

**Measures adopted in response to the Financial Tsunami
(as at 21 January 2009)**

2008

- Sept-14 Jan 09 **Hong Kong Monetary Authority (HKMA)** actively injected HK\$24.8 billion, and passively injected HK\$154.0 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) 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 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** will offer 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.

Other On-going Efforts

2. The **Labour Department** (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, under-payment of wages 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) refined and enhanced employment support services for youths and those with greater placement difficulty while continuing to review and identify possible improvements generally and for specific vulnerable groups; and
 - (e) planned to set up a dedicated recruitment centre for the catering industry in early February 2009 to offer employers and job seekers in the catering industry with tailor-made job-matching service with a view to bridging their recruitment and employment needs as efficiently and as early as possible.

3. Government is committed to promoting economic development through infrastructure projects, thereby increasing employment opportunities during the construction stage. As such, the **Development Bureau (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 to some \$29 billion in 2009-10, providing around 45 300 job opportunities, of which around 4 400 are for professional/technical staff and around 40 900 are for labourers, representing an increase of some 10 000 from 2008-09.

4. 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.

5. The **HA** has accelerated the construction of an Amenity and Community Building at Tin Ching Estate in Tin Shui Wai Area 104, with a total gross floor area of about 10 000 m² 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 Community Help Centre, Employment and Training Centre and the social welfare facilities are 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, so as to enable earlier employment of about 800 construction workers and 80 professionals.

6. 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.

7. The **ITC** will arrange media briefing on 23 January about details of the job creation measures under the Innovation Technology Fund (ITF). ITC will write to local universities, chambers of commerce, industry bodies and SME associations on the additional funding support available under the Small Entrepreneur Research Assistance Programme (SERAP) and Internship Programme. To encourage more R&D projects, ITC will launch one more round of project proposal solicitation for the Innovation and Technology Support Programme under ITF in 2009, with much wider technology focus areas. The first call for funding application will start on 23 January 2009, and another call in mid-2009.

Secretariat, TFEC
January 2009