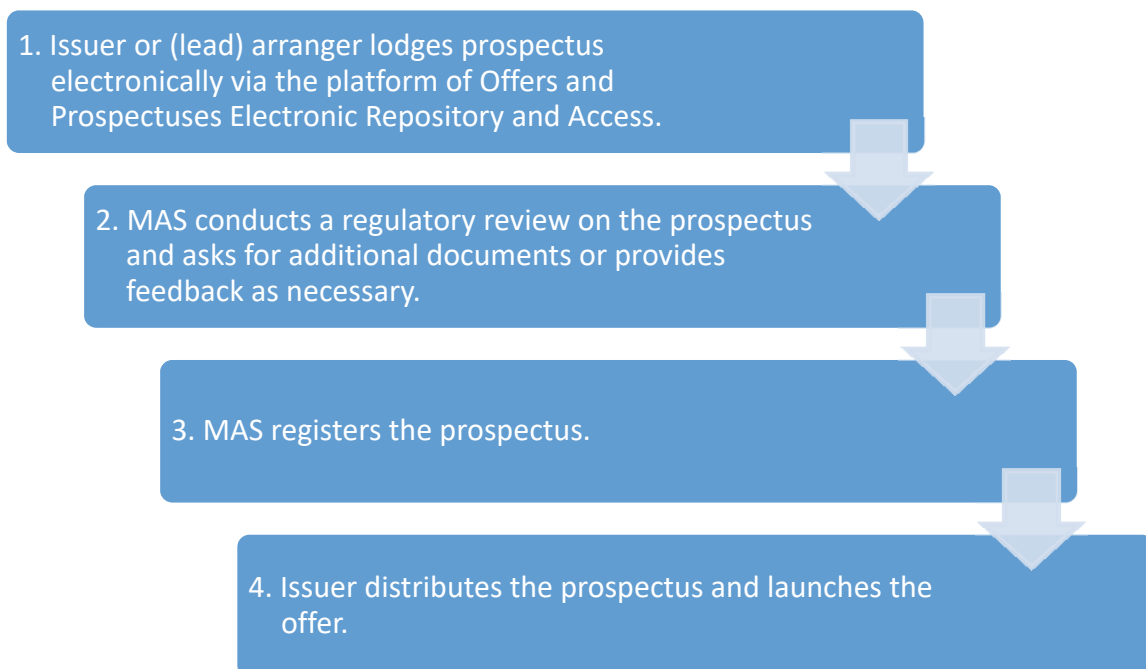
<sup>32</sup> See Singapore Exchange (2019).

<sup>33</sup> See Monetary Authority of Singapore (2015) and People's Bank of China (2020).

<sup>34</sup> "Accredited investors" refers to investors with assets or income above the thresholds specified in the relevant regulations and who have opted in to be treated as an accredited investor by the counterparty.

3.6 In Singapore, issuance of bonds to investors is regulated under the Securities and Futures Act ("SFA") (Chapter 289) by MAS. Specific provisions also exist in the Companies Act on the issuance of debt and other securities by companies incorporated in Singapore, including the need to issue at least one physical certificate. SFA stipulates that bonds must be accompanied by a **prospectus** and a **product highlights sheet** lodged with and registered by MAS. **Figure 10** illustrates the typical procedures for issuance of unlisted retail bonds in Singapore.

**Figure 10 – Typical regulatory procedures for public offer of unlisted bonds in Singapore**



Source: Asian Development Bank (2016b).

3.7 Apart from wholesale bonds, **exemptions** from the abovementioned prospectus requirements are also granted for certain kinds of debt bond issuances, including private placements, small offers of up to S\$5 million (HK\$28.9 million), and bonds issued by the Singapore government and certain MDBs.

