

**Measures adopted in response to the Financial Tsunami
(as at 24 March 2009)**

2008

- Sep-24 Mar 09 **Hong Kong Monetary Authority (HKMA)** actively injected HK\$24.8 billion, and passively injected HK\$166.4 billion after the strong-side Convertibility Undertaking was triggered, into the banking system.
- 2 Oct **HKMA** provided liquidity assistance, from 2 October 2008 until the end of March 2009, to licensed banks on their request through a number of temporary measures.
- 9 Oct **HKMA** adjusted the formula in determining the base rate by lowering the spread of the base rate over the Fed Funds Target Rate by 1 ppt to 0.5 ppt.
- 14 Oct **The Financial Secretary (FS)** announced two pre-emptive measures –
- (a) use of Exchange Fund to guarantee repayment of all HK\$ and foreign-currency deposits held with all authorized institutions in Hong Kong, including branches of overseas institutions; and
 - (b) establishment of a Contingent Bank Capital Facility for the purpose of making available additional capital to locally incorporated licensed banks, should this become necessary.
- 23 Oct **Secretary for Commerce and Economic Development (SCED)** convened an SME Summit.
- 28 Oct **Finance Committee of LegCo** approved enhancement to SME Funding Schemes -
- (a) ceilings for the Business Installations & Equipment Loans (\$5 m) and Working Capital Loans (\$1 m) removed; overall maximum guarantee for each SME remains at \$6 m. Guarantee period for Working Capital Loans extended from two to five years. Each SME allowed to recycle the guarantee once after it has fully repaid the loan; and

- (b) Export Marketing Fund grant ceiling for each SME raised from \$100,000 to \$150,000, and sub-ceiling for each application raised from \$30,000 to \$50,000. Scope of funding expanded.

HKMA offered additional Exchange Fund Bills of HK\$2 billion, to meet the demand for the paper from banks for liquidity management purpose.

29 Oct **HKMA** issued a circular, urging banks to be more accommodating in lending to SMEs within the bounds of prudent risk management.

30 Oct **HKMA** announced that the Base Rate was adjusted downward to 1.5% with immediate effect.

3 Nov **Task Force on Economic Challenges (TFEC)** first met.

4 Nov **HKMA** offered additional Exchange Fund Bills of HK\$2 billion, to meet the demand for the paper from banks for liquidity management purpose.

6 Nov **HKMA** further refined the term money facility by extending the tenor from one month to three months, and setting a lower lending rate compared with the relevant inter-bank interest rate for this facility.

10 Nov **FS** announced two further support measures -

- (a) Trade and Industry Department (TID) to launch a time-limited Special Loan Guarantee Scheme to provide \$10 billion liquidity to SMEs. The Government guarantee ratio will be 70% as compared with 50% under the existing scheme; and
- (b) Hong Kong Export Credit Insurance Corporation (ECIC) to launch new enhanced measures including provision of higher cover for exports generally and in particular for six emerging markets (i.e. UAE, Kuwait, Chile, Brazil, the Czech Republic and Malaysia). The statutory maximum liability will be correspondingly increased from \$15 billion to \$30 billion.

- 19 Nov **HKMA** issued a circular on “Hong Kong Approach to Corporate Difficulties” to banks emphasizing that when dealing with corporate borrowers in financial difficulties, banks should remain supportive and should not hastily put them into receivership or issue writs demanding repayment if they have a reasonable chance of survival.
- 20 Nov **Secretary for Home Affairs** (SHA) announced after a meeting with the chairmen and vice-chairmen of the Districts Councils (DCs) that together with the DCs, the Government would work out ways to speed up district minor works projects to create more jobs.
- 21 Nov **HKMA** announced adoption of a flexible approach towards the premium on capital adequacy ratio of individual banks and an arrangement with the People’s Bank of China to allow Hong Kong banks operating on the Mainland to approach the People’s Bank of China if they need liquidity support.
- 25 Nov **Secretary for Development** (SDEV) announced three measures to assist construction contractors undertaking government works projects, in particular small and medium sized companies, to resolve their cashflow difficulties. These relate to interim payments and speeding up of valuation of variation orders for making payments, early finalisation of accounts and partial release of retention money before expiry of works maintenance period.
- Housing Authority** (HA) announced that the Commercial Properties Committee under HA decided that shops, markets and factory units, except supermarkets, superstores and banks, under HA would enjoy a 50%-cut in rent for two months with effect from January 2009.
- 27 Nov **SHA** announced that the redevelopment of the Hong Kong Sports Institute would create 1 000 jobs while the construction and upgrading of various sports venues for the East Asian Games have created another 1 000 jobs.
- 2 Dec **HKMA** offered additional Exchange Fund Bills, totalling HK\$8 billion, to meet the demand for the paper from banks for liquidity management purpose.

