

The Steering Committee on Bond Market Development further promotes Hong Kong as the Asian Bond Hub

On 24 August, 2021, the Steering Committee on Bond Market Development convened its first meeting under the chairmanship of the Financial Secretary, Mr. Paul Chan. The market infrastructure, regulatory regime, future direction and strategy were reviewed. Mr. Paul Chan said “The Government is committed to strengthening Hong Kong's position as a premier bond hub for Asia”. Lianhe Ratings Global Limited (“Lianhe Global”) fully supports the Hong Kong Government’s strategy and believes that Hong Kong is and will continue to be the Asian bond hub.

Lianhe Global points out that Hong Kong has had a well-developed and leading bond market in Asia. According to the International Capital Market Association (ICMA), the bond arrangement and execution is a more critical and relevant factor in determining the location of a bond issuance as it encapsulates the entire process of structuring, book building and allocation. In this regard, Hong Kong is well ahead of the other major international centers in terms of arranging the first-time bond issuance, capturing 75% of the Asian market versus Singapore (9%) and the UK (5%).

Lianhe Global is also positive about the continuing leading position of the Hong Kong bond market in the coming years. The Bond Connect Scheme was launched in 2017 initially with the Northbound flow. Based on the Bond Connect, the Scheme has now attracted over 2,400 institutional investors around the globe and recorded an average daily turnover of nearly RMB200 billion in 2020, capturing 52% of the foreign investors’ total turnover in the China Interbank Bond Market. The above shows that Hong Kong continues to be the preferred channel for investing in the China bond market. The Hong Kong Monetary Authority (“HKMA”) is now working with the People’s Bank of China on the design parameters for the Southbound Bond Connect, which would further help attract foreign and Mainland China investors to Hong Kong.

The green and sustainable bond market development in Hong Kong is fully empowered by the Hong Kong Government. The Hong Kong Government has already issued two rounds of green bonds since 2019 for the benchmark yield curve establishment. Its latest 30-year green bond is the longest tenor green bond issued by any government in Asia. In addition, a new Green and Sustainable Finance Grant Scheme was rolled out in May 2021 and will last for three years to provide subsidy for eligible green and sustainable bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. Therefore, Lianhe Global believes that Hong Kong, which adopts the international standards for the green bond issuance, is and will continue to be the ideal platform to raise further green capital from the international investors.

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