Advancing the Transformation of Hong Kong's FIC Market

Panel remarks at Hong Kong FIC & Bond Connect Summit

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During a panel discussion at the Hong Kong FIC & Bond Connect Summit, Ms Julia Leung, Chief Executive Officer of the Securities and Futures Commission (SFC), emphasised now is the time for Hong Kong to advance the Roadmap for the Development of the Fixed Income and Currency Markets (FIC Roadmap), as global shifts are increasing the demand for diversification and RMB assets. She highlighted three priorities: developing an FIC trading platform, expanding the use of fixed income as collateral, and providing more risk management tools. Below is a synopsis of her remarks.

Seizing the opportune moment to develop Hong Kong's FIC markets

During the discussion, Ms Leung first underscored the importance of fixed income and currency market developments as an urgent response to the macro-economic changes and structural trends. She noted that, amid heightened market uncertainties, both sovereign funds and private capital are embracing diversification and risk management, underpinning stronger interest in broader currencies and asset classes, including fixed income.

Renminbi (RMB) assets are becoming a viable alternative in non-US dollar asset allocation, according to Ms Leung. As of end-April 2026, foreign investors' holdings of onshore RMB bonds exceeded RMB3 trillion, while Northbound Bond Connect trading had also risen steadily, with record-high turnover in March 2026 at RMB1.2 trillion and daily average turnover hitting RMB55.6 billion.

Highlighting the importance of the strategic roadmap in building the FIC ecosystem, she called for efforts to further develop Hong Kong as an offshore RMB centre in supporting RMB internationalisation.

Three keys to advancing FIC markets

Next, Ms Leung pointed out three key measures under the FIC Roadmap to advance the FIC markets: trading platform, fixed income collateral and risk management.

FIC trading platform: The People's Bank of China (PBoC) has just announced a new electronic FIC trading platform will be jointly developed by China Foreign Exchange Trade System (CFETS) and Hong Kong Exchanges and Clearing Limited (HKEX) in Hong Kong. Without replacing existing platforms, the new platform will add a new option for the market, thereby strengthening Hong Kong's role as a bridge connecting onshore and offshore markets, particularly by providing more differentiated services in the trading, liquidity management and risk management of offshore RMB fixed income products.

To enhance secondary market liquidity, she pointed out the need to further develop Hong Kong's repo market and introduce repo clearing through a central counterparty, which will become part of a resilient and robust FIC ecosystem.

Fixed income collateral: Ms Leung said the second measure is expanding the acceptance of fixed income instruments as eligible collateral at clearing houses. Specifically, the PBoC has allowed the use of international investors' onshore holdings of Chinese Government Bonds (CGBs) and policy banks' bonds under Bond Connect for collateral management at HKFE Clearing Corporation Limited and The SEHK Options Clearing House Limited.

She noted that the new measure will further increase the appeal of RMB assets by enhancing their use cases. Since CGBs held under Bond Connect were accepted as collateral for trading all instruments at OTC Clearing Hong Kong Limited (OTC Clear) in early 2025, overseas investors had lodged a total of RMB3.9 billion of onshore treasury bonds as margin collateral as of early June 2026, accounting for about 17% of all margin collateral held by OTC Clear.

The SFC has also been working closely with HKEX to facilitate cross collateralisation, and actively exploring the feasibility of cross-market margining among HKEX's clearing houses. This would significantly improve capital efficiency without increasing the risk exposure to HKEX.

Risk management of FIC: The PBoC today indicated that further enhancements will be made to Swap Connect. We are now in discussion with the PBoC to include the interbank seven-day fixing depositary institutions repo rate (FDR007) as a reference rate. Ms Leung considered this another step towards introducing more hedging instruments for market participants to better manage their interest rate risk of RMB denominated positions, and expects the clearing houses of both sides to jointly launch the new contract in the fourth quarter this year.

For the five-year CGB futures contract, it will be launched on HKEX on 3 August 2026 as a transparent and standardised instrument for hedging. In addition, the SFC will continue to support HKEX in introducing more futures products, including RMB foreign exchange futures against other currencies and RMB-denominated gold futures.

Vision for Hong Kong's transformation

Finally, Ms Leung remarked that "Hong Kong Inc", joined by HKEX this year, is showing a greater collective commitment to transforming Hong Kong into an all-weather international financial centre, not just standing on the equities leg. This strong partnership and the vision it holds align squarely with the objectives of the PBoC and CFETS and their decision to set up an FIC trading platform in Hong Kong and the other new initiatives as part of the drive towards RMB internationalisation and building a bigger RMB offshore hub. Describing Hong Kong's FIC development as a marathon, she called on the private sector to participate actively for the initiative to succeed.