

**Reference Manual for
Institutional Government Bond Indicative Pricings
under the Infrastructure Bond Programme and
Government Sustainable Bond Programme**

**Hong Kong Monetary Authority
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Background

The Hong Kong Monetary Authority (“HKMA”) assists The Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“Government”) in implementing bond issuance under the Infrastructure Bond Programme (“IBP”) and Government Sustainable Bond Programme (“GSBP”) (together “the Programmes”).

This Reference Manual sets out the key features, operating procedures and contingency arrangements for the calculation and publication of indicative pricing data for Government bonds (“Government Bonds”) issued under the IBP and GSBP. The HKMA has appointed Bloomberg as the calculating agent (“Calculating Agent”) of the indicative pricing data.

Details of the IBP and GSBP are available at the Hong Kong Government Bonds website (www.hkgb.gov.hk).

Number of pricings per day

Subject to relevant contingency arrangements, it is expected that there would be two sets of indicative pricing data to be published on each business day consisting of:

- Indicative Reference Pricings to be calculated based on market quotes for Government Bond issues as at 11:00 am and published as soon as practicable after 11:35 am and before 2:30 pm.
- The Closing Reference Pricings to be calculated based on market quotes for Government Bond issues as at 4:00 pm and published as soon as practicable after 4:35 pm and before 5:30 pm.

The Indicative Reference Pricings and Closing Reference Pricings shall be collectively known as the “Indicative Pricings” in this Reference Manual unless otherwise stated. In this Reference Manual, a “Business Day” means a day that is not a Saturday, Sunday or a general holiday in Hong Kong. All of the times specified in this Reference Manual refer to Hong Kong time.

Benchmark tenors

It is expected that the following benchmark tenors would be adopted for the Indicative Pricings:

- Hong Kong dollar (“HKD”) Government Bonds: 3-year, 5-year, 10-year, 15-year, 20-year for fixed rate HKD Government Bonds and 1-year for Hong Kong Dollar Overnight Index Average (HONIA)-indexed Floating Rate Notes
- Renminbi (“RMB”) Government Bonds: 1-year, 2-year, 3-year, 5-year, 10-year for fixed rate RMB Government Bonds.

The HKMA may adjust the benchmark tenors from time to time having regard to market convention and the actual tenors of Government Bonds outstanding.

Selection and announcement of benchmark issues

Each benchmark tenor is expected to be represented by a specific Government Bond issue to be selected and updated from time to time at the discretion of the HKMA. As a general rule, it is expected that with respect to Government Bonds issued via tender, a Government Bond issue will commence to serve as the benchmark issue for its tenor (and replace the existing benchmark issue at that tenor) in the Closing Reference Pricings on the day of its tender and to commence to serve as the benchmark issue for its tenor (and replace the existing benchmark issue at that tenor) in the Indicative Reference Pricings on the business day following the day of its tender.

Government Bond issues designated as benchmark issues are expected to be published in the morning of each business day via the pages as described under the section “Availability of the indicative pricings information” in this Reference Manual. It is expected that changes to benchmark issues arising from bond tenders will be announced around the same time as the publication of the tender notice ahead of each tender. The HKMA reserves the right to make changes to the list of benchmark issues at its discretion and without prior notice.

Calculation of Indicative Pricings

The Primary Dealers appointed by the HKMA under the IBP and GSBP (“Primary Dealers”) will input their bid and offer quotes for individual Government Bond issues through the channels pre-arranged with the Calculating Agent in accordance with a specific schedule on each business day to facilitate the calculation of the Indicative Pricings.

For the Indicative Reference Pricings to be calculated based on market quotes for Government Bond issues as at 11:00 am, Primary Dealers are expected to input their quotes by 11:15 am. The Indicative Reference Pricings are expected to be published as soon as practicable after 11:35 am and before 2:30 pm.

For the Closing Reference Pricings to be calculated based on market quotes for Government Bond issues as at 4:00 pm, Primary Dealers are expected to input their quotes by 4:15 pm. The Closing Reference Pricings are expected to be published as soon as practicable after 4:35 pm and before 5:30 pm.

Unless otherwise determined by the HKMA (in exceptional circumstances), the Calculating Agent will first calculate the mid-price of the bid and offer price quotes contributed by each Primary Dealer for each Government Bond issue. Thereafter, the indicative price for each Government Bond issue will be derived as the arithmetic mean of the middle 8 mid-prices contributed by Primary Dealers. Based on the indicative price, the Calculating Agent will calculate and publish the corresponding indicative yield-to-maturity with reference to prevailing market convention¹. The indicative price will be rounded to two decimal places. The corresponding yield derived from the indicative price will be rounded to three decimal places.

