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Global Financial Markets Spotlight – Hong Kong
Summary of Measures Implemented by the Hong Kong Special Administrative Region (HKSAR) Government
(as of January 6, 2009)

<u>Measures</u>	<u>Description</u>	<u>Qualified Institutions</u>	<u>Deadlines</u>	<u>Sources of Further Information</u>
Five Temporary Measures to Provide Liquidity Assistance to Hong Kong-Licensed Banks	Measures implemented by the Hong Kong Monetary Authority (“HKMA”) to expand the scope for providing liquidity assistance to licensed banks in Hong Kong in light of the declined inter-bank lending activities and	Licensed banks in Hong Kong, whether incorporated locally or overseas. ¹	Effective from October 2, 2008 until the end of March 2009, at which time the HKMA will review whether or not the five temporary measures should continue.	http://www.info.gov.hk/hkma http://www.info.gov.hk/hkma/eng/press/index.htm (Press release by HKMA)

¹ Licensed banks are banks licensed to operate current and savings accounts, accept deposits of any size and maturity from the public, and pay or collect cheques drawn by or paid in by customers.

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	<p>with a view to easing inter-bank rates. The five measures are as follows:</p> <p>(a) The scope will be expanded of eligible securities to include U.S. dollar assets of credit quality acceptable to HKMA for liquidity assistance through the Discount Window.</p> <p>(b) Duration of liquidity assistance through the Discount Window will be extended from overnight money to maturities of up to 3 months (on a case-by-case basis).</p> <p>(c) The 50% threshold for the use of Exchange Fund² paper as collateral for</p>			

2 The Exchange Fund was established to maintain the exchange value of the currency of Hong Kong. The Fund also has a secondary role of maintaining the stability and integrity of the monetary and financial systems of Hong Kong.

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	<p>borrowing through the Discount Window at the HKMA Base Rate will be raised to 100%, which means that the 5% penalty over the Base Rate beyond the 50% threshold will be waived.</p> <p>(d) Where HKMA considers necessary, upon requests by the individual licensed banks, HKMA may conduct foreign exchange swaps (between U.S. dollar and Hong Kong dollar) of various durations with the licensed banks.</p> <p>(e) Where HKMA considers necessary, upon the requests by individual licensed banks, HKMA may lend term money of up to 3 months to licensed banks against collateral of credit quality acceptable to HKMA, and the interest rate may be lower than the</p>			

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	market rate where HKMA considers appropriate.			
Flexible Adjustment of the Capital Adequacy Ratio ³ (“CAR”)	The HKMA, where necessary, will make flexible adjustments to the CAR imposed by it over individual licensed banks so as to provide greater flexibility to the banks for lending activities and encourage banks to lend.	“Authorized Institutions” (see definition below) incorporated in Hong Kong.	Temporary measure only.	http://www.info.gov.hk/hkma
Provision of Liquidity to the Subsidiaries or Branches of Local Banks Operating in the Mainland	HKMA and the People’s Bank of China (“PBOC”) have reached an agreement whereby subsidiaries or branches of local banks may approach PBOC for collateralized loans if they cannot obtain sufficient RMB liquidity. This arrangement aims to	Licensed banks incorporated in Hong Kong.	No time-line has been announced.	http://www.info.gov.hk/hkma

³ The statutory minimum CAR in Hong Kong for locally incorporated authorized institutions is 8%, but the HKMA may increase the minimum ratio to not more than 16%. Each locally incorporated authorized institution is assigned by the HKMA a minimum ratio within the permitted range.

