

Reducing the issuance of Exchange Fund Bills

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

The Hong Kong Monetary Authority (HKMA) announced today (April 9) a plan to suitably reduce the issuance size of Exchange Fund Bills in order to increase the overall Hong Kong dollar liquidity in the interbank market. The additional liquidity will help ensure continued smooth operation of the Hong Kong dollar interbank market amidst a volatile global macro environment brought about by the spread of coronavirus.

The HKMA plans to reduce the issue size of 91-day Exchange Fund Bills by HK\$5,000 million in each of the four regular tenders on April 21, April 28, May 5 and May 12 2020. If all the four planned reductions are executed, the issuance of the Bills will be reduced by HK\$20,000 million in total.

Notwithstanding the plan, the HKMA will monitor market situations and the effect of each reduction, and reserves the flexibility of not executing all the four reductions as needed.

The reduction in the supply of Exchange Fund Bills is consistent with Currency Board principles. The reduced issuance simply represents a change in the composition of the Monetary Base, with a shift from the Exchange Fund Paper to the Aggregate Balance. The Aggregate Balance will increase by the same amount as the reduction in Exchange Fund Bills. The Monetary Base remains fully backed by foreign exchange reserves.

Following the established practice, information about the issuance size of the Exchange Fund Paper and changes in the Aggregate Balance will be updated and published regularly on the HKMA website and the dedicated pages on Reuters and Bloomberg.

An updated Tentative Schedule on Issuance of Exchange Fund Bills and Notes is at Annex.