### *Additional regulatory requirements for listing of bonds*

3.8 To list bonds on SGX, issuers must comply with the relevant rules in Chapter 3 of SGX's Mainboard Rules on debt securities. Bonds can be listed on SGX either in the **wholesale bond market** or **retail bond market**. To be eligible for listing on SGX, the issuer and the relevant bonds have to meet a set of eligibility criteria. For instance, the issuer must be a government, government agency or supranational body, or a listed company on SGX<sup>35</sup>. If the issuer is not one of the abovementioned entities, the bond may pass the **eligibility test** by alternative means, such as having an investment grade or above credit rating, being guaranteed by the Singaporean government, or meeting other alternative criteria as set out in SGX's Mainboard Rules. The eligibility criteria for bond listing reflects that the SGX takes into consideration the credit quality of the issuers and/or the relevant bonds, offering opportunities for more potential issuers to list their bonds on exchange.

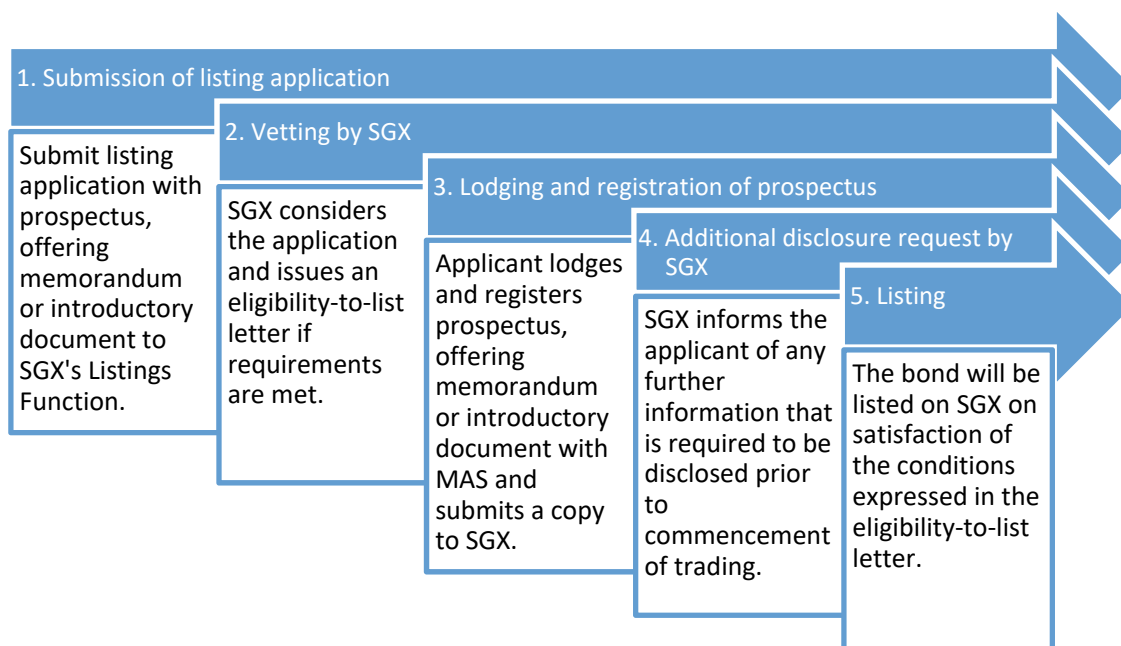
3.9 The main differences between wholesale and retail bond listing rest with the requirement of prospectus and processing time. Listing of wholesale bonds is **not** subject to the prospectus requirements. Instead, investors would receive an offering memorandum or circular related to the bond issuance. Applications for listing of wholesale bonds are processed within one business day, versus five to 10 business days for processing retail bond listing applications. **Figure 11** illustrates the typical process for listing a retail bond on SGX via the traditional route. There is no distinction in regulatory processes by issuer origin and currency denomination.

---

<sup>35</sup> In which case the bond in question must have a principal amount of at least S\$750,000 (HK\$4.3 million).



**Figure 11 – Typical process for listing a retail bond on SGX via the traditional route**



Source: Singapore Exchange (undated).

