

HKSAR Government's Digital Green Bonds Offering

The following is issued on behalf of the Hong Kong Monetary Authority:

The Government of the Hong Kong Special Administrative Region of the People's Republic of China (the HKSAR Government) today (February 7) announced the successful offering of around HK\$6 billion worth of digital green bonds (Digital Green Bonds) denominated in HK dollars (HKD), Renminbi (RMB), US dollars (USD) and euro (EUR) under the Government Green Bond Programme.

The two-year Digital Green Bonds attracted subscription by a wide spectrum of institutional investors globally, from financial institutions (FI) (including some major asset managers, banks, insurance companies and private banks) to non-FI corporates. The Digital Green Bonds were priced as follows:

- HKD2 billion tranche at 3.800%
- RMB1.5 billion tranche at 2.900%
- USD200 million tranche at 4.749%
- EUR80 million tranche at 3.647%

This is the second digital bond issuance following the HKSAR Government's inaugural tokenised green bond issued in February 2023. The Hong Kong Monetary Authority (HKMA) completed Project Genesis in 2021 in collaboration with the Bank for International Settlements Innovation Hub Hong Kong Centre to concept-test the issuance of tokenised green bonds in Hong Kong. This issuance further develops on the basis of Project Genesis and achieved new breakthroughs in the following areas:

1. Broadening investor participation via existing market infrastructure: Facilitated by the Central Money Markets Unit (CMU)'s external linkages, international investors have the option to access the Digital Green Bonds via their accounts with Euroclear or Clearstream. This broadens the bond's investor base and enhances its liquidity, and could potentially facilitate interoperability across different digital assets platforms and traditional central securities depositories.
2. Streamlining issuance process by issuing in digitally native format, without the need to first issue in traditional central securities depositories and subsequently convert the bond into digital format.
3. Building in standardisation elements, by adopting the International Capital Market Association's Bond Data Taxonomy (Note 1) (BDT), a standardised and machine-readable language that was developed to promote market efficiency and cross-system interoperability. This was the first issuance by an issuer of relevant category and the first green bond to

adopt the BDT.

4. Integrating green bond disclosures with digital assets platform: Key green bond documentation including the issuer's Green Bond Framework and relevant third-party review reports can be viewed on the digital asset platform, enhancing transparency and accessibility of information.

The Financial Secretary, Mr Paul Chan, said, "The Government has once again issued digital green bonds this year, incorporating various technological innovations. This demonstrates Hong Kong's strengths and leadership position in combining the bond market, green and sustainable finance, as well as fintech. We will continue to promote innovation and application of fintech, explore the use of new technologies to enhance the efficiency, transparency, and security of financial transactions, and foster vibrant development in various sectors of the financial market."

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "The second issuance of digital green bonds demonstrates the Government's continuous support to innovative forms of bond issuances and green transformation. We are confident that this issuance will further entrench the social awareness of sustainable development in combination with fintech and consolidate Hong Kong's status as a leading green and sustainable finance hub."

The Chief Executive of the HKMA, Mr Eddie Yue, said, "Building on the success of the inaugural digital bond offering last year, we are delighted to bring to the market another landmark issuance. This second digital issuance include multiple innovations that broaden investor access, support interoperability, and improve transparency and efficiency. We hope this issuance would promote the development of the digital securities market and encourage the wider adoption of digitalisation technology."

The clearing and settlement system of the Digital Green Bonds is the CMU, with HSBC Orion as the digital assets platform. This represents the first multi-currency digital bond offering in the world, and the first digitally native bond issuance in Hong Kong. HSBC, Bank of China (Hong Kong), Crédit Agricole CIB, Goldman Sachs (Asia) L.L.C, ICBC (Asia), UBS, Allen & Overy, Ashurst and Linklaters were involved in the preparation for the issuance (see Annex).

Key features of the Digital Green Bonds

Issue size	Around HKD6 billion equivalent
Currency	HKD, RMB, USD, EUR
Tenor	2-year
Issue ratings	AA+/AA- (S&P/Fitch), on par with the issuer's long-term rating
Governing law	Hong Kong law

Use of proceeds	To finance and/or refinance projects that fall under one or more of the "Eligible Categories" set out in the Government's Green Bond Framework Vigeo Eiris has provided a Second Party Opinion on the Government's Green Bond Framework. The Digital Green Bonds have also received the Green and Sustainable Finance Certification Scheme Pre-issuance Stage Certificate from the Hong Kong Quality Assurance Agency
Listing	Hong Kong Stock Exchange
Joint Global Coordinators, Joint Lead Managers, Joint Bookrunners	Bank of China (Hong Kong), Crédit Agricole CIB, Goldman Sachs (Asia) L.L.C, HSBC, ICBC (Asia), UBS (in alphabetical order here and below)
Joint Green Structuring Banks	Crédit Agricole CIB, HSBC
Clearing and Settlement System	CMU operated by the HKMA (Note 2), with linkage to Euroclear and Clearstream
Platform	HSBC Orion
Platform Provider	HSBC
Platform Direct Participants (Note 3)	Bank of China (Hong Kong), Crédit Agricole CIB, HSBC, ICBC (Asia)
Fiscal Agent and Principal Paying Agent	HSBC
Legal Advisers	Allen & Overy (to issuer), Ashurst (to Platform Provider), Linklaters (to banks and agents)

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Note 1: The BDT is a standardised and machine-readable language of key economic terms of a bond (such as amounts, currency, maturity, interest), key dates (such as pricing, settlement) as well as other relevant information (such as governing law, relevant parties, ratings, selling restrictions) typically included within a term sheet.

Note 2: The Digital Green Bonds are cleared and settled through the CMU, and the settlement of transactions made through the CMU benefits from statutory settlement finality under Hong Kong law.

Note 3: Parties which have direct access to the digital assets platform (Direct Participants) can hold the legal titles of the Digital Green Bonds; parties who are not Direct Participants will hold beneficial interests in the Digital Green Bonds represented in their CMU accounts, Euroclear accounts, Clearstream accounts or custodian arrangements, as applicable.