ECIC will waive a fixed annual policy fee of \$1,500 for new and existing policyholders for one year with effect from 1 January 2009. Around 3,000 policyholders will benefit from this initiative.

8 Dec

The Chief Executive announced after the **Second Meeting of the TFEC** a series of measures to lead Hong Kong out of the economic downturn, including -

- (a) substantially expanding the recently introduced Special Loan Guarantee Scheme to increase the maximum commitment to \$100 billion while continuing to provide 70% loan guarantees;
- (b) making available over 60 000 employment opportunities next year through expediting infrastructure projects, advancing recruitment of civil servants to fill 7 700 vacancies arising from December 2008 to March 2010 and creating temporary positions;
- (c) making the best use of funds approved to create jobs;
- (d) complementing the efforts of a number of non-governmental organisations in their expansion or removal projects to promote their development and increase employment opportunities; and
- (e) work with the Central Government and Guangdong Province to undertake measures to alleviate the difficulties faced by Hong Kong enterprises in the Pearl River Delta, expand the scope of RMB business in Hong Kong and increase the number of Mainland residents visiting Hong Kong.

10 Dec

SDEV announced that having critically reviewed the projects under their purview, works departments had identified 22 additional batches of minor works projects and increase spending on minor works from \$6.9 billion in 2008-09 to \$8.5 billion in 2009-10 (representing an increase of 23%).

11 Dec

SCED briefed the media on the job creation initiatives under the **Innovation and Technology Commission (ITC)**, **Office of the Government Chief Information Officer (OGCIO)** and **Tourism Commission**, providing about 680 additional jobs in 2009 mainly for university graduates.

- 15 Dec **TID** launched the expanded Special Loan Guarantee Scheme announced by the Chief Executive earlier.
- 17 Dec **HKMA** announced that the Base Rate was adjusted downward to 0.5% with immediate effect (lower Band of Fed Funds Target Rate 0% + 50 basis points).
- 31 Dec **Secretary for Transport and Housing** said that major railway and highway projects would create more than 40 000 jobs during the construction period.

2009

- 7 Jan **Home Affairs Bureau (HAB)** secured the in-principle support of the Public Works Subcommittee of the LegCo's Finance Committee to upgrade to Category A three projects on recreational and cultural facilities, namely improvement works for Mong Kok Stadium, construction of a public library and indoor recreation centre in Yuen Long, and development of a swimming pool complex in Tuen Mun. These projects cost about \$2 billion in total, and will create over 1 000 jobs, including over 900 for labourers and over 100 for professional/technical staff.
- 13 Jan **HKMA** offered additional Exchange Fund Bills, totalling HK\$12 billion, to meet the demand for the paper from banks for liquidity management purpose.
- 15 Jan **TID** and five major industrial and trade organisations organised a large-scale seminar at the Hong Kong Convention and Exhibition Centre to brief SMEs on the support measures provided by the Government and supporting organisations. Enquiry counters were set up by 23 lending institutions and supporting organisations on site to answer questions by SMEs.
- 20 Jan **HKMA** offered additional Exchange Fund Bills, totalling HK\$6 billion, to meet the demand for the paper from banks for liquidity management purpose.
- HKMA** and the **People's Bank of China (PBoC)** signed a currency swap agreement to provide short-term liquidity support to the Mainland operations of Hong Kong banks and the Hong Kong operations of Mainland banks in case of need.

22 Jan

The Chief Executive announced after the **Third Meeting of the TFEC** a new series of measures to cope with the expected wave of staff layoffs and to assist school-leavers who will be entering the labour market in the middle of this year, including -

- (a) carrying out a one-year special operation to remove 5,000 abandoned advertising signboards, creating about 170 jobs;
- (b) expanding the Internship Programme under the Innovation and Technology Fund, providing 600 internship places this year;
- (c) the Employees Retraining Board increasing its provision of training places by 20 000 to at least 143 000 in 2009-10;
- (d) tertiary institutions strengthening their career services and endeavouring to increase places for tutors, research fellows and postgraduate students and provide more continuing education opportunities;
- (e) over 20 statutory bodies recruiting some 6,000 workers and creating about 2,000 temporary jobs or internship opportunities this year; and
- (f) exploring with the Hong Kong General Chamber of Commerce, other local and international Chambers of Commerce, and the Hong Kong Chinese Enterprises Association to provide internship and training opportunities in the private sector.

The Chief Executive also announced that the Government would re-consider the introduction of a corporate rescue procedure, to provide an opportunity for companies in short-term financial difficulties but with viable long-term business prospects to turn around or restructure.