3.10 In 2016, SGX launched a **Prospectus Exemption Framework**, under which a qualified issuer may offer bonds to retail investors without a prospectus. There are two streams under the exemption framework, namely (a) **Bond Seasoning Framework**, and (b) **Exempt Bond Issuer Framework**. The **Bond Seasoning Framework** aims to facilitate corporate bond offering to retail investors. Eligible issuers can offer wholesale bonds to retail investors in the secondary market after the bonds have been listed on SGX for six months (so called "seasoning" period). They may also issue additional bonds for retail investors on the same terms as the "seasoned" bonds without issuing prospectus. Eligible issuers must meet the eligibility criteria in terms of net assets, listing history, credit rating, etc. These "seasoned" bonds for retail investors can be re-denominated into smaller lot sizes.

3.11 For the **Exempt Bond Issuer Framework**, it allows an issuer to offer bonds to retail investors without a prospectus and without having to undergo the "seasoning" period, provided that at least 20% of initial issuance is offered to wholesale investors. However, the eligibility criteria are more stringent. For example, an issuer is required to attain a credit rating of at least AA-, and has listed or guaranteed the issuance of bonds listed on SGX of at least S\$1 billion (HK\$5.8 billion) over the past five years. This is opposed to the corresponding requirement under the Bond Seasoning Framework of attaining at least BBB credit rating and having listed or guaranteed the issuance of at

least S\$500 million (HK\$2.9 billion). While no prospectus is required under the Prospectus Exemption Framework, provision of simplified product document or offering memorandum/circular to retail investors is required.

### Market development initiatives

3.12 Singapore has over the years spent concerted effort in boosting bond market development with **issuance of government bonds**. As early as in 2000, the government enlarged issuance of new SGS bonds and re-opened existing issues (i.e. issuing additional amount of bonds with the same maturity date and coupon rate as existing bonds).<sup>36</sup> Longer-tenored bonds with 15-year to 30-year tenors were gradually introduced to build a robust government yield curve, which serves as a benchmark for the corporate debt market. In 2005, Singapore became the first Asian country outside of Japan to be included in the widely followed Citigroup World Government Bond Index (subsequently renamed "FTSE World Government Bond Index"), which was an affirmation of its market infrastructure and openness.<sup>37</sup>

3.13 As shown above, Singapore has in place initiatives to improve **retail investors' access** to the bond market, such as setting up a retail bond segment on SGX and introducing an exempt bond issuer regime. In January 2020, SGX further set up a working group comprising industry professionals and investors to review the retail bonds regulatory framework with a view to enhancing the protection of bondholder interest. Indeed, the move followed after a water treatment company had defaulted in 2019, with the market expecting that more defaults on bonds could occur in Singapore amid economic slowdown.<sup>38</sup> Among other things, the working group will discuss possible tightening of admission criteria, including requirement of a minimum level of subscription by institutional investors and a credit rating for retail bond listings. SGX is expected to launch a public consultation by end-2020 based on the recommendations of the working group.<sup>39</sup>

3.14 It is worth noting that Singapore has rolled out a number of initiatives to **attract listing and promote trading** of bonds, which include the introduction of the following:

---

<sup>36</sup> See Monetary Authority of Singapore (undated).

<sup>37</sup> See Asian Development Bank (2016b).

<sup>38</sup> See The Straits Times (2019) and (2020).

<sup>39</sup> See Singapore Exchange (2020) and (undated). Based on public domain information, the public consultation has not yet been commenced.

- (a) **Global-Asia Bond Grant Scheme:** the Scheme, which was launched by MAS in January 2017 and later expanded and renamed to Global-Asia Bond Grant Scheme in January 2020, co-funds expenses attributable to bond issuance, with listing on SGX being one of the eligibility requirements. First-time bond issuers with an Asian nexus can tap on this grant to cover eligible issuance-related costs when issuing bonds in Singapore. The grant offsets up to S\$200,000 (HK\$1.2 million) for unrated issuances and S\$400,000 (HK\$2.3 million) for rated issuances.<sup>40</sup> Jumbo-sized<sup>41</sup> bond issuers can receive up to S\$400,000 (HK\$2.3 million) for unrated issuances or S\$800,000 (HK\$4.6 million) for rated issuances;
- (b) **SGD Credit Rating Grant Scheme:** the Scheme was established in 2019 by MAS to encourage bond issuers to obtain credit ratings, by offsetting a large part of the credit rating expenses, subject to a cap of S\$400,000 (HK\$2.3 million) per issuer. The purpose of the Scheme is to improve market transparency by providing timely and independent assessments of the credit worthiness of bond issuers; and
- (c) **SGX Bond Pro:** SGX launched the SGX Bond Pro platform in 2015 to tap into regional OTC bond trading activities. Operated by SGX Bond Trading, a recognized market operator owned by SGX, SGX Bond Pro is an OTC e-trading platform for global professional participants to trade Asian bonds, providing a more efficient market with deeper liquidity pool for market participants of the fragmented Asian bond market.<sup>42</sup>

