



HONG KONG MONETARY AUTHORITY
香港金融管理局

Press Releases

30 Sep 2008

HKMA to provide liquidity assistance to licensed banks in Hong Kong

The Hong Kong Monetary Authority (HKMA) announced today (Tuesday) five temporary measures for providing liquidity assistance to licensed banks in Hong Kong. With effect from Thursday 2 October for a period of six months until the end of March 2009, the HKMA will provide liquidity assistance, on request from licensed banks, through the following five measures:

- First, the eligible securities, for access by individual licensed banks to liquidity assistance through the Discount Window, will be expanded to include US dollar assets of credit quality acceptable to the HKMA.
- Second, the duration of liquidity assistance provided to individual licensed banks through the Discount Window will be extended, at the request of individual licensed banks and on a case-by-case basis, from overnight money only to maturities of up to three months.
- Third, the 50% threshold for the use of Exchange Fund paper as collateral for borrowing through the Discount Window at the HKMA Base Rate will be raised to 100%. In other words, the 5% premium (or penalty) over the Base Rate for the use of Exchange Fund paper beyond the 50% threshold, as collateral for borrowing through the Discount Window, will be waived.
- Fourth, the HKMA will, in response to requests from individual licensed banks and when it considers necessary, conduct foreign exchange swaps (between the US dollar and the Hong Kong dollar) of various durations with licensed banks.
- Fifth, the HKMA will, in response to requests from individual licensed banks and when it considers necessary, lend term money of up to one month to individual licensed banks against collateral of credit quality acceptable to the HKMA.

An HKMA spokesperson said that the measures were taken in the light of current international financial conditions. They were designed to expand the scope for providing liquidity assistance to licensed banks, should they require it. "Continuing stress in the financial systems of developed markets has caused some concern among licensed banks in Hong Kong over the credit worthiness of each other. This concern, together with a wish to preserve liquidity to meet their own contingent needs, has led to a general shortage of interbank liquidity and difficulties on the part of individual licensed banks in obtaining funding in the interbank market," the spokesperson said. "The five measures will provide

further tools for the HKMA to help ensure that Hong Kong's banking system continues to function effectively," the spokesperson added.

The spokesperson said that Hong Kong's banking system continued to be healthy and robust. "The existing framework for maintaining banking stability - including the prudential supervision of banks and the arrangements for providing liquidity both at the systemic and institutional levels - have ensured that the banking system of Hong Kong is well prepared for turbulent conditions," the spokesperson said. "The additional measures are intended to reinforce this framework at a time of instability and stress in the world financial system," the spokesperson added.

The spokesperson advised members of the public to exercise caution in the current uncertain environment. "In view of the situation in the United States and its impact around the world, markets in Hong Kong and throughout the region are likely to be volatile in the future," the spokesperson said. "The HKMA will continue to monitor the situation carefully and will, as necessary, make use of the tools at its disposal to maintain financial stability in Hong Kong," the spokesperson added.

[Annex\(1\)](#)

[Annex\(2\)](#)

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