

LCQ21: Government bonds

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 3):

Question:

Since 2011, the Government has issued a number of rounds of retail bonds, including seven rounds of inflation-linked bonds and five rounds of Silver Bonds. In this connection, will the Government inform this Council:

- (1) of the total amount of interests and administrative costs (including fees payable to agents) involved in the issuance of the aforesaid bonds;
- (2) of the uses of the funds raised through issuing the aforesaid bonds, as well as the relevant total profit and loss figures;
- (3) whether it has assessed the benefits brought by issuing the aforesaid bonds to Hong Kong in aspects such as the Gross Domestic Product, job creation, development of the bond market, tax revenue, as well as creation of wealth effect, and provide the relevant data; and
- (4) whether it has assessed what benefits the issuance of bonds will bring to public finance under the situation of fiscal reserves being still ample?

Reply:

President,

(1) and (2) From July 2011 to January 22, 2021, seven batches of iBond and five batches of Silver Bond have been issued under the retail part of the Government Bond Programme, involving total interest expenses of HK\$6.53 billion and other expenses (including issuance-related expenses) of HK\$0.23 billion. Proceeds raised from the issuance of institutional bonds and retail bonds under the Government Bond Programme are credited to the Bond Fund established pursuant to the Public Finance Ordinance. The Bond Fund is placed with the Exchange Fund for investment purposes. Money from the Bond Fund is to be expended only for the purpose of repaying the principal, paying interest and paying the expenses incurred in relation to the borrowing and the investment. The total investment income of the Bond Fund from the financial year of 2011-12 (the financial year when the first iBond was issued) to the financial year of 2019-20 is HK\$38.9 billion.

(3) The objective of the Government Bond Programme is to promote the further and sustainable development of the local bond market through systematic issuance of government bonds. The Programme is conducive to providing more diversified investment products and financing avenues to attract outside capital, thereby reinforcing Hong Kong's position as an international

financial centre. The past 12 issuances of retail bonds were all well received by the public with over-subscription recorded for every issuance. For instance, the total application amount of the seventh batch of iBond was 3.8 times its target issuance size, while that of the fifth batch of Silver Bond was 4.3 times its target issuance size. Also, past issuances of retail bonds have been able to attract participation from first-time bond investors, indicating that the Programme could indeed enhance the public's interest in and familiarity with bond investment and promote the development of the local bond market. The issuance of Silver Bond under the Government Bond Programme aims to provide senior citizens with an investment product with steady returns to manage their capital. It also encourages the financial sector to tap into the immense potential of the silver market by introducing a larger spectrum of appropriate investment products.

(4) As mentioned above, the objective of the Government Bond Programme is to promote the further and sustainable development of the local bond market. Pursuant to the resolution passed under section 29 of the Public Finance Ordinance, proceeds raised under the Government Bond Programme are credited to the Bond Fund for the purpose of repaying the principal, paying interest and paying the expenses incurred in relation to the borrowing and the investment. The Bond Fund does not form part of the fiscal reserves and is managed separately from other Government accounts.