3.15 There are also initiatives to promote emerging bond products including Islamic bonds and green bonds. On **Islamic bonds**, Singapore has been a full member of the Islamic Financial Services Board since 2005 and a participant in a number of international taskforces focusing on Islamic finance. However, Singapore is still not a major place of issuance of **sukuk**, as Malaysia and Indonesia remain the dominant markets. That said, Singapore has been

---

<sup>40</sup> Unrated issuances refer to bonds which have not undergone rating by international credit rating agency.

<sup>41</sup> This refers to issuance size of at least US\$1 billion (HK\$7.78 billion).

<sup>42</sup> See Singapore Exchange (undated).

able to attract listing of sukuk issued elsewhere. There are 11 sukuk listed on SGX, including sukuk issued by Malaysian corporates and the Indonesian government. On **Green, social or sustainability bonds**, the MAS Sustainable Bond Grant Scheme subsidizes cost incurred in initial and ongoing reviews against sustainability standards. Since the introduction of the Scheme in 2017, more than S\$8 billion (HK\$46.3 billion) in green, social and sustainability bonds have been issued in Singapore.<sup>43</sup>

#### 4. Concluding remarks

4.1 The bond markets in Hong Kong and Singapore share a number of common features, including similar sizes, prominence of overseas issuers and non-local currency bonds, and strong government commitment in market development. Although government bonds have been used to stimulate market development in both economies, Singapore's bond programme has a longer history and its scale is significantly larger, with outstanding amount roughly nine times greater than that of Hong Kong. Singapore's bond programme also offers a wider range of bonds in terms of maturity, with tenors up to 30 years. Bonds issued under the Hong Kong Government Programme so far top at 15-year tenor.

4.2 The regulatory approaches in the two jurisdictions are comparable in the way that they both focus heavily on investor protection. Issuance and listing procedures are disclosure based. In recent years, Singapore has taken a balanced approach in investor protection and encouraging development of the retail bond market. Initiatives such as the Bond Seasoning Framework makes it easier for issuers to tap into the retail investor pool by allowing qualified wholesale bonds to be offered to retail investors. However, with a view to enhancing retail investor protection following a company's credit default, Singapore is currently undergoing a review of the regulatory framework for retail bonds, and efforts are being made in improving bond regulations in order to limit risks faced by retail investors.

4.3 Fluctuation in bond issuance volume is a common challenge faced by Hong Kong and Singapore, as corporate and overseas issuers often have various considerations in the choice of locations. To attract issuers, both markets have provided incentives such as subsidies of listing and/or

---

<sup>43</sup> See Monetary Authority of Singapore (2020).

issuance-related costs. To improve stickiness of market participants, Singapore has offered initiatives to attract post-issuance market activities, such as establishing a platform at SGX for OTC trading of bonds issued locally and elsewhere. In Hong Kong, launch of southbound trading under Bond Connect, which is reportedly under planning, is expected to provide momentum to the local bond trading activities.

