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Connecting Global Markets to Shape the Future: Hong Kong's Next Chapter as a Fixed Income and Currency Hub

Keynote speech at the Fourth HKEX China Conference

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Distinguished guests, ladies and gentlemen, good morning. It is my pleasure to join you in Shanghai for the HKEX China Conference.

We gather here today to chart the way forward for Hong Kong's international capital markets. I would like to share my thoughts on how we can further accelerate renminbi (RMB) internationalisation and enhance our risk management toolkit, while also deepening mutual market access and strengthening market infrastructure – all aimed to elevate Hong Kong's fixed income and currency (FIC) markets to the next level.

"All towers must be built from the ground up," as the Chinese saying reminds us. Hong Kong has already laid solid groundwork with a highly mature, robust and liquid stock market. Over the years, we have continuously enhanced our listing regime and broadened mutual market access, reinforcing the city's role as a leading global investment and fundraising platform. However, our ambition goes further from this good foundation: we aspire to unlock a new growth engine for our FIC markets, which will support Hong Kong's development into an all-weather international financial centre—one that is more diversified, balanced and resilient.

As the world's largest offshore RMB hub, Hong Kong is uniquely positioned to develop its FIC markets. To fully capitalise on its strengths, the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority jointly published in 2025 the *Roadmap for the Development of Fixed Income and Currency Markets*[1], which clearly sets out four mutually reinforcing strategic pillars: primary issuance, secondary trading, offshore RMB business and infrastructure.

Let me now outline how Hong Kong can deepen its connectivity with the Mainland and international markets as we take forward the roadmap.

First, broadening primary market issuance.

A robust bond market begins with the primary market. Hong Kong has a well-established fundraising platform, a deep investor base, a sound legal system and the seamless connectivity with the Mainland, all of which are elements essential to expanding RMB bond issuance, enriching product offerings, and improving the yield curve. Earlier, the Ministry of

[1] *Roadmap for the Development of Fixed Income and Currency Markets*.

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

Finance announced that it would issue RMB84 billion of Treasury bonds in Hong Kong this year. This represents a year-on-year increase of 24% from 2025, providing strong momentum for Hong Kong's primary bond market. In the future, we will support the regular issuance of government bonds and step up our outreach to regional markets including the Mainland, Southeast Asia and the Middle East, bringing Asian bond issuers and global investors together in Hong Kong.

Second, deepening secondary market liquidity.

Market liquidity not only boosts trading efficiency, but also instils confidence in investors when they allocate assets and manage risks. In this respect, developing the bond repo market is crucial to enhancing liquidity. Indeed, the level of maturity of a repo market is a key indicator of fixed income market depth.

In fact, liquidity is multi-dimensional. While trading volume represents only one dimension, deeper liquidity depends on the efficient circulation of assets—this is the kind of multi-dimensional, multi-layered liquidity that Hong Kong needs to develop.

To this end, Hong Kong is exploring the phased introduction of central clearing for bond repos and the establishment of a dedicated clearing system. These initiatives will effectively mitigate clearing and systemic risks and foster an active and healthy repo market ecosystem, enabling the secondary market to grow deeper, broader and more resilient over time.

Third, expanding offshore RMB business to facilitate its internationalisation.

Developing FIC markets is central to Hong Kong's mission as a leading offshore RMB centre.

Beyond increasing the number of RMB products, we also aim to broaden and diversify the practical uses of the RMB and RMB assets. In the next stage, RMB internationalisation will move beyond expanding its use as a currency of denomination, with the RMB playing greater roles across trading, financing and risk management.

We will advance the development of RMB counters to make it easier for investors to trade Hong Kong stocks directly in RMB. Just in August, Hong Kong successfully launched the Five-Year China Government Bond Futures – the only exchange-traded government bond futures contract in the offshore market – marking a milestone in enhancing the market ecosystem. A mature market needs not only assets, but also pricing, hedging and risk management capabilities. Therefore, Hong Kong is set to introduce more RMB currency futures and RMB-denominated futures products going forward. These products will further complement and drive synergies with Bond Connect and Swap Connect, thereby opening up fresh avenues for global investors to allocate capital to RMB assets and manage their risks.

In addition, collateral arrangements are crucial to unlocking capital efficiency. Compared with other major international markets, Hong Kong has ample room to make greater use of non-cash collateral as margin. Since last year, HKEX's OTC Clearing Hong Kong Limited has accepted China Government Bonds and policy bank bonds held under Bond Connect as collateral. As of end-August, the RMB-denominated China Government Bonds and policy bank bonds deposited by overseas investors accounted for 19% of their total margin collateral. This has both boosted capital efficiency and expanded the use cases for onshore Chinese bonds. By the end of this year, the relevant collateral arrangements will be extended to the futures and options clearing houses, further enhancing the global appeal of RMB assets.

In addition, with the SFC's support, HKEX has already halved the accommodation charges for using non-cash collateral to 0.25%. When the futures and options clearing houses start accepting China Government Bonds as collateral later, HKEX will consider further reducing the charges. While these reductions may look modest, they will create a powerful multiplier effect in the long run by boosting market participation and capital efficiency.

Fourth, upgrading infrastructure.

As markets become more interconnected and products more complex, our market infrastructure will face increasing demand to be more efficient, resilient and automated . I should emphasise that infrastructure not only provides underlying support for market operations, but also forms a wide moat amid the competition among international financial centres. Only when our infrastructure is efficient, reliable and interoperable across markets can Hong Kong gain the confidence of global capital.

Hong Kong is now pressing ahead with the upgrade and modernisation of its market infrastructure. To diversify trading venues and enhance the liquidity of offshore RMB fixed income products, HKEX and the China Foreign Exchange Trade System are jointly developing a new electronic FIC trading platform. To stay competitive in the future, international financial centres will increasingly depend on their data connectivity, risk management ability and cross-market interoperability – and Hong Kong must stand at the forefront of this transformation.

Conclusion: FIC markets as cornerstone of international financial centre

Ladies and gentlemen, looking ahead, we will continue to work closely with all stakeholders to implement the pillars of the roadmap, and with our Mainland peers and HKEX to explore new ways to enhance capital efficiency. These include expanding the use of non-cash collateral for clearing, supporting cross-margining and examining cross-market margining – all with the aim to bring market efficiency to the next level while keeping risks under control.

In the long run, our goal is to position Hong Kong as a world-class FIC market with deeper primary markets, more vibrant secondary markets, broader RMB application and stronger infrastructure. In this way, all market participants can move forward together, contributing to our Nation's transformation into a financial powerhouse.

Let me put it this way: the stock market will remain a core cornerstone of Hong Kong's position as an international financial centre; the FIC markets represent an emerging cornerstone that we are reinforcing with tremendous efforts. In the near future, the two cornerstones are poised to jointly support the further ascent of Hong Kong as an international financial centre, helping it stay resilient and prosperous amid the ever-evolving global markets.

I wish today's conference a great success. Thank you.