23 Jan

ITC announced job creation initiatives under the Innovation and Technology Fund (ITF) which aims to facilitate the employment of R&D interns for ITF projects, to increase the number of rounds of project proposal solicitation from one to three times in 2009, and to increase our level of funding support to SMEs on R&D.

- 10 Feb **HKMA** offered additional Exchange Fund Bills, totalling HK\$7.7 billion, to meet the demand for the paper from banks for liquidity management purpose.
- 11 Feb **Development Bureau** (DEVB) obtained the endorsement of the Public Works Subcommittee of LegCo for the funding application to increase the approved allocation on minor works projects in 2009-10 from \$7.57 billion by \$0.99 billion to \$8.56 billion. The proposed additional allocation of \$0.99 billion for works-related block allocations in 2009-10 will create about 1 600 jobs (1 500 for labourers and another 100 for professional/technical staff).
- SCED** obtained approval from the Legislative Council to increase the maximum statutory liability of **ECIC** from \$15 billion to \$30 billion to enhance its underwriting capacity.
- 17 Feb **HKMA** offered additional Exchange Fund Bills, totalling HK\$7 billion, to meet the demand for the paper from banks for liquidity management purpose.
- 19 Feb **The Chief Secretary for Administration** convened the Liaison and Co-ordinating Meeting of Hong Kong, Guangdong and Macao in Jointly Taking Forward the Implementation of “The Outline of the Plan for the Reform and Development of the Pearl River Delta”, together with the Vice-Governor of Guangdong Province and the Secretary for Economy and Finance of the Macao Special Administrative Region. At the meeting, the three sides reached consensus on the following -
- (a) setting up a liaison and co-ordinating meeting mechanism;
 - (b) key cooperation areas including finance, industries cooperation, infrastructural and town planning, environmental protection, as well as education and training;
 - (c) jointly conducting specialised topical plans on regional cooperation; and
 - (d) taking forward major cooperation initiatives such as tourism, environmental protection, infrastructural and transport arrangements, regional development and town planning.

24 Feb **Secretary for Transport and Housing (STH)** signed a memorandum of understanding with Ministry of Railways on the technical arrangement for connecting the Mainland and Hong Kong sections of the Guangzhou-Shenzhen-Hong Kong Express Railway Link. Works are expected to start at the end of 2009 and be completed by 2015.

HKMA offered additional Exchange Fund Bills, totalling HK\$5.7 billion, to meet the demand for the paper from banks for liquidity management purpose.

25 Feb **FS** announced in his 2009-10 Budget Speech that the Government will make a provision of \$1.6 billion to create 62 000 jobs and internship opportunities in the next three years. Key measures include:

- (a) enhancing and integrating Labour Department's (LD) various employment programmes to provide training and employment opportunities for the vulnerable groups. It is estimated that some 44 000 people will benefit in the next two years;
- (b) adopting a more proactive approach in providing employment assistance to those made redundant during the financial crisis;
- (c) launching an "Internship Programme for University Graduates" to provide about 4 000 places for interested graduates to work as interns and receive training in local or Mainland enterprises for 6 to 12 months;
- (d) launching a \$1-billion "Operation Building Bright" to assist owners of about 1 000 old buildings to carry out repair works in the coming two years and granting \$130 million to implement energy efficiency measures in Government facilities. These two initiatives will create some 10 200 job opportunities;
- (e) earmarking \$100 million to assist organisers to host more attractive events in the areas of arts, culture and sports over the next three years to further promote Hong Kong as an events capital of Asia, which are expected to create 2 800 jobs; and

- (f) allocating \$78 million to promote and organise community involvement activities for the 2009 East Asian Games and join with various sectors of the community to organise a number of celebration activities for the 60th anniversary of the founding of the People's Republic of China. These activities will create about 260 jobs in project co-ordination, publicity and promotion.

- 27 Feb **The Hong Kong Science and Technology Parks Corporation** announced its rental relief measures including 2-month rent-free period (in the months of April and October 2009) to all existing tenants in Science Park, InnoCentre and Industrial Estates; freezing of rent of tenants (whose leases would be renewed in 2009); and extending the licence fee free period of incubatees (who have completed the 12-month program in 2009) for a maximum of 6 months.
- 5 Mar **The Chief Executive** arranged local business leaders to meet with senior officials of the Ministry of Commerce to exchange views on how to assist Hong Kong enterprises to develop the Mainland's domestic market. Subjects discussed included streamlining procedures for enterprises to restructure and to develop the Mainland's domestic market, difficulties encountered by Hong Kong businessmen in opening retail shops in the Mainland, and the need to enhance protection of intellectual property rights.
- 10 Mar **HKMA** offered additional Exchange Fund Bills, totalling HK\$5.7 billion, to meet the demand for the paper from banks for liquidity management purpose.
- 11 Mar **Buildings Department** commenced demolition of up to 5,000 abandoned signboards around the territory under a 12-month special operation. About 170 job opportunities will be created.
- 12 Mar **HKMA** and the **PBoC** signed a Memorandum of Understanding for the establishment of multi-currency cross-border payment arrangements between the Mainland and Hong Kong. The arrangements were launched on 16 March 2009.
- 13 Mar **STH** announced that the preliminary design and site investigation for the Hong Kong-Zhuhai-Macao Bridge Main Bridge started, with a view for its construction to commence before end of 2009.