---

Research Office  
Information Services Division  
Legislative Council Secretariat  
28 January 2021  
Tel: 3919 3588

---

*Fact Sheets are compiled for Members and Committees of the Legislative Council. They are not legal or other professional advice and shall not be relied on as such. Fact Sheets are subject to copyright owned by The Legislative Council Commission (The Commission). The Commission permits accurate reproduction of Fact Sheets for non-commercial use in a manner not adversely affecting the Legislative Council. Please refer to the Disclaimer and Copyright Notice on the Legislative Council website at [www.legco.gov.hk](http://www.legco.gov.hk) for details. The paper number of this issue of Fact Sheet is FS01/20-21.*

## Salient features of the bond markets in Hong Kong and Singapore

	Hong Kong	Singapore
<b>A. Background information</b>		
1) <u>Market size</u> Outstanding local currency bonds (end-December 2019) Outstanding foreign currency bonds (end-September 2020)	<ul style="list-style-type: none"> <li>• HK\$2,166 billion.</li> <li>• US\$147.87 billion (HK\$1,146 billion).</li> </ul>	<ul style="list-style-type: none"> <li>• S\$450.7 billion (HK\$2,609 billion).</li> <li>• US\$84.61 billion (HK\$656 billion).</li> </ul>
2) <u>Type of issuer</u> Share of local currency bonds outstanding (end-December 2019)	<ul style="list-style-type: none"> <li>• Central banking institution: 50%.</li> <li>• Non-public segment: 45%.</li> <li>• Government: 5%.</li> </ul>	<ul style="list-style-type: none"> <li>• Central banking institution: 23%.</li> <li>• Non-public segment: 37%.</li> <li>• Government: 40%.</li> </ul>
3) <u>Government bond programme</u> Launch year Outstanding amount (end-December 2019) Longest maturity	<ul style="list-style-type: none"> <li>• 2009.</li> <li>• HK\$100.1 billion.</li> <li>• 15 years.</li> </ul>	<ul style="list-style-type: none"> <li>• 1987.</li> <li>• S\$182.7 billion (HK\$1,057.7 billion).</li> <li>• 30 years.</li> </ul>
4) <u>Exchange listing</u> Number of bonds listed (end-December 2020) Of which: offered to retail investors	<ul style="list-style-type: none"> <li>• 1 574.</li> <li>• 64.</li> </ul>	<ul style="list-style-type: none"> <li>• 4 637.</li> <li>• 31.</li> </ul>
5) <u>Regulatory requirements and features</u> Bond issuance without listing  Bond listing	<ul style="list-style-type: none"> <li>• SFC authorizes the registration of the prospectus of bonds issued to the public.</li> <li>• Listing applications must be approved by SEHK, including approval for registration of prospectus.</li> </ul>	<ul style="list-style-type: none"> <li>• MAS reviews and registers the prospectus of bonds issued to the public.</li> <li>• Listing applications must be approved by SGX.</li> </ul>

## Salient features of the bond markets in Hong Kong and Singapore

	Hong Kong	Singapore
<b>B. Initiatives to promote bond market development</b>		
1) Initiatives to promote bond issuance/listing	<ul style="list-style-type: none"> <li>The Pilot Bond Grant Scheme subsidizes half of the eligible issuance expenses (subject to a HK\$2.5 million cap for rated bonds/issuers/guarantors; or a cap of HK\$1.25 million where none of the bond, issuer and guarantor possesses a credit rating). Eligible issuers must be first-time bond issuers.</li> </ul>	<ul style="list-style-type: none"> <li>The SGD Credit Rating Grant Scheme subsidizes a large part of the credit rating expenses, subject to a cap of S\$400,000 (HK\$2.3 million) per issuer.</li> <li>The Global-Asia Bond Grant Scheme co-funds expenses attributable to bond issuance, with listing on SGX being one of the eligibility requirements. The grant offsets up to S\$400,000 (HK\$2.3 million) for rated issuances, and S\$200,000 (HK\$1.2 million) for unrated issuances. For jumbo-sized issuances, the maximum grant is doubled.</li> </ul>
2) Initiatives to promote green bonds	<ul style="list-style-type: none"> <li>The Government launched the Government Green Bond Programme, with the issuance of USD-denominated green bonds.</li> <li>The Green Bond Grant Scheme subsidizes green bond issuers in obtaining green certification.</li> <li>HKEX established a green finance investment platform "Sustainable and Green Exchange".</li> </ul>	<ul style="list-style-type: none"> <li>The MAS Sustainable Bond Grant Scheme subsidizes cost incurred in initial and ongoing reviews against sustainability standards.</li> </ul>
3) Prospectus exemption arrangement to attract retail bond listing	<ul style="list-style-type: none"> <li>Not specified.</li> </ul>	<ul style="list-style-type: none"> <li>The Bond Seasoning Framework allows eligible issuers to offer wholesale bonds to retail investors in the secondary market after the bonds have been listed on SGX for six months. They may also issue additional bonds for retail investors on the same terms as the "seasoned" bonds without issuing prospectus.</li> <li>Exempt Bond Issuer Framework allows an issuer to offer bonds to retail investors without a prospectus and without having to undergo the "seasoning" period, provided that at least 20% of initial issuance is offered to wholesale investors.</li> </ul>
4) Other initiatives	<ul style="list-style-type: none"> <li>Bond Connect enables mutual market access between Hong Kong and the Mainland.</li> </ul>	<ul style="list-style-type: none"> <li>SGX Bond Pro, an OTC e-trading platform, was established to attract global professional participants to conduct OTC bond trading on SGX's marketplace.</li> </ul>