To ensure that the availability of the Indicative Pricings will not be easily jeopardised by missing quotes from individual Primary Dealers while ensuring the Indicative Pricings calculated are of reasonable quality, the Calculating Agent will proceed with the Indicative Pricings if the number of quotes submitted by Primary Dealers is not less than 10. In case 13 quotes are available, the lowest 3 and the highest 2 quotes will be excluded. In case only 12 quotes are available, the lowest 2 and the highest 2 quotes will be excluded. In case only 11 quotes are available, the lowest 2 and the highest quotes will be excluded. In case only 10 quotes are available, the lowest and the highest quotes will be excluded.

¹ The HKD Government bond yields are currently published on an annualised basis while the RMB Government bond yields are published on a semi-annualised basis.

Surveillance of the Indicative Pricings by the HKMA

If the HKMA detects any potential error or bias in the quotes submitted by Primary Dealers (including but not limited to apparently incorrect or unusual figures), the HKMA may request the relevant Primary Dealer(s) to review the accuracy of their quotes. Nevertheless, the Primary Dealers concerned will not be obliged to revise their quotes if they consider their quotes to be appropriate.

In the event of an error in the Indicative Pricings, the HKMA may exercise discretion to request the Calculating Agent to re-calculate and publish the amended Indicative Pricings as appropriate.

The HKMA will regularly review the quality of quotes contributed by the Primary Dealers and, in case of any improvement needed, discuss the relevant situations with the Primary Dealers concerned.

Contingency arrangements for the Indicative Pricings

Typhoon and rainstorm procedures

If a No.8 typhoon signal or higher is hoisted at or before 11:00 am on a business day and is not lowered at or before 12:00 noon, there will be no Indicative Reference Pricings or Closing Reference Pricings for that day.

If a No.8 typhoon signal or higher is hoisted at or before 11:00 am on a business day and is lowered at or before 12:00 noon, the Indicative Reference Pricings as at 11:00 am will be postponed to 2:30 pm on that day. The Closing Reference Pricings will be published as usual after 4:35 pm.

If a No.8 typhoon signal or higher is hoisted at or before 11:00 am on a business day and is lowered at or before 12:00 noon on that day but is subsequently hoisted again before 2:30 pm, there will be no Indicative Reference Pricings or Closing Reference Pricings for that day.

If a No.8 typhoon signal or higher is hoisted after 11:00 am on a business day and is not lowered at or before 12:00 noon, the Indicative Reference Pricings will be published as usual after 11:35 am but there will be no Closing Reference Pricings for that day.

If a No.8 typhoon signal or higher is hoisted after 11:00 am on a business day and is lowered at or before 12:00 noon, the Indicative Reference Pricings will be published as usual after 11:35 am and the Closing Reference Pricings will be published as usual after 4:35 pm.

If a black rainstorm warning is issued at or before 9:00 am on a business day and is not withdrawn at or before 12:00 noon, there will be no Indicative Reference Pricings or Closing Reference Pricings for that day.

If a black rainstorm warning is issued at or before 9:00 am on a business day and is withdrawn at or before 12:00 noon, the Indicative Reference Pricings as at 11:00 am will be postponed to 2:30 pm on that day. The Closing Reference Pricings will be published as usual after 4:35 pm.

If a black rainstorm warning is issued at or before 9:00 am on a business day and is withdrawn at or before 12:00 noon but a No.8 typhoon signal is hoisted before 2:30 pm, there will be no Indicative Reference Pricings or Closing Reference Pricings for that day.

For ease of reference, the contingency arrangements under the different typhoon and black rainstorm scenarios are summarised in the table below:-

