

## **LEGISLATIVE COUNCIL BRIEF**

Loans Ordinance  
(Chapter 61)

### **Resolution to authorise the proposed issuance of Government bonds**

#### **INTRODUCTION**

At the meeting of the Executive Council on 30 March 2004, the Council ADVISED and the Chief Executive ORDERED that the proposed Resolution at Annex should be introduced into the Legislative Council.

#### **JUSTIFICATIONS**

2. The Financial Secretary announced in the context of the 2004-05 Budget that the Government plans to issue up to \$20 billion worth of Government bonds within the 2004-05 financial year (the Issue). The Issue is expected to have the following key benefits :-

- (a) to provide an alternative source of funds for infrastructure or other major investment projects which will bring long-term economic benefits to Hong Kong;
- (b) to increase flexibility in the implementation of Government's asset sale and securitization programme, obviating the need to sell Government assets at low prices under unfavourable market conditions;

- (c) to promote further development of our bond market and;
- (d) to provide an additional high quality investment option for local investors given the prevailing low interest environment.

3. The Issue is expected to involve a major domestic and global offer to retail and institutional investors in Hong Kong and institutional investors internationally. The Issue is likely to be denominated in Hong Kong Dollar and/or foreign currencies and is likely to comprise bonds of different maturities. Subject to obtaining the necessary regulatory approval, the Issue will also be listed in the local stock exchange.

4. The Government has made it clear publicly that the Issue is intended to serve the purposes of financing infrastructure and other major investment projects that are of long-term economic benefit to Hong Kong. Therefore funds to be received from the proposed bond issuance will be credited into the Capital Works Reserve Fund, to assist in financing the Public Works Programme.

### **Need for legislative approval**

5. Section 3(1) of the Loans Ordinance (Cap. 61) stipulates that the Government may, in such manner and on such terms and subject to such conditions as may be agreed between the Government and any person, borrow from such person such sum or sums and for such purposes as may be approved by resolution of the Legislative Council.

### **OTHER OPTIONS**

6. The proposed bond issuance cannot be achieved by any non-legislative route.

## **THE RESOLUTION**

7. The purpose of the Resolution is authorise Government to borrow a sum or sums not exceeding in total \$20 billion or equivalent for the purposes of the Capital Works Reserve Fund established by resolutions passed under Section 29 of the Public Finance Ordinance (cap. 2).

## **LEGISLATIVE TIMETABLE**

8. The legislative timetable will be as follows –

Moving a motion in the Legislative Council	5 May 2004
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Publication in the Gazette and commencement	7 May 2004
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## **IMPLICATIONS OF THE PROPOSAL**

9. Subject to market conditions and the finalized structure of the transaction and tenor of the bonds, the proposed issuance of Government bonds is expected to bring in one-off capital revenue of up to \$20 billion in 2004-05. Costs incidental to the issuance will be met from the proceeds raised. Annual payment of interest and repayment of principal will be met from future appropriation of funds from the concerned year's budget.

10. The proposal would not have significant sustainability implications and is conducive to the long-term development of the bond market in Hong Kong. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no economic or environmental implications. It also has no impact on the civil service system.

## **PUBLIC CONSULTATION**

11. The proposal was widely debated among the public after its announcement in the context of the 2004-05 Budget.

## **PUBLICITY**

12. We will issue a press release. A spokesman will also be available to answer any enquiries.

## **BACKGROUND**

13. The Financial Secretary announced on 10 March 2004 that in order to provide greater flexibility in the management of Government's liquidity we plan to issue Government bonds not exceeding \$20 billion in 2004-05 to fund infrastructure or other investment projects which will bring long-term economic benefits to Hong Kong. Government has also indicated that it will decide whether to issue additional bonds in the future in the light of market conditions, the amount of funds required for investment projects and the implementation of the asset sale and securitisation programme.

## **OTHERS**

14. In case of enquiries about this Brief, please contact Mr Tommy Yuen, Principal Assistant Secretary for Financial Services and the Treasury (Treasury) at 2810 3743.

**The Treasury Branch**  
**Financial Services and the Treasury Bureau**  
**March 2004**

## LOANS ORDINANCE

### **RESOLUTION OF THE LEGISLATIVE COUNCIL**

Resolution made and passed by the Legislative Council under section 3(1) of  
the Loans Ordinance (Cap. 61) on 2004.

RESOLVED, in the exercise of the powers conferred by section 3(1) of the  
Loans Ordinance, that the Government be authorized to borrow, for the  
purposes of the Capital Works Reserve Fund established by resolutions  
passed under section 29 of the Public Finance Ordinance (Cap. 2), a  
sum or sums not exceeding in total \$20 billion or equivalent.

Clerk to the Legislative Council

2004

#### **Explanatory Note**

This Resolution authorizes the Government to borrow a sum or sums not  
exceeding in total \$20 billion or equivalent for the purposes of the Capital Works  
Reserve Fund.

## LOANS ORDINANCE

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### **RESOLUTION**

(Under section 3(1) of the Loans Ordinance (Cap. 61))

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RESOLVED, in the exercise of the powers conferred by section 3(1) of the Loans Ordinance, that the Government be authorized to borrow, for the purposes of the Capital Works Reserve Fund established by resolutions passed under section 29 of the Public Finance Ordinance (Cap. 2), a sum or sums not exceeding in total \$20 billion or equivalent.