## References

### Hong Kong

1. Asian Development Bank. (2016a) *ASEAN+3 Bond Market Guide: Hong Kong*. Available from: <https://www.adb.org/sites/default/files/publication/212171/asean3-bmg-2016-hkg.pdf> [Accessed January 2021].
2. Bank of China. (2018) *Prospects and Impact of the Opening of the Mainland's Bond Market*. Available from: [https://www.bochk.com/dam/investment/bocecon/SY2018011\(en\).pdf](https://www.bochk.com/dam/investment/bocecon/SY2018011(en).pdf) [Accessed January 2021].
3. Financial Services and the Treasury Bureau. (2020) *Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2019-20*. Reply Serial No. FSTB(FS)045. Available from: [https://www.legco.gov.hk/yr19-20/english/fc/fc/w\\_q/fstb-fs-e.pdf](https://www.legco.gov.hk/yr19-20/english/fc/fc/w_q/fstb-fs-e.pdf) [Accessed January 2021].
4. Financial Services Development Council. (2020) *Enhancing Hong Kong's Status as Offshore RMB Business Hub through the Development of the RMB Asset Market*. Available from: [https://www.fsdcc.org.hk/sites/default/files/Enhancing-Hong-Kongs-Status-as-Offshore-RMB-Business-Hub-through%2Dthe-Development-of-the-RMB-Asset-Market\\_Eng.pdf](https://www.fsdcc.org.hk/sites/default/files/Enhancing-Hong-Kongs-Status-as-Offshore-RMB-Business-Hub-through%2Dthe-Development-of-the-RMB-Asset-Market_Eng.pdf) [Accessed January 2021].
5. GovHK. (2020) *Government Bond Programme Overview – Introduction*. Available from: <https://www.hkgeb.gov.hk/en/overview/introduction.html> [Accessed January 2021].
6. GovHK. (various years) *Government Bond Programme Press Release*. Available from: <https://www.hkgeb.gov.hk/en/news/press.html> [Accessed January 2021].
7. Hong Kong Exchanges and Clearing Limited. (2019) *HKEX Welcomes First Non-Government Retail Bond*. Available from: [https://www.hkex.com.hk/News/News%2DRelease/2019/190523news?sc\\_lang=en](https://www.hkex.com.hk/News/News%2DRelease/2019/190523news?sc_lang=en) [Accessed January 2021].

