

Peter Pang: Hong Kong Mortgage Corporation retail bond issue

Opening remarks by Mr Peter Pang, Deputy Chief Executive of the Hong Kong Monetary Authority and Executive Director of the Hong Kong Mortgage Corporation Limited, at the Signing Ceremony for the Retail Bond Issue under the HKMC's Retail Bond Issuance Programme, Hong Kong, 5 March 2007.

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Good afternoon ladies and gentlemen,

On behalf of the Hong Kong Mortgage Corporation, I welcome you all to this signing ceremony for the new retail bond to be offered to the public tomorrow.

This is a particularly significant occasion for the HKMC as we are just two days into the tenth anniversary of the establishment of the Corporation on 3 March 1997. Last year, the Board of Directors commissioned a comprehensive review of the Corporation's business strategy. The review concluded that the HKMC will continue to play a crucial role in providing liquidity to banks, helping people to own their own homes, and promoting the development of the local debt market. The HKMC will continue to focus on these important missions and augment that with a prudent overseas expansion with a view to replicating its successful operations in the region.

As far as debt market development is concerned, on the retail front, the HKMC has so far issued nine retail bonds totalling about HK\$12 billion. The bonds have been well received as they provide the general public an additional, safe investment choice.

In fact, today's issue is the first retail bond issue since Moody's upgraded the HKMC's rating in October last year – Aaa for domestic currency debt and Aa1 for foreign currency debt. The top credit rating puts the Corporation in a very strong position to play a more active and strategic role in promoting the development of the debt and securitisation markets in Hong Kong.

Today, apart from issuing two-year notes in Hong Kong Dollar and in US Dollar, we are launching HIBOR-linked notes and 6-year US Dollar zero coupon bonds under the HKMC Retail Bond Programme as part of our product innovation efforts.

The HIBOR-linked notes are principal-protected instruments with returns related to the movement of the HIBOR. These notes are quite popular among the professional and private banking markets, and we are making them available to retail investors as well. The notes cater mainly for investors who can accept higher interest rate volatility in return for a higher investment yield. With the fast development of wealth management services and investor education, the more sophisticated retail investors may choose to invest in this tranche for yield enhancement and portfolio diversification.

The HKMC is also bringing the first 6-year US Dollar zero coupon bond to the retail bond market, following the successful issue of the debut 10-year Hong Kong Dollar zero coupon bond in September last year. The six-year tenor presents opportunities for investors who prefer medium-term savings for children's education or future retirement.

Apart from these two new initiatives, the HKMC is also issuing 2-year retail bonds denominated in Hong Kong Dollars and in US Dollars for investors who prefer safety and certainty.

I believe the four tranches of retail bonds we are offering today will meet the needs of a wide range of investors. I trust that the HKMC's steadfast efforts to promote development of the retail bond market will create yet another win-win situation for the investors, the placing banks and the Corporation.

Lastly, I would like to thank the banking community for their strong support. In particular, Bank of China (Hong Kong), HSBC and Standard Chartered Bank (Hong Kong) are co-underwriting a portion of the bond issue as well as placing the notes. I would also like to thank the other 14 placing banks, namely, Bank of Communications, Bank of East Asia, China Construction Bank (Asia), Chiyu Bank, Chong Hing Bank, CITIC Ka Wah Bank, Dah Sing Bank, DBS Bank (Hong Kong), Hang Seng Bank, ICBC (Asia), Nanyang Commercial Bank, Shanghai Commercial Bank, Wing Hang Bank and Wing Lung Bank.

I look forward to your continuing support of the HKMC and our debt issuance activities.

Finally, may I wish you all a healthy and prosperous Year of the Golden Pig. Thank you.