Press Release

Study of Microfinance

The Hong Kong Mortgage Corporation Limited (HKMC) today (Thursday) welcomed the request for the Corporation to carry out a feasibility study on the introduction of microfinance in Hong Kong, as announced in the Budget Speech on 23 February 2011 by the Financial Secretary, Mr John C Tsang, who is also the Chairman of the HKMC Board of Directors.

Microfinance is the provision of small loans to mainly grassroots individuals, who need financial resources to start their own businesses or to receive training for self-enhancement. According to overseas experience, microfinance has proven to be quite effective in facilitating the start-up of micro businesses and improving employment opportunities. It is therefore worth consideration by Hong Kong.

The HKMC will form a study group in mid-March to initiate its study on microfinance. It is intended that the composition of the study group will be drawn from relevant government bureaux/departments, financial institutions, voluntary agencies, training providers and the academia, etc. The study group will consider the experience and effectiveness of such loan schemes in Hong Kong and abroad, and analyse the local conditions when studying the feasibility of establishing a sustainable microfinance scheme in Hong Kong that operates according to prudent commercial principles. The scope of the

study will include:

- the potential demand for microfinance in Hong Kong;
- the target borrowers;
- the eligibility criteria and vetting standards;
- the operator(s) of the microfinance scheme;
- the sources of funding;
- the scheme features (e.g. the interest rate and the maximum loan amount);
- the arrangement of credit enhancement, if needed;
- the ancillary measures and services to enhance the effectiveness of the scheme; and
- the roles of other parties such as the relevant government bureaux/departments, financial institutions, and voluntary agencies and possible ways to harness their synergy, to enhance the feasibility of a possible scheme.

Mr Peter Pang, the Executive Director of the HKMC and the Deputy Chief Executive of the Hong Kong Monetary Authority, said, "The HKMC understands very well the operation of the banking industry in Hong Kong and possesses solid experience in credit risk management. It will conduct a thorough study on the feasibility of establishing a microfinance scheme in Hong Kong and submit a report to the Financial Secretary in six months."

The Hong Kong Mortgage Corporation Limited

24 February 2011