8. Hong Kong Exchanges and Clearing Limited. (2020a) *Frequently Asked Question – Chapter 37 of the Main Board Listing Rules – Debt Issues to Professional Investors Only*. Available from: <https://www.hkex.com.hk/-/media/HKEX%2DMarket/Products/Securities/Debt%2DSecurities/Information-for-Debt-Issues-to-Professional-Investors/faq.pdf?la=en> [Accessed January 2021].
9. Hong Kong Exchanges and Clearing Limited. (2020b) *Research Report – Retail Bond Offering on the Exchange Market*. Available from: [https://www.hkex.com.hk/-/media/HKEX-Market/News/Research-Reports/HKEx%2DResearch%2DPapers/2020/HKEX\\_RetailBond\\_e\\_202002.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/News/Research-Reports/HKEx%2DResearch%2DPapers/2020/HKEX_RetailBond_e_202002.pdf?la=en) [Accessed January 2021].
10. Hong Kong Exchanges and Clearing Limited. (2020c) *Full List of Securities*. Available from: <https://www.hkex.com.hk/eng/services/trading/securities/securitieslists/ListOfSecurities.xlsx> [Accessed December 2020].
11. Hong Kong Exchanges and Clearing Limited. (various years) *HKEX Fact Book*. Available from: [https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Fact-Book?sc\\_lang=en](https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Fact-Book?sc_lang=en) [Accessed January 2021].
12. Hong Kong Institute for Monetary and Financial Research. (2020) *The Green Bond Market in Hong Kong: Developing a Robust Ecosystem for Sustainable Growth*. Available from: <https://www.aof.org.hk/docs/default-source/hkimr/applied-research-report/gbrep.pdf> [Accessed January 2021].
13. Hong Kong Monetary Authority. (2018) *HKMA announces details of the Pilot Bond Grant Scheme and progress of other bond market-related initiatives*. Available from: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2018/05/20180510-3/> [Accessed January 2021].
14. Hong Kong Monetary Authority. (2020a) *Bond Connect – a Brief Review and the Journey Ahead*. Available from: <https://www.hkma.gov.hk/eng/news-and-media/insight/2020/09/20200928/> [Accessed January 2021].
15. Hong Kong Monetary Authority. (2020b) *Bond Market Development*. Available from: <https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/bond-market-development/> [Accessed January 2021].

16. Hong Kong Monetary Authority. (2020c) *HKMA Bulletin: March 2020 – The Hong Kong Debt market in 2019*. Available from: <https://www.hkma.gov.hk/media/eng/publication%2Dand%2Dresearch/quarterly-bulletin/qb202003/fa1.pdf> [Accessed January 2021].
17. Securities and Futures Commission. (2020) *List of publicly offered investment products*. Available from: <https://www.sfc.hk/en/Regulatory-functions/Products/List-of-publicly-offered-investment-products> [Accessed January 2021].
18. South China Morning Post. (2020) *China's closer ties with Hong Kong's bond market to create 'enormous opportunities' for city*. 4 December. Available from: <https://www.scmp.com/economy/china%2Deconomy/article/3112598/chinas-closer-ties-hong-kongs-bond-market-create-enormous/> [Accessed January 2021].
19. 財政司司長：《前任財政司司長網誌：香港債券市場的發展》，2013年，網址：<https://www.fso.gov.hk/chi/blog/blog20130616.htm> [於 2021 年 1 月登入]。

## Singapore

20. Asian Development Bank. (2016b) *ASEAN+3 Bond Market Guide: Singapore*. Available from: <https://www.adb.org/sites/default/files/publication/204336/asean3-bond-market-guide-sin.pdf> [Accessed January 2021].
21. Monetary Authority of Singapore. (2015) *Singapore Corporate Market Development*. Available from: <https://www.mas.gov.sg/%2D/media/MAS/News-and-Publications/Surveys/Debts/Singapore-Corporate-Debt-Market-Development%2D2015b.pdf?la=en&hash=F4DD08FB34E8D4D01312ADF0DC1B7C51CF313005> [Accessed January 2021].
22. Monetary Authority of Singapore. (2020) *"Harnessing the Power of Finance for a Sustainable Future" – Keynote Speech by Mr Ravi Menon, Managing Director, MAS, at the Financial Times Investing for Good Asia Digital Conference on 13 October 2020*. Available from: <https://www.mas.gov.sg/news/speeches/2020/harnessing-the-power-of-finance-for-a-sustainable-future> [Accessed January 2021].