- 14 March **SDEV** announced that a career expo on infrastructure will be conducted on 24 – 26 March to recruit about 1 000 professionals and technical personnel in government and non-government sectors.
- 17 Mar **HKMA** offered additional Exchange Fund Bills, totalling HK\$9 billion, to meet the demand for the paper from banks for liquidity management purpose.
- 24 Mar **HKMA** offered additional Exchange Fund Bills, totalling HK\$7.7 billion, to meet the demand for the paper from banks for liquidity management purpose.

Other On-going Efforts

2. **LD** has -

- (a) kept certain sectors and certain companies under close vigilance and would intervene early should it be aware of cases of wage arrears, wage reductions, under-payment of wages, retrenchments or likely cases of bankruptcy/winding-up;
- (b) continued to provide conciliation service, facilitate resort to the Labour Tribunal, facilitate employees to apply for ex-gratia payment from the Protection of Wages on Insolvency Fund (PWIF) for disputes involve bankruptcy and winding-up;
- (c) appealed to prospective employers to solicit suitable vacancies; and
- (d) set up a dedicated recruitment centre for the catering industry in early February 2009 to offer job-matching service for the industry.

3. Government is committed to promoting economic development through infrastructure projects, thereby increasing employment opportunities during the construction stage. As such, the **DEVB** and its works departments will continue to press ahead the implementation of the Ten Major Infrastructure Projects and other major projects, as well as carry out more minor works. In addition, the expenditure under Government's Capital Works Programme will be increased from \$23 billion in 2008-09 (excluding the upfront endowment of \$21.6 billion to the West Kowloon Cultural District Authority) to some \$39.3 billion in 2009-10, providing around 47 100 job opportunities, of which around 4 680 are for professional/technical staff and around 42 420 are for labourers, representing an increase of some 11 800 from 2008-09.

4. The **Lands Department** has adopted a simplified procedure to process the applications for the use of about 1 000 vacant Government sites which may be put to temporary beautification or other temporary uses (such as organic farms, temporary cycling parks and venues for school activities). Up to now, there are over 10 projects implemented in different districts.

5. The **HA** is actively considering accelerating some of its maintenance and improvement (M&I) programmes (including in-flat inspection and repair under the Total Maintenance Scheme of some 20 estates, improvement to pedestrian access by adding escalators and lifts, and other redecoration and improvement works). These would help create about 940 job opportunities in each of the coming two years.

6. The **HA** has accelerated the construction of an Amenity and Community Building at Tin Ching Estate in Tin Shui Wai Area 104 by about 15 months. This would provide around 200 construction jobs from end 2008 to end 2010. After its completion, it would provide further long term job opportunities in Tin Shui Wai when the Amenity and Community Building is put into operation. HA has also accelerated the construction of a large public rental housing estate at Kai Tak Site 1B by about 3 months and the demolition of Kwun Tong Flatted Factory by about 9 months, so as to enable earlier employment of about 825 construction workers and 80 professionals.

7. The **Environment Bureau** would continue to allocate resources to implement various environmental infrastructure projects, and to subsidize companies to implement clean production and enhance energy efficiency to promote green business opportunities.

8. The **OGCIO** has earmarked \$63 million to conduct a one-year Internet education campaign on safe and healthy use of the Internet, targeting young students and their parents and teachers. It is expected that this programme will create some 500 temporary jobs for about one year.

9. Policy bureaux/departments are expediting civil service recruitment. As at end-February 2009, of the some 7 700 vacancies concerned, some 1 400 have been filled and appointments were offered to another some 1 200 suitable candidates.

10. The tertiary institutions have adopted various measures in response to the financial tsunami including: (1) continue to strengthen their career services for their graduates; (2) implemented measures to expedite planned recruitment; and (3) jointly promote courses. In addition to the annual Education and Careers Expo in February, the Trade Development Council, the Education Bureau and the institutions are working together on a promotion

event to provide the public with information on opportunities to start one's own business and on the pursuit of further studies.

Secretariat, TFEC
March 2009