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	<p>provide RMB liquidity to Hong Kong invested banks operating in the mainland, which in turn will have greater flexibility to lend to Hong Kong enterprises operating in the mainland amid a tight credit environment.</p> <p>If the Hong Kong invested banks have no qualifiable asset in the mainland, they could use assets in Hong Kong as collaterals for which HKMA will act as a custodian of PBOC.</p>			
100% Guarantee of Customer Deposits	Use of Exchange Fund to guarantee repayment of all customer deposits, covering both Hong Kong dollar and foreign currencies deposits.	All customer deposits held with all “Authorized Institutions” in Hong Kong, which include licensed	Effective from October 14, 2008 until the end of 2010, at which time the HKMA will review whether the 100% guarantee should be	http://www.info.gov.hk/hkma http://www.legislation.gov.hk/blis_export.nsf/home.htm (Deposits Protection Scheme Ordinance, CAP 581)

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		banks, restricted-license banks, ⁴ and deposit-taking companies ⁵ incorporated in Hong Kong. Deposits held with Hong Kong branches of overseas institutions are also covered.	extended further.	http://www.info.gov.hk/hkma/eng/guide/circu_date/attach/20081024e1a1.pdf
Contingent Bank Capital Facility	Establishment of a Contingent Capital Bank Facility to make available additional capital to local banks, upon their requests and subject to supervisory scrutiny.	Licensed banks incorporated in Hong Kong.	Effective from October 14, 2008 until the end of 2010, at which time the HKMA will review whether the facility should be extended further.	http://www.info.gov.hk/hkma/eng/guide/circu_date/attach/20081024e1a1.pdf

4 Restricted-license banks are principally engaged in merchant banking and capital market activities. They may take deposits of any maturity of HK\$500,000 or above.

5 Deposit-taking companies engage in a range of specialized activities, including consumer finance and securities business. They may take deposits of HK\$100,000 or above with an original term of maturity of at least three months.

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Enhancement Measures to Small and Medium Enterprises (“SME”) Loan Guarantee Scheme	<p>Enhancement measures to the existing SME Loan Guarantee Scheme to provide greater support to SMEs in light of the financial crisis. The measures include:</p> <p>(a) Removal of segregation of the maximum guarantee amount for the Business Installations and Equipment Loans (“BIEL”) and Working Capital Loans (“WCL”), such that both BIEL and WCL are eligible for guarantee under the Scheme of up to a</p>	Enterprises registered in Hong Kong and meeting the definition of an SME. ⁶	Effective from November 6, 2008.	<p>http://www.cedb.gov.hk</p> <p>http://www.smefund.tid.gov.hk/eng/sgs.html</p>

⁶ An SME is defined as a manufacturing business that employs less than 100 persons in Hong Kong, or a non-manufacturing business that employs fewer than 50 persons in Hong Kong.

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	<p>maximum amount of HK\$6 million.</p> <p>(b) Extension of maximum guarantee period for WCL from 2 years to 5 years.</p> <p>(c) Recycling of the guarantee once after the SME has fully paid up the loan backed by the guarantee, resulting in the maximum amount of guarantee that a SME is able to obtain during its lifetime being increased to HK\$12 million.</p> <p>(d) Increase of indicative ceiling of guarantee exposure for each participating lending institution (“PLI”) from HK\$1.25 billion to HK\$1.5 billion.</p>			

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Special SME Loan Guarantee Scheme	<p>Establishment of a time-limited, special SME Loan Guarantee Scheme to provide HK\$100 billion liquidity to lending markets for SMEs, in particular:</p> <p>(a) The HKSAR Government will provide a 70% guarantee to loans granted by PLIs up to HK\$7 billion.</p> <p>(b) An SME may borrow from a PLI up to a maximum amount of HK\$6 million, with up to HK\$3 million as revolving credit.</p> <p>(c) The 70% guarantee also applies to the revolving credit of HK\$3 million.</p> <p>(d) A 6-month grace period will be granted an SME, during which it</p>	All firms except listed companies.	<p>Applications will be open for 6 months starting from the implementation date of the scheme.</p> <p>Implementation date – December 15, 2008.</p>	<p>http://www.cedb.gov.hk</p> <p>http://www.info.gov.hk/gia/general/200811/10/P200811100222.htm (Press release)</p>