Possible combinations of No.8 ² Typhoon Signal and Black Rainstorm Warning		Black Rainstorm Warning		
		Not issued OR issued after 9:00 a.m.	Issued before 9:00 a.m. and withdrawn at or before 12:00 noon	Issued before 9:00 a.m. and not withdrawn at or before 12:00 noon
No.8 ¹ Typhoon Signal	Not hoisted	Indicative Reference Pricings and Closing Reference Pricings to be published as usual after 11:35 am and 4:35 pm respectively	Indicative Reference Pricings as at 11:00 am postponed to 2:30 pm; Closing Reference Pricings to be published as usual after 4:35 pm.	No Indicative Reference Pricings or Closing Reference Pricings for the day
	Hoisted at or before 11:00 am <u>and</u> lowered ³ at or before 12:00 noon	Indicative Reference Pricings as at 11:00 am to be postponed to 2:30 pm; Closing Reference Pricings to be published as usual after 4:35 pm	Indicative Reference Pricings as at 11:00 am to be postponed to 2:30 pm; Closing Reference Pricings to be published as usual after 4:35 pm	
	Hoisted at or before 11:00 am and not lowered at or before 12:00 noon	No Indicative Reference Pricings or Closing Reference Pricings	No Indicative Reference Pricings or Closing Reference Pricings	
	Hoisted at or before 11:00 am and lowered at or before 12:00 noon, but hoisted again before 2:30 pm	No Indicative Reference Pricings or Closing Reference Pricings	No Indicative Reference Pricings or Closing Reference Pricings	
	Hoisted after 11:00 am and lowered at or before 12:00 noon	Indicative Reference Pricings as at 11:00 am to be published after 11:35 am; Closing Reference Pricings to be published after 4:35pm	Indicative Reference Pricings as at 11:00 am to be postponed to 2:30 pm; Closing Reference Pricings to be published after 4:35 pm	
	Hoisted after 11:00 am and not lowered at or before 12:00 noon	Indicative Reference Pricings as at 11:00 am to be published after 11:35 am; No Closing Reference Pricings	No Indicative Reference Pricings or Closing Reference Pricings	

² Or a higher number signal

³ To a typhoon signal below No. 8.

Fallback arrangements

In exceptional circumstances (e.g. the minimum number of contributions cannot be met or there are unforeseen technical issues), the set of Indicative Reference Pricings on a given business day may be published using the Closing Reference Pricings of the previous business day and the set of Closing Reference Pricings on a given business day may be published using the Indicative Reference Pricings on the same business day.

Submission channel failure

In the event that the pre-arranged submission channel for a Primary Dealer breaks down due to equipment or system failure, the Calculating Agent may accept quotes from the Primary Dealers by way of electronic mail. The Calculating Agent will input the quotes into the system on behalf of the Primary Dealer to ensure that the indicative pricings process can proceed smoothly.

Availability of the Indicative Pricings information under IBP and GSBP

Indicative pricings information on business days

Table below sets out the pages at which the Indicative Pricings information are expected to be published.

	Benchmark issues under IBP and GSBP		Both benchmark and non-benchmark issues under IBP and GSBP	
	Indicative Reference Pricings	Closing Reference Pricings	Indicative Reference Pricings	Closing Reference Pricings
Bloomberg	GDCO			
Refinitiv	IBPGSBPINDEX			
HKMA	Hong Kong Government Bonds website (www.hkgb.gov.hk)			

Disclaimer and use of the Indicative Pricings information

While the Government endeavours to provide a continuous and timely service, and to ensure the accuracy of the information published on the relevant pages of financial data platforms, the HKMA website, the Hong Kong Government Bonds website, or other publications, it is entitled to delete, suspend or edit any of the materials at its absolute discretion without giving any reason and/or prior notice and it shall not be liable for any claim, loss or damage (including but not limited to economic, consequential and indirect loss) caused by, arising from or in connection with (i) the use of any information published on the relevant pages of financial data platforms, the HKMA website, the Hong Kong Government Bonds website, or other publications; and (ii) any disruption in the service or late availability of the reference yield and price figures or any other information.

The posting of information on the relevant pages of the financial data platforms, the HKMA website, the Hong Kong Government Bonds website, or other publications shall not in any way be deemed to be investment advice, guidance or recommendation of the Government and it expressly disclaims any implied warranty of or fitness for a particular purpose, including without limitation, any warranty regarding the correctness, quality, accuracy, completeness, reliability or otherwise of any information provided herein. Users are responsible for making their own assessments of all the information published on or in relation to the relevant pages of the financial data platforms, the HKMA website, the Hong Kong Government Bonds website, or other publications and are advised to verify such information by obtaining independent professional advice before acting on such information.

By reviewing or downloading any reference yield or price figure or any other information provided on the relevant pages of the financial data platforms, the HKMA website, the Hong Kong Government Bonds website, or other publications, you accept this disclaimer and agree to its terms and conditions.

When using the Indicative Reference Pricings and the Closing Reference Pricings, users are requested to refer to such data as “Hong Kong Government Bond Indicative Reference Pricings” or “HKGB Indicative Reference Pricings” and “Hong Kong Government Bond Closing Reference Pricings” or “HKGB Closing Reference” respectively, and to quote the Government as the owner of the Indicative Reference Pricings and the Closing Reference Pricings, and all of the intellectual property rights in and to the same.