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From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 21 July 2021

**Two proposed resolutions to be moved by
the Secretary for Financial Services and the Treasury and
debate and voting arrangements**

The Secretary for Financial Services and the Treasury (“SFST”) will respectively move the following two proposed resolutions under section 3(1) of the Loans Ordinance (Cap. 61) at the above meeting:

- (a) the proposed resolution to raise the maximum amount of borrowings under the Government Bond Programme (“the first proposed resolution”) (**Appendix 1**); and
- (b) the proposed resolution to raise the maximum amount of borrowings under the Government Green Bond Programme (“the second proposed resolution”) (**Appendix 2**).

The President has directed that the proposed resolutions be printed in the terms in which they were handed in on the Agenda of the Council. The speech which SFST will deliver when moving the above proposed resolutions is in **Appendix 3**.

2. Given that the above two proposed resolutions both seek to raise the maximum amount of borrowings under the two bond programmes with a view to promoting the sustainable development of the local bond market, and were scrutinized by the same subcommittee, to make effective use of the Council’s time and avoid repetition of arguments, the President has decided that **a joint debate** be held on the proposed resolutions and then they be **voted upon one by one**.

3. To assist Members in considering the proposed resolutions, I set out the relevant proceedings under which the President will:

- (a) first call upon SFST to speak and move the first proposed resolution, and then propose the question on it to kick off the joint debate;
- (b) invite the chairman of the subcommittee formed to scrutinize the two proposed resolutions to speak;
- (c) invite other Members to speak;
- (d) call upon SFST to reply and order that the debate comes to a close;
- (e) put to vote the question on the first proposed resolution; and
- (f) irrespective of whether the first proposed resolution is passed, invite SFST to move the second proposed resolution and forthwith propose and put to vote the question on it.

4. Members are reminded that in accordance with Appendix IIIA to the House Rules, the **maximum duration of this joint debate** (including voting on the two proposed resolutions) is **4 hours** and each Member **may speak once up to a maximum of 5 minutes** in the debate. The public officer will not be subject to any speaking time limit.

(Miranda HON)
for Clerk to the Legislative Council

Encls.

Loans Ordinance

Resolution

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

Resolved that—

- (a) the Government be approved to borrow from any person from time to time for the purposes of the Bond Fund established by the Resolution passed on 8 July 2009 (Cap. 61 sub. leg. S) sums not exceeding in total \$300 billion or equivalent, being the maximum amount of all sums borrowed under this paragraph that may be outstanding by way of principal at any time;
- (b) sums borrowed under paragraph (a) are to be credited to the Bond Fund; and
- (c) this Resolution is to replace the Resolution passed on 22 May 2013 (Cap. 61 sub. leg. E).

Loans Ordinance

Resolution

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

Resolved that—

- (a) the Government be approved to borrow from any person from time to time for the purposes of the Capital Works Reserve Fund established by the Resolution passed on 20 January 1982 (Cap. 2 sub. leg. A) sums not exceeding in total \$200 billion or equivalent, being the maximum amount of all sums borrowed under this paragraph that may be outstanding by way of principal at any time;
- (b) sums borrowed under paragraph (a) are to be credited to the Capital Works Reserve Fund; and
- (c) this Resolution is to replace the Resolution passed on 15 November 2018 (Cap. 61 sub. leg. F).

**Speech by the Secretary for Financial Services and the Treasury
at the Legislative Council Meeting on 21 July 2021**

Loans Ordinance (Chapter 61)

Resolution to Raise the Maximum Amount of Borrowings

under the Government Bond Programme

and

Resolution to Expand the Scope of and

Raise the Maximum Amount of Borrowings under

the Government Green Bond Programme

President,

I hereby move the first motion on the Agenda pursuant to section 3 of the Loans Ordinance. Later, I will move the second motion. The first Resolution seeks to approve the Government to borrow a maximum amount of HK\$300 billion or equivalent that may be outstanding by way of principal under the Government Bond Programme (“GBP”). The second Resolution seeks to approve the Government to borrow, for the purposes of the Capital Works Reserve Fund (“CWRF”), a maximum amount of HK\$200 billion or equivalent that may be outstanding by way of principal under the Government Green Bond Programme (“GGBP”).

2. For the first motion, since its establishment in 2009, the GBP has significantly promoted the development of the local bond market through systematic issuances of institutional and retail bonds. As at end-2020, the outstanding Hong Kong dollar debt securities reached

HK\$2,278 billion. We expect that sums borrowed under the Bond Fund will be close to its borrowing limit by end-2022. The Financial Secretary proposed in the 2021-22 Budget to raise the borrowing limit of the GBP to HK\$300 billion.

3. Raising the maximum amount of borrowings under the GBP will allow the programme to operate in a sustainable manner, catering for the increasing demand of local and international investors for high quality public debt papers. This will be conducive to promoting the sustainable development of the local bond market as a financial intermediation channel to complement the banking sector and the equity market, thereby strengthening the competitiveness of Hong Kong as an international financial centre and asset management centre. Through the issuance of the inflation-linked retail bond and Silver Bond under its retail part, the GBP has also fostered the development of Hong Kong's retail bond market and provided citizens with an investment choice of steady return.

4. For the second motion, the Chief Executive announced in the 2020 Policy Address that Hong Kong will strive to achieve carbon neutrality before 2050. The Financial Secretary also announced in the 2021-22 Budget that the Government plans to issue green bonds regularly and expand the scale of the GGBP by doubling the borrowing ceiling of the GGBP from HK\$100 billion to HK\$200 billion to allow for further issuance of green bonds totalling HK\$175.5 billion within the next five years, having regard to the market situation. This will provide more room for piloting the issuance of green bonds that involves more types of currencies, project types, issuance format and channels, thereby further enriching the green and sustainable finance ecosystem in Hong Kong.

5. Since its establishment in 2018, the GGBP has been serving its objective of promoting the development of green finance in Hong Kong. It has helped raise Hong Kong's profile and establish market benchmark, enriched the green and sustainable finance ecosystem and provided funding for green public works projects, conducive to consolidating Hong Kong's position as a green and sustainable finance hub in the region. We have successfully issued a total of US\$3.5 billion of green bonds under the GGBP which were well received by global institutional investors.

6. In light of the total outstanding amount of US\$3.5 billion green bonds and the expanded issuance plan I have just mentioned, the total sum borrowed under the GGBP is projected to reach the ceiling of HK\$1,000 billion around 2023. As such, we propose to raise the borrowing limit to HK\$200 billion at the earliest possible time so that the Government will have enough flexibility to continue with regular green bond issuances to promote market development, and to signal our continuous commitment to promote sustainable development and combat climate change.

7. Moreover, we propose to expand the scope of the GGBP so that the green bond proceeds can be used to fund more green projects under the CWRF, covering minor works projects, major systems and equipment and capital subventions. We expect that such expansion will be welcomed by the market and investors. We have also considered potential projects in the pipeline under the CWRF of which the total funding need far exceeds the current borrowing limit of HK\$100 billion.

8. We briefed the Panel on Financial Affairs of this Council on

9 April on the two proposals above and gauged views from Members at the Subcommittee meeting on 21 June. Members supported the proposals in general and put forward a number of valuable suggestions, including to issue more retail bonds and bonds in different currencies, allow securities brokers more participation in bond issuances and enhance promotion to the public of the environmental benefits of the funded green projects, etc. The proposed expansion of the scale of the two bond programmes will provide the Government with more flexibility on the issuance arrangements in future, thereby promoting the sustainable development of the bond market, green finance and the related industries in Hong Kong. I invite Members to pass these two Resolutions. Thank you.

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