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Three-pronged Strategy to Develop Hong Kong as an Offshore Renminbi Hub

Keynote address at Bond Connect Anniversary Summit 2025

Ms Julia Leung
Chief Executive Officer

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It's my pleasure to reunite with all of you at the Bond Connect Anniversary Summit to explore ways to further develop Hong Kong's bond market, as well as to reinforce and enhance the city's status as an offshore renminbi (RMB) hub.

The development of Bond Connect has been remarkable over the past eight years. Just in the past year, the use cases have continued to expand for foreign investors to use their eligible onshore bond holdings under Bond Connect as collateral in Hong Kong, ranging from the northbound trading of Swap Connect and offshore RMB bond repurchase (repo) business to derivatives transactions at OTC Clearing Hong Kong. To date, the size of onshore Treasury bonds accepted by OTC Clearing Hong Kong as collateral has reached around RMB3 billion. These initiatives have enhanced the flexibility and capital efficiency for international investors in holding onshore bonds, therefore further increasing the appeal of RMB-denominated assets.

Earlier today, the People's Bank of China and the Hong Kong Monetary Authority announced several measures to enhance and expand Bond Connect. These include broadening the scope of participating institutions under the southbound scheme to encompass securities firms, insurance companies, wealth management and asset management firms, as well as optimising offshore RMB bond repo business by allowing the rehypothecation of bond collateral during the repo period. These measures will inject new impetus for the development of Bond Connect, further facilitate foreign investors in accessing RMB liquidity, and strengthen Hong Kong's competitiveness as an offshore RMB business hub.

One of the SFC's priorities this year is the development of the fixed income and currency (FIC) markets, with the foremost focus on the RMB fixed income market. Recently, discussions around the global dominance of US dollar-denominated assets have heated up again, and investors are accelerating asset reallocation to diversify risks, providing the perfect window for RMB internationalisation. Hong Kong is well-positioned to seize this opportunity.

Overall, we are progressing in three strategic directions:

First, increasing the issuance of fixed income products in the primary market and enriching the RMB-denominated product suite.

Note: This is the text of the speech as drafted, which may differ from the delivered version.

In recent years, the issuance size of offshore RMB bonds has grown rapidly. In 2024, their total issuance amount in Hong Kong exceeded RMB1 trillion, representing a year-on-year increase of 37%.

Of course, treasury bonds are the first and foremost. In recent years, the Ministry of Finance has increased both the frequency and size of treasury bond issuance in Hong Kong. We are very grateful to the Ministry of Finance and look forward to its further expansion of treasury bond issuance of varying tenors in Hong Kong in the future, particularly increasing the proportion of medium- to long-term treasury bonds. This will better meet the needs of international investors' medium- to long-term allocation while further enhancing the offshore RMB bond yield curve.

In addition, while the HKSAR Government will continue to issue RMB-denominated bonds of varying tenors, we also welcome the issuance of "dim sum bonds" in Hong Kong by more institutions and enterprises, including sovereign institutions, international organisations, and Mainland government institutions and enterprises. Based on our observations, the CNH Hong Kong Interbank Offered Rate has remained low, creating favourable conditions for financing. Hence, several sizeable international and Mainland companies have recently announced plans to issue "dim sum bonds".

Apart from bonds, we have also been actively collaborating with Mainland regulatory authorities to continue to work on the inclusion of RMB stock trading counters under southbound trading of Stock Connect. Currently, the relevant technical preparations are progressing well, and we are striving to announce the implementation details in the near future. We hope that, once the market gains clarity on the launch timeline, more firms will consider issuing RMB stock trading counters. Potential southbound capital flows are expected to fuel continued growth in RMB-denominated stock trades in Hong Kong.

Second, enhancing the liquidity of the secondary bond market.

Liquidity is closely related to the depth and breadth of the product market which I just mentioned—its growth represents a transition from a quantitative improvement to a qualitative shift. Enhancing liquidity will provide issuers with conditions for more competitive pricing and attract a broader spectrum of investors.

The development of derivatives is crucial for bond investors to hedge risks and manage liquidity. We support financial institutions in their efforts to continue developing more attractive and diverse derivatives products, including interest rate, foreign exchange and credit derivatives products, in order to enhance the risk management toolkit of the Hong Kong market. The derivatives market under the Hong Kong Exchange and Clearing Limited (HKEX) has shown steady and sustained growth in trading over the past few years, particularly in USD/CNH futures, which recorded an average daily trading volume of 113,000 contracts in the first half of this year—triple that of 2023.

We understand that the market is highly anticipating the launch of treasury bond futures in Hong Kong. We have been working closely with Mainland regulatory authorities to actively advance the preparatory work, and are looking to complete the last kilometre as soon as possible.

We also hope to establish a commercial repo market for offshore treasury bonds in Hong Kong, in order to better leverage them as financing tools and facilitate their trading in the secondary market. A well-developed repo market will spur more active participation from a broader range of investors in the offshore treasury bond market.

Third, exploring the establishment and optimisation of relevant infrastructure for offshore RMB products, including front-end trading systems, as well as middle- and back-end supporting systems.

These systems will further enhance the robustness of Hong Kong's financial system, providing investors and financial institutions with an efficient and transparent offshore RMB assets trading and financing platform.

Meanwhile, we also emphasise strengthening the connectivity between financial market infrastructure. The HKEX previously signed a memorandum of understanding with CMU OmniClear, under which both parties will explore collaboration in different areas in the future, including expanding the use of treasury bonds as eligible collateral for various HKEX products.

To sum up, RMB internationalisation is a long-term national strategy aimed at achieving high-quality financial opening-up and also serves as a strong pillar for the Nation's development as a financial powerhouse. As the world's leading offshore RMB business hub, Hong Kong will continue to leverage its unique advantages by implementing the three-pronged strategy, ie, expanding and diversifying offshore RMB products, enhancing offshore RMB liquidity, and establishing robust and reliable infrastructure, in order to make a greater contribution to the stable development of the Nation's financial market.

Lastly, I wish today's summit a great success.