

HKSAR Government expresses gratitude for country's support to enhance arrangements under Swap Connect

â€‹The People's Bank of China, the Securities and Futures Commission and the Hong Kong Monetary Authority issued a joint announcement today (May 13) on a series of measures to enhance the mutual access arrangements between the Mainland and Hong Kong interest rate swap markets (Swap Connect). The Hong Kong Special Administrative Region (HKSAR) Government warmly welcomes the decision.

A Government spokesman said, "The HKSAR Government strives to deepen and expand mutual access between the Mainland and Hong Kong financial markets, complementing our country's economic development strategy. The Central People's Government attaches importance to Hong Kong's financial market and actively promotes the concerted development of the financial markets of both places, providing solid policy protection and broad scope for us to take forward the relevant work. The measures announced by the regulators of the two places today constitute the second batch of enhancements publicised within a month following the China Securities Regulatory Commission's announcement last month of the five measures to support the expansion of mutual access between the capital markets of the two places and the listing of leading Mainland enterprises in Hong Kong. The newly announced measures further foster the collaborative development of the derivatives markets in the two places. The HKSAR Government would like to express gratitude to the Central People's Government and relevant authorities for their strong support."

The spokesman continued, "Since implementation in May 2023, Swap Connect has been operating smoothly with increasing investor participation. As of April 2024, the average daily turnover calculated on a monthly basis had nearly tripled from the first month of its launch to over RMB 12 billion in notional amount, providing investors with a convenient and efficient risk management tool. The current round of enhancement measures will expand the choice of products under Swap Connect, enhance the efficiency of the mechanism and reduce participation costs, thereby further addressing the diverse risk management needs of domestic and foreign investors as well as promoting trading. We will closely collaborate with the relevant Mainland institutions and seek to implement the arrangements at full speed, sparing no effort in continuing to contribute to the development of our country as a financial powerhouse and consolidate Hong Kong's status as an international financial centre."

According to the joint announcement, the enhancement measures include (i) accepting interest rate swap contracts with payment cycles based on the International Monetary Market dates for clearing to enrich the product types and align with mainstream products traded globally; (ii) introducing

compression service and the clearing of backdated swap contracts as the associated supporting arrangement to improve the ancillary services and facilitate participating institutions to manage the notional amount outstanding as well as lower capital costs; and (iii) rolling out other system enhancements and incentive programmes to reduce the participation costs of Mainland and overseas investors. The Mainland and Hong Kong regulators will guide the financial market infrastructure institutions in the two places to continue to promote business collaboration under Swap Connect in a steady and orderly manner, and improve the various operational arrangements.