23. *Monetary Authority of Singapore*. (undated) Available from: <https://www.mas.gov.sg/> [Accessed January 2021].
24. Singapore Exchange. (various years) *Market Statistics Report*. Available from: [https://api2.sgx.com/sites/default/files/2020%2D01/SGX%20Monthly%20Market%20Statistics%20Report%20Dec%202019\\_FA2.pdf](https://api2.sgx.com/sites/default/files/2020%2D01/SGX%20Monthly%20Market%20Statistics%20Report%20Dec%202019_FA2.pdf) [Accessed January 2021].
25. Singapore Exchange. (various years) *SGX Annual Report*. Available from: <https://investorrelations.sgx.com/financial-information/annual-reports/> [Accessed January 2021].
26. Singapore Exchange. (2020) *SGX RegCo forms working group to review retail bonds framework*. Available from: <https://www.sgx.com/media-centre/20200102-sgx-regco-forms-working-group-review-retail-bonds-framework> [Accessed January 2021].
27. Singapore Exchange. (undated) *Mainboard Rules*. Available from: <http://rulebook.sgx.com/rulebook/mainboard-rules> [Accessed January 2021].
28. Singapore Exchange. (undated) *Preferred Partner for ESG Fixed Income*. Available from: <https://www.sgx.com/esg/fixed-income> [Accessed January 2021].
29. Singapore Exchange. (undated) *SGX Bond Pro*. Available from: <https://api2.sgx.com/sites/default/files/2019%2D08/SGX%20Bond%20Pro%20Brochure.pdf> [Accessed January 2021].
30. Teo, S.L. (2002) *Debt market development in Singapore*. Available from: <https://www.bis.org/publ/bppdf/bispap11r.pdf> [Accessed January 2021].
31. The Straits Times. (2019) *Hyflux default bad news for S'pore bond market: S&P*. 10 April. Available from: <https://www.straitstimes.com/business/hyflux-default-bad-news-for-spore-bond-market-sp> [Accessed January 2021].
32. The Straits Times. (2020) *SGX's regulatory arm to review retail bond framework*. 3 January. Available from: <https://www.straitstimes.com/business/companies-markets/sgxs-regulatory-arm-to-review-retail-bond-framework> [Accessed January 2021].

## Others

33. AsianBondsOnline. (2020) *Data Portal*. Available from: <https://asianbondsonline.adb.org/data-portal/> [Accessed January 2021].
34. City of London. (2020) *London RMB Business Quarterly*. Available from: [https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/CITY-Offshore-RMB-Report-January-2020-Accessible\\_1.pdf](https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/CITY-Offshore-RMB-Report-January-2020-Accessible_1.pdf) [Accessed January 2021].
35. Corporate Finance Institute. (2020) *Over-the-Counter*. Available from: <https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/over-the-counter-otc/> [Accessed January 2021].
36. E, Zhihuan and Liu, Yaying. (2018) *Prospects and Impact of the Opening of the Mainland's Bond Market*. Available from: [https://www.bochk.com/dam/investment/bocecon/SY2018011\(en\).pdf](https://www.bochk.com/dam/investment/bocecon/SY2018011(en).pdf) [Accessed January 2021].
37. International Capital Market Association. (2020) *So why do bonds trade OTC?* Available from: <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Secondary-Markets/Bond-Market-Transparency-Wholesale-Retail/So-why-do-bonds-trade-OTC-/> [Accessed January 2021].
38. International Monetary Fund. (2020) *Markets: Exchange or Over-the-Counter*. Available from: <https://www.imf.org/external/pubs/ft/fandd/basics/markets.htm> [Accessed January 2021].
39. *Islamic Finance Foundation*. (2020) Available from: <https://www.sukuk.com> [Accessed January 2021].
40. People's Bank of China. (2020) *RMB Internationalization Report*. Available from: <https://www.caixinglobal.com/upload/PBOC-2020-RMB-International-Report.pdf> [Accessed January 2021].
41. World Federation of Exchanges. (2020) *Statistics Portal*. Available from: <https://statistics.world-exchanges.org/> [Accessed January 2021].