

**The Hong Kong Mortgage Corporation Limited**  
**香港按揭證券有限公司**

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4 June 2009



Ms Rosalind Ma  
 Clerk to Subcommittee  
 Legislative Council  
 Legislative Council Building  
 8 Jackson Road  
 Central  
 Hong Kong

CB(1)1813/08-09(04)

Dear Ms Ma

**Subcommittee on proposed Resolutions under Section 29 of the Public Finance Ordinance (Cap.2) and Section 3 of the Loans Ordinance (Cap.61)**

**Follow-up to Second meeting on Monday, 25 May 2009**

Your letters of 25 May 2009 and 2 June 2009 to the Secretary for Financial Services and the Treasury referred to certain questions concerning the Hong Kong Mortgage Corporation Limited ("HKMC") raised by the Hon Mrs Regina Ip.

We have been requested to provide direct to your office a reply to the questions raised by Mrs Ip, including our earlier answer provided in response to the first letter.

Our consolidated bilingual response is therefore attached at Annex A for your action. If you should need further information, please let me know.

Yours sincerely,

**Encl.**

- c.c. Mr Cheng Yan Chee, DS(FS)1, FSTB (Fax: 2866 9821)  
 Miss Natalie Li, PAS(FS)5, FSTB (Fax: 2527 0790)  
 Miss Ann Chan, PAS(Treasury)(I), FSTB (Fax: 2523 0642)  
 Mr Edmond Lau, ED(MM), HKMA (Fax: 2878 8059)

Annex A

Subcommittee on Proposed Resolutions under Section 29 of the Public Finance Ordinance (Cap.2) and Section 3 of the Loans Ordinance (Cap.61)

Second meeting on Monday, 25 May 2009

**List of follow-up actions**

**First follow-up letter from the Hon Mrs Regina Ip on 25 May 2009**

2. In relation to Hon Mrs Regina IP's concern about the issuance of bond by the Hong Kong Mortgage Corporation Limited (HKMC), the Administration was requested to liaise with HKMC to provide information on its debt issuance programme (DIP), and the investment strategy as well as risk control of HKMC in managing the funds raised under DIP.

The Debt Issuance Programme ("DIP") is the HKMC's major platform for raising Hong Kong dollar funding to finance its business. As at end-December 2008, the HKMC has about HK\$35 billion debt outstanding under the DIP. This accounts for about 6.3% of the total debt outstanding in the Hong Kong dollar debt market.

The bulk of the proceeds from bond issuance under the DIP has been used to buy mortgage and other assets. Only a small portion arising from pre-funding of asset acquisition and from mortgage prepayments is used for purpose of investment. The amount available for such purpose was HK\$7.7 billion at end-December 2008. The HKMC adopts a prudent and low-risk approach in managing its investment activities in accordance with the Investment Guidelines approved by the Board of Directors. The investment portfolio consists of high credit quality and liquid securities and does not have any exposure to US sub-prime mortgage related securities, debt securities issued by the failed financial institutions, or collateralised debt obligations.

香港按揭證券公司的債務工具發行計劃("債務計劃")為其主要港元融資平台，以作業務發展用途。於 2008 年 12 月底，香港按揭證券公司經該債務計劃發行而未償還的債券金額達 350 億港元，約佔港元債券市場總金額的 6.3%。

該債務計劃籌集的資金主要用作購買按揭貸款及其他貸款。購買按揭資產而預早籌集的資金及提早償還的按揭貸款所產生之剩餘資金，只有小部份會用作投資用途。於 2008 年 12 月底，用作投資的金額為 77 億港元。香港按揭證券公司根據董事局所批准的投資指引，採取審慎及低風險方法進行投資活動。投資組合包括高信貸質素及高流通性的債券，並沒有持有任何與次相關的投資產品、及面臨財困的金融機構所發行的債券或債務抵押證券。

**Second follow-up letter from the Hon Mrs Regina Ip on 2 June 2009**

- b) The Hong Kong Mortgage Corporation Ltd. (HKMC) boasts the largest corporate debt issue program in Hong Kong. According to its portfolio information at the end of March 09, it has more than \$41 billions' worth of "Treasury securities" outstanding. Can the government provide information on the debt issued, including tenor mix, coupon rates and other relevant information? Can the debt issued by the HKMC be used as securities at the HKMA's discount window?

The HKMC's debt issuance statistics at end-March 2009 are provided in Table 1 below. The HKMC debt securities are not eligible as collateral for the HKMA's discount window.

**Table 1: HKMC's debts and MBS outstanding statistics (as at 31 March 2009)**

HKMC's debt issuance programmes	Outstanding amount (HKS billion)	Original tenor	Weighed average original tenor	Coupon range *
Debt Issuance Programme	31.6	Up to 15 years	4.3 years	0 - 5.4%
Medium Term Note Programme	4.6	Up to 7 years	3.4 years	1.9 - 4.3%
Retail Bond Issuance Programme	2.0	Up to 10 years	5.9 years	0 - 7.1%
Bauhinia Mortgage-backed Securitisation Programme	3.0	Legal maturity of up to 14 years	4.6 years	3.6 - 4.3%
<b>Total</b>	<b>41.3</b>			

\* 0% coupon is applicable to short-term commercial papers or zero-coupon bonds issued at discount.

截至二零零九年三月底，香港按揭證券公司已發行而未到期的債券和按揭證券列載於下表，它們並不符合香港金融管理局貼現窗抵押品資格。

**表一：香港按揭證券公司的債券和按揭證券統計數字(二零零九年三月底)**

香港按揭證券公司的債務發行計劃	未償還本金額 (億港元)	發行年期	發行加權年期	票面息率 *
債務工具發行計劃	316	最長為 15 年	4.3 年	0 - 5.4%
中期債券發行計劃	46	最長為 7 年	3.4 年	1.9 - 4.3%
零售債券發行計劃	20	最長為 10 年	5.9 年	0 - 7.1%
Bauhinia 按揭證券化計劃	30	法定年期最長為 14 年	4.6 年	3.6 - 4.3%
<b>總計</b>	<b>413</b>			

\* 0% 票面息率適用於以折讓發行的短期商業票據或零息債券。