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	<p>needs to pay interest only. Thereafter, the loan may be repaid over a maximum of 24 months.</p> <p>(e) Loans obtained may be used not only as operating funds but for other purposes, such as commercial overdraft and letter of credit.</p>			
<p>Enhancement Measures by the Hong Kong Export Credit Insurance Corporation (“ECIC”)</p>	<p>A series of enhancement measures to provide better protection to Hong Kong exporters:</p> <p>(a) Provision of more country cover for 6 emerging markets (United Arab Emirates, Kuwait, Czech Republic, Malaysia, Chile, and Brazil) and lowering the premium rate for these markets (implemented on November 10, 2008).</p>	<p>Hong Kong exporters of both goods and services who trade with overseas buyers on credit term.</p>	<p>Subject to a 2-year review.</p>	<p>http://www.hkecic.com/eng/flash_home.html</p> <p>http://www.hkecic.com/eng/news/presspdf/20081111eng.pdf (Press release)</p>

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	<p>(b) Provision of free buyer credit checks and credit risk consulting services (implemented on December 23, 2008).</p> <p>(c) Shortening of processing time for exporter's credit insurance applications from 5 days to 4 days from October 1, 2008, and to 2 to 3 days in respect of applications for credit limit less than HK\$500,000 (implemented on October 1, 2008).</p> <p>(d) Strengthening of ECIC's underwriting capacity by increasing the statutory maximum liability from HK\$15 billion to HK\$30 billion (<i>pending approval from Hong Kong Legislative Council</i>).</p> <p>(e) Waiver of annual insurance premium for</p>			

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	2009 (implemented on December 2, 2008).			
Enhancement of the Mortgage Insurance Program and Revolving Credit Facility	<p>The Hong Kong Mortgage Corporation Limited (“HKMC”)⁷ has adopted the following enhancement measures to assist potential home buyers and to provide greater financial stability to the home loan markets in Hong Kong.</p> <p>(a) Lowering the Mortgage Insurance Programme (“MIP”) threshold from the current 70% loan to value ratio (“LTV”) to 60% LTV ratio.</p> <p>(b) Refining the eligibility criteria for 95% LTV loans</p>	The lowering of the LTV threshold is only applicable to loans secured by owner-occupied residential properties.	Implemented on December 18, 2008.	http://www.hkmc.com.hk/eng/ceo/pressrelease/doc/20081211_Enhancement%20of%20the%20MIP%20and%20the%20RCF_FINAL.pdf

⁷ The Hong Kong Mortgage Corporation Limited is established by the HKSAR government through the Exchange Fund to, among others, reduce the concentration and liquidity risks of mortgage lending of the banks, thereby enhancing stability in the banking sector.

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	<p>under MIP to cut down the risk of over leveraging.</p> <p>(c) Increasing the maximum amount of the revolving credit facility from HK\$10 billion to HK\$30 billion offered by the Exchange Fund through the HKMA to ensure the HKMC will have sufficient and necessary funding support.</p>			
Job Creation Scheme	HKSAR government has put forward a job creation scheme to provide several thousands of temporary jobs of different job types across all government departments.	Open for application to the public.	N/A	<p>Job vacancies will be announced separately by different governmental departments.</p> <p>In relation to the implementation of infrastructure projects, please visit.</p>

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	<p>In addition, the HKSAR government will speed up the implementation of infrastructure projects to create job opportunities associated with the projects.</p> <p>The number of job vacancies to be created is estimated to be over 60,000.</p> <p>HKSAR government will assist a number of non-governmental organizations in their expansion or removal projects to create further job opportunities.</p>			http://www.devb.gov.hk/en/home
Task Force on Economic Challenges	Establishment of a task force composed of leading members of different sectors to consider ways to respond to the global financial crisis, to identify opportunities in the current economic situation, and to	N/A	N/A	http://www.fso.gov.hk/tfec/en/index.html

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	enhance the international competitiveness of Hong Kong.			

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