

Triggering of the Strong-side Convertibility Undertaking

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

The strong-side Convertibility Undertaking (CU) of HK\$7.75 to US\$1 under the Linked Exchange Rate System (LERS) was triggered today (April 21) during the Hong Kong trading hours. The Hong Kong Monetary Authority (HKMA) sold HK\$1,550 million to the market in exchange for US dollars, and the Aggregate Balance will increase by the same amount. Taking into account the reduction of HK\$5 billion of Exchange Fund Bills issuance earlier today, the Aggregate Balance will increase to HK\$60.6 billion on April 23. This is the first triggering of the strong-side CU since October 2015.

The Chief Executive of the HKMA, Mr Eddie Yue said, "The Hong Kong dollar exchange rate has been on a strengthening bias recently, mainly driven by increases in market carry-trade activities and equity-related demand for Hong Kong dollars. In addition to the current strong market demand for Hong Kong dollars, increases in fiscal spending will also raise demand for Hong Kong dollars. Upon triggering of the strong-side CU, the HKMA bought US dollars from and sold Hong Kong dollars to the market. This was conducted in accordance with the design of the LERS, which has been operating effectively."

"As risks posed by the COVID-19 on global economy are still evolving, financial markets will continue to see considerable volatility. The HKMA will continue to closely monitor the market situation and ensure Hong Kong's money and foreign exchange markets operate smoothly. We will also maintain our currency stability in accordance with the LERS," he added.