Press Release

The Hong Kong Mortgage Corporation Limited

HK$20 Billion Note Issuance Programme

The Hong Kong Mortgage Corporation Limited (HKMC) announced today the signing of a HK$20 billion Note Issuance Programme arranged by the Hong Kong Monetary Authority (HKMA).

The Programme will allow the HKMC to issue notes with a denomination of HK$50,000 and maturities of up to 10 years. Depending on market conditions, the first issue is likely to be launched in the first quarter of 1998. This is the third note issuance programme for which the HKMA acts as the arranger, agent and operator for the issuer after similar note issuance programmes by the Mass Transit Railway Corporation and the Airport Authority. The Programme will be covered by the existing market-making arrangements for Exchange Fund Bills and Notes.

At today's signing ceremony, Mr Donald Tsang, Chairman of the HKMC, said, "This Note Issuance Programme is very important to the HKMC in raising funds to support its mortgage purchase programme. I am confident that this Note Issuance Programme will benefit from the successful track record of the Exchange Fund Bills and Notes Programme and will also help to provide a useful benchmark for other debt securities the HKMC will issue in future."

Mr Joseph C K Yam, Chief Executive of the HKMA, said, "The Note Issuance Programme should enable the HKMC to borrow Hong Kong dollar funds at a lower cost. This is achieved through the market making arrangements and the eligibility for LAF which together ensure a high degree of liquidity and therefore enhance the attractiveness of the paper in the secondary market, enabling the paper to be more finely priced."
Under the HKMC Note Issuance Programme, notes will be sold from time to time by tender to a group of appointed recognised dealers and market-makers. By extending the existing market-making arrangement of the Exchange Fund Paper Programme to these HKMC notes, market-makers are obliged to quote two-way prices for the HKMC notes during money market hours. In return the market-makers can go short in any issues of the Exchange Fund paper or HKMC or Airport Authority or MTRC notes provided they hold sufficient amount of other Exchange Fund paper or HKMC or Airport Authority or MTRC notes in the system to square off their short positions by entering into a repo transaction with the HKMA at the end of the day.

Notes issued under the HKMC Note Issuance Programme will be cleared through the Central Moneymarkets Unit and will be eligible for discounting under the Liquidity Adjustment Facility operated by the HKMA.

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