

Peter Pang: Hong Kong's retail bond issues

Opening remarks by Mr Peter Pang, Deputy Chief Executive of the Hong Kong Monetary Authority, at the signing ceremony for the retail bond issue under HKMC's retail bond issuance programme, Hong Kong, 18 July 2005.

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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 retail bond to be offered to the public tomorrow.

I am pleased to note that since the introduction of the current offering mechanism through placing banks in October 2001, HKMC retail bonds have been warmly welcomed by retail investors. So far, we have issued seven retail bonds for a total amount of HK\$10.4 billion.

The success of the Mortgage Corporation's debt issues has been attributed to its high credit ratings (which are the same as those of the Hong Kong SAR Government) and to the wide range of notes, which can meet the different investment needs of retail investors.

The upcoming issue has both Hong Kong Dollar and US Dollar denominated notes. This is the first time that the HKMC issues US Dollar notes. Apart from diversifying its funding sources, the HKMC's issuance of USD retail bonds also serves to provide an additional investment channel for retail investors in Hong Kong. The minimum subscription amount for our USD bonds is only US\$5,000, setting a reasonable threshold to make our debt accessible to a large segment of retail investors.

This move by the HKMC to issue USD denominated bonds fits very well into the efforts by the Hong Kong Monetary Authority to promote the development of a safe and efficient financial infrastructure for Hong Kong, based on a multi-currency, multi-dimensional platform.

In Hong Kong's banking system, we have around HK\$2 trillion in HK Dollar deposits. Our banks also have the equivalent of over HK\$1.8 trillion in foreign currency deposits. About 70% or US\$164 billion are US Dollar deposits.

The loan-to-deposit ratio for Hong Kong Dollar deposits is 87%; the equivalent for US Dollar is only around 26%. We reckon that a significant portion of the sizable US Dollar deposits is held by retail investors and some would wish to diversify and look for investment products to increase their return. One could of course look for opportunities overseas but, as an international financial centre, Hong Kong should also try to provide more such investment products locally.

In the past there have been very few local issues of US Dollar retail bonds, and the most recent one appears to have been issued as far back as in September 2003. Today's HKMC US Dollar bond issuance would help to meet part of such investment demand. Perhaps in times to come there will be more foreign currency bond issuance in Hong Kong. This bond issuance would add to the diversity of financial intermediation channels and complement the HKMA's effort to promote the development of a multi-currency, multi-dimensional financial system in Hong Kong.

Finally, I am pleased to see many old friends of the HKMC supporting this new issue. I would like to thank the HSBC and Bank of China (Hong Kong) for underwriting a portion of the bond issue as well as placing the notes. Taking this opportunity, I would also like to thank the other placing banks, namely, Bank of America (Asia), Bank of Communications, Bank of East Asia, Chiyu Bank, CITIC Ka Wah Bank, Dah Sing Bank, DBS Bank, Hang Seng Bank, Fubon Bank (Hong Kong), Liu Chong Hing Bank, Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank (Hong Kong), Wing Hang Bank and Wing Lung Bank, for their participation in this bond issue.

With their extensive branch networks, and sophisticated telephone banking and the Internet banking facility, I look forward to another successful retail bond issue by the HKMC.

Thank you.