

Keynote Address at Bond Connect Anniversary Summit 2024

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Good morning, the Honourable Mr Paul Chan and Ms Zhang. It is my pleasure to attend the Bond Connect Anniversary Summit 2024.

Bond Connect has operated with great success for seven years since July 2017, which coincided with the 20th Anniversary of Hong Kong's handover. Looking back, Bond Connect created a new bridge across both the Mainland and Hong Kong capital markets by building on the successful implementation of Stock Connect, and it marked a significant breakthrough in the opening up of China's bond market.

Bond Connect also signifies a big stride across major asset classes – from equities to fixed income – for the Mainland and Hong Kong mutual market access, representing a milestone in deepening market connectivity.

Seven years on, Bond Connect has gained wide recognition from the industry, with rapid growth in trading volume, an increasing number of participating institutions and an expanding range of product offerings. The scheme has become the major channel for offshore investors to invest in Mainland bonds. Average daily trading volume of northbound Bond Connect hit a record high of RMB48.7 billion in January this year.

Bond Connect has continued to expand, in addition to the launch of enhancement measures. After the introduction of northbound trading at the initial stage, its southbound link was launched in 2021. Early this year, bonds under Bond Connect were included in the list of eligible collateral for the Hong Kong Monetary Authority's RMB Liquidity Facility. Also, the People's Bank of China (PBoC) has just announced that bonds under Bond Connect will become eligible as collateral for northbound Swap Connect transactions. These measures have enhanced the capital efficiency for offshore investors and increased their appetite for holding RMB assets. Securities and Futures Commission (SFC) will provide guidance to financial infrastructure institutions (including OTC Clearing Hong Kong Limited)



The survey also found that foreign institutions, particularly pension funds, sovereign wealth funds and central banks, have strong demand for Treasury bonds, and that they account for about 70% of the trading volume of such bonds among foreign investors. These foreign institutions also indicated their interest in buying more Chinese Treasury bonds.

For these reasons, we are hopeful that the Ministry of Finance will continue to expand the scale of bond issuance in Hong Kong, thereby enhancing the offshore RMB Treasury bond market. Moreover, the SFC is reviewing a number of measures and action plans with other regulators and relevant authorities, with a view to bolstering the development of Hong Kong's FICC business and further strengthening its position as an international financial centre.

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