

Government Bond Programme

The Government Bond Programme (“GBP”) was set up in 2009 with the policy objective of promoting the sustainable development of the local bond market through the systematic issuance of Government Bonds (“GBs”). The GBP comprises an institutional element and a retail element. Under the institutional part, the Government issues GBs with tenors ranging from three to 15 years through regular tendering to ensure a steady supply of public debt paper for satisfying the demand of institutional investors, such as pension funds, banks and insurance companies. By issuing institutional bonds in a systematic and consistent manner, the Government has established a representative benchmark yield curve to facilitate the market in determining the pricing of other types of bonds (such as corporate bonds). Under the retail part, the Government issues inflation-linked bonds (including iBond and Silver Bond) to meet the general public’s demand for stable investments of a high quality and to promote public understanding of bond investment. Institutional bonds are restricted to application by institutional investors through tendering, whereas retail bonds are restricted to subscription by members of the public (or so-called retail investors) only.

All along, the Government has not set any ratio on the respective distribution of institutional bonds and retail bonds under the GBP. Since institutional bonds and retail bonds are different in terms of their distribution mechanisms, formats, channels and target investors, the Government has been formulating the respective issuance sizes and terms of the institutional bonds and retail bonds separately in accordance with market conditions. The factors to be considered include the prevailing market environment, the supply and demand situations, interest rate and inflation, the potential impact on other issuers in Hong Kong, the sustainability of the Bond Fund, etc. In the past five years, the market’s demand for institutional bonds has been stable, with the annual issuance size of institutional bonds under the GBP hovering between HK\$16.6 billion and HK\$24.4 billion. On the other hand, as the public’s interest in retail bond investment has increased, the annual issuance size of retail bonds under the GBP also increased significantly from HK\$3 billion in 2016-17 to HK\$30 billion in 2020-21. The issuance and interest payment records of the GBP in the past five years are set out in **Appendix**.

Government Green Bond Programme

During the roadshows of the previous two institutional green bond offerings under the Government Green Bond Programme (“GGBP”), we introduced the GGBP, Hong Kong’s environmental protection policies, the relevant green projects and their environmental benefits to global investors. The inaugural Government green bond of US\$1 billion has financed seven public works projects with significant environmental benefits, the details of which were set out in the Green Bond Report 2020 that is available online and distributed to global investors, showcasing to the world the sustainable development of Hong Kong. Proceeds from the second and future green bond issuances will similarly be allocated to a variety of eligible green projects with the details set out in the Green Bond Report to be compiled every year. The current proposal to expand the scale of the GGBP will give us more room for piloting the issuance of green bonds that involves more types of currencies, project types, issuance format (including retail green bonds) and channels, thereby further enriching the green and sustainable finance ecosystem in Hong Kong and enhancing the public’s understanding of the green projects in Hong Kong.

The GGBP was set up with the policy objective of promoting the development of green finance in Hong Kong and signifying the Government’s support for sustainable development and determination to combat climate change. It also finances eligible green projects under the Capital Works Reserve Fund, including some large-scale infrastructure projects, which will not be affected by the Government’s cash flow and can commence and complete as early as possible for the benefit of the community.

With thanks again for the useful comments, we shall continue to explain the purpose and other details of the Programmes to the public in promoting sustainable market development.

Financial Services and the Treasury Bureau
June 2021

Appendix

Retail Bonds Issued under the GBP

Financial Year	Bond Issue	Issuance Size (HK\$ billion)	Annual Issuance Size (HK\$ billion)	Fixed Rate (i.e. minimum guaranteed per annum interest rate)	Actual Average Per Annum Interest Rate
2016 – 17	Silver Bond 1	3	3	2.00%	2.26%
2017 – 18	Silver Bond 2	3	3	2.00%	2.41%
2018 – 19	Silver Bond 3	3	3	3.00%	3.04%*
2019 – 20	Silver Bond 4	3	3	3.00%	3.08%*
2020 – 21	iBond 7	15	30	2.00%	2.00%*
	Silver Bond 5	15		3.50%	3.50%*
2021 – 22	iBond 8	20		2.00%	First interest payment not yet due

* Calculated based on the interest payments that have been paid on or before 30 June 2021.

Institutional Bonds Issued under the GBP

Financial Year	Bond Issue	Issuance Size (HK\$ billion)	Annual Issuance Size (HK\$ billion)	Annualised Yield#
2016 – 17	3-year(05GB1902)	4	24.4	0.860%
	3-year(05GB2002)	4		0.634%
	5-year(05GB2011)	2.5		1.066%
	5-year(10GB2108)	2.5		0.858%
	10-year(10GB2601)	1.2		1.008%
	10-year(10GB2601)	1.2		1.773%
	15-year(15GB3007)	0.6		0.974%
	15-year(15GB3203)	0.6		2.029%
	10-year Islamic Bond (USD denominated)	About 7.8		3.132%
2017 – 18	3-year(05GB2002)	4	16.6	1.084%
	3-year(05GB2011)	4		1.262%

	5-year(05GB2205)	2.5		1.197%
	5-year(05GB2205)	2.5		1.505%
	10-year(10GB2706)	1.2		1.386%
	10-year(10GB2706)	1.2		1.992%
	15-year(15GB3203)	0.6		1.561%
	15-year(15GB3203)	0.6		2.209%
2018 – 19	3-year(10GB2108)	4	16.9	2.108%
	3-year(10GB2108)	4		2.592%
	5-year(10GB2301)	2.5		2.507%
	5-year(10GB2301)	2.5		2.472%
	10-year(10GB2706)	1.2		2.391%
	10-year(10GB2901)	1.5		2.141%
	15-year(15GB3203)	0.6		2.709%
	15-year(15GB3403)	0.6		2.118%
2019 – 20	3-year(05GB2205)	4	17.8	1.822%
	3-year(10GB2301)	4		1.599%
	5-year(10GB2408)	2.5		1.835%
	5-year(10GB2408)	2.5		1.693%
	10-year(10GB2901)	1.5		1.682%
	10-year(10GB2901)	1.7		1.478%
	15-year(15GB3403)	0.8		1.539%
	15-year(15GB3403)	0.8		0.965%
2020 – 21	3-year(10GB2301)	4	18.4	0.547%
	3-year(03GB2310)	4		0.267%
	5-year(10GB2601)	2.5		0.482%
	5-year(10GB2601)	2.5		0.406%
	10-year(15GB3007)	1.7		0.790%
	10-year(15GB3007)	1.7		1.012%
	15-year(15GB3403)	1		0.812%
	15-year(15GB3603)	1		1.787%
2021 – 22	3-year(03GB2404)	4		0.382%
	5-year(10GB2601)	2.5		0.674%
	10-year(15GB3203)	1.7		1.505%

Based on the average accepted tender yield.