

Transcript of remarks by SFST at media session

Tuesday, April 28, 2009

Following is the transcript of remarks (English portion) by the Secretary for Financial Services and the Treasury, Professor K C Chan, on the Government Bond Programme at a media session at Central Government Offices, today (April 28):

Secretary for Financial Services and the Treasury: The Chief Executive in Council today approved the proposal of implementing the Government Bond Programme.

Given the primary objective of the Programme to promote the development of the local bond market, bonds to be issued under the Programme will be mainly denominated in Hong Kong Dollar.

To get a diversified tenor mix and to meet market demand, bonds of tenors within the range of two to ten years would likely be issued at the initial stage of the Programme. Going forward, consideration would be given to issuing bonds with longer tenors, say, 15 years or longer.

Initial market views suggest that the market may be able to digest government bonds of HK\$10-20 billion over the course of one year.

The Programme's borrowing ceiling is proposed to be set at HK\$100 billion or equivalent. It represents a long-term target over a period of five to ten years of programme implementation, and fully reflects the long-term and on-going nature of the Programme.

The Government will plan individual bond issues carefully having regard to the prevailing market conditions. Sums raised under the Programme would be credited to a "Bond Fund" to be established under the Public Finance Ordinance.

The "Bond Fund" will not be treated as part of the fiscal reserves and will be managed separately from the general revenue. It will be used to repay principal of bonds issued, meet the financial obligations and liabilities associated with the Programme and make investments.

The Hong Kong Monetary Authority will be tasked to co-ordinate the offering of the bonds under the Programme and manage the "Bond Fund".

Reporter: (Secretary, what range of return do you expect the bonds to have?)

Secretary for Financial Services and the Treasury: I think, of course, the return or the yield on the bonds will be decided by the market. This is all I can tell you.

Reporter: (What exactly will the money raised be used?)

Secretary for Financial Services and the Treasury: The sums raised under the Programme will be deposited in a "Bond Fund". The "Bond Fund" will be managed with the target of meeting the financial obligations from the bond programme such as repaying the principal as well as the interest payment and other liabilities associated with the programme, so the money will be invested with that objective in mind.

Reporter: (What is the aim of the bond programme?)

Secretary for Financial Services and the Treasury: Our aim is to promote development in the bond market.

Reporter: (What is the schedule of the offering?)

Secretary for Financial Services and the Treasury: Initially, we are considering maybe four times a year, but of course this is really up to market conditions. Therefore, we have to look at the market conditions to decide the final offering schedule. Having some frequency of bond offerings is part of the objectives of developing a bond market.

Reporter: What is the size of the bond?

Secretary for Financial Services and the Treasury: It depends on the market conditions.

Reporter: (When do you expect to see the first launch?)

Secretary for Financial Services and the Treasury: What we are hoping is to launch the first bond issue sometime this year after we have obtained the approval from the Legislative Council. The objective of the bond programme is to promote the bond market so we have to have a long-term objective in mind. As to the market conditions, I think the market conditions are reasonable for issuing the government bond programme.

(Please also refer to the Chinese portion of the transcript.)

Ends