

UWTSD MBA HKBM7009
(UWMBA-30013-2024-1-SS)

Global Business Challenges (5-2)

Global Finance

Che Cheong POON
8 February 2025; Saturday 4:00pm to 6:30pm

Lecture Agenda :

- Some Basics
- Balance-of-Payments Accounting
- The Foreign Exchange Market
- Markets for
Interest Rate Instruments
- Global Payment system

<https://stripe.com/ie/resources/more/global-finance-101-key-players-challenges-and-future-outlook>

Global finance 101: Key players, challenges, and outlook

Global finance encompasses all the financial activities and markets that support the world economy, which was valued at over \$139 trillion in 2022. It refers to a vast network of relationships between countries, companies, and individuals who invest, trade, and plan for the future. It also refers to the practices that keep money flowing across borders and industries, and keep international economies growing and stable. Global finance includes countries borrowing money from and lending money to one another, businesses investing in operations far from their home bases, and everyday investors putting funds in companies worldwide. In today's interconnected global financial market, a financial decision in one part of the world can affect economies elsewhere – for better or for worse.

Global finance doesn't just concern direct financial transactions, however. It also intertwines with societal goals and challenges, and our financial practices tend to mirror our evolving values and ambitions across the globe. For example, funding renewable energy projects in one country can create jobs and advance technology in another; it can also have a global impact on climate change.

What's in this article?

- How global finance works
- Major players in global finance
- How global finance impacts national economies
- Challenges in global finance
- The future of global finance

Some Basics

Global Finance Magazine

Richest Countries in the World 2024

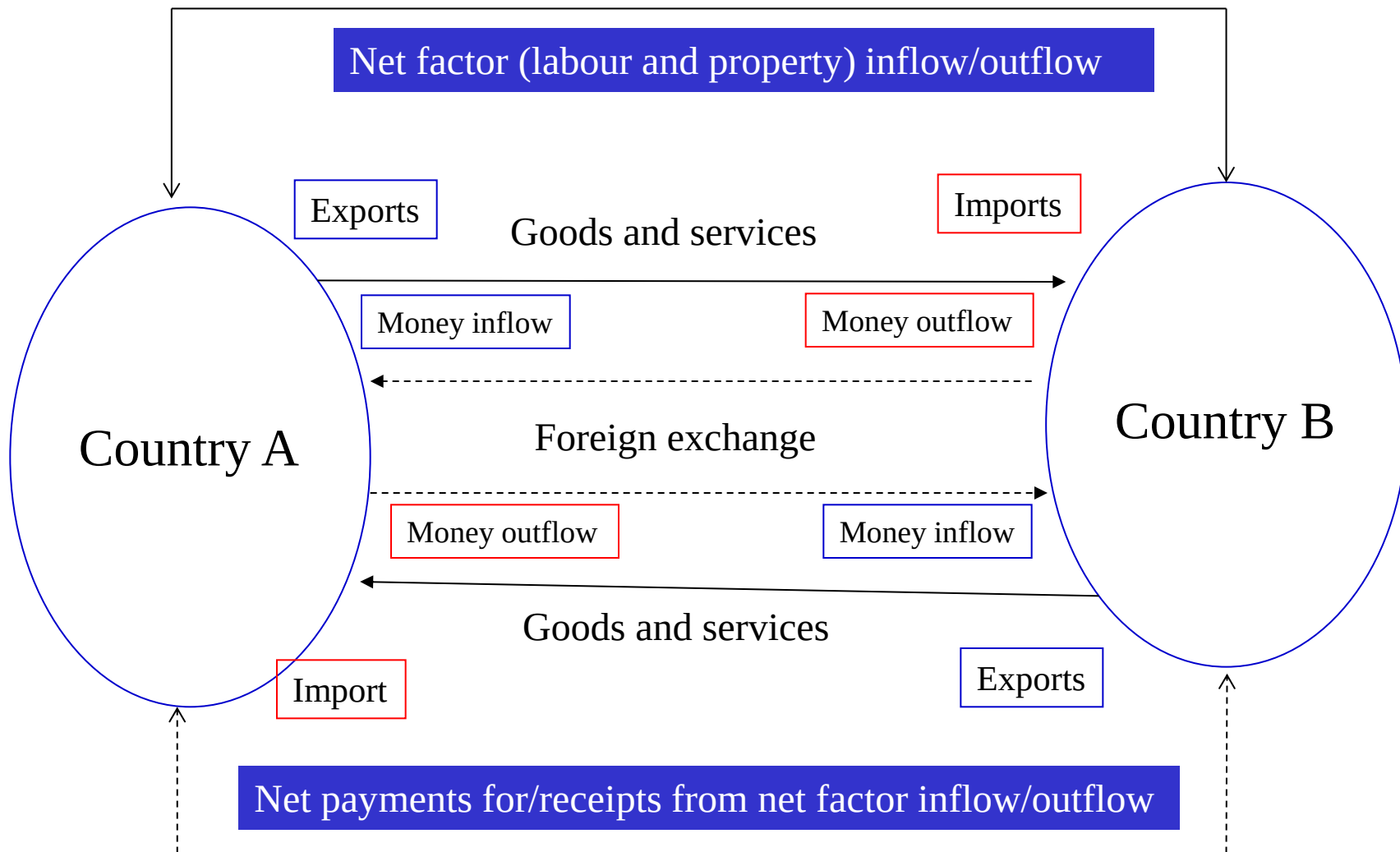
The Race To Be The World's Richest Country/Territory

<https://gfmag.com/data/richest-countries-in-the-world/>

Global Finance was founded in 1987 as a monthly print magazine by publishing entrepreneurs Joseph Giarraputo and Carl Burgen. Giarraputo continues as Publisher and Editorial Director for Global Finance magazine and its digital arm, gfmag.com. Global Finance magazine has a circulation of 50,050, audited by BPA, and readers in 163 countries. Its headquarters are in New York, with offices in London and Milan.

Global Financial Leaders' Investment Summit (2024) HKMA

<https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/global-financial-leaders-investment-summit/>



- Physical flow (The scope of international trade)
- - - - -> Money flow (The scope of international finance)

Dimensions of a global economy

- Global trade
 - a. in goods
 - b. in services
- Global money (The international settlement money and the BIS)
Where does money come from? Who decides what is money? And what happens when what is money changes?
- Global labour
- Global foreign direct investment
 - a. Plant, equipment, or operations
 - b. Financing or purchase in the form of loans, equity shares, or bonds
- Global flows of capital
 - a. Currency exchange
 - b. Settlements of purchases
 - c. Require international financial institutions to manage

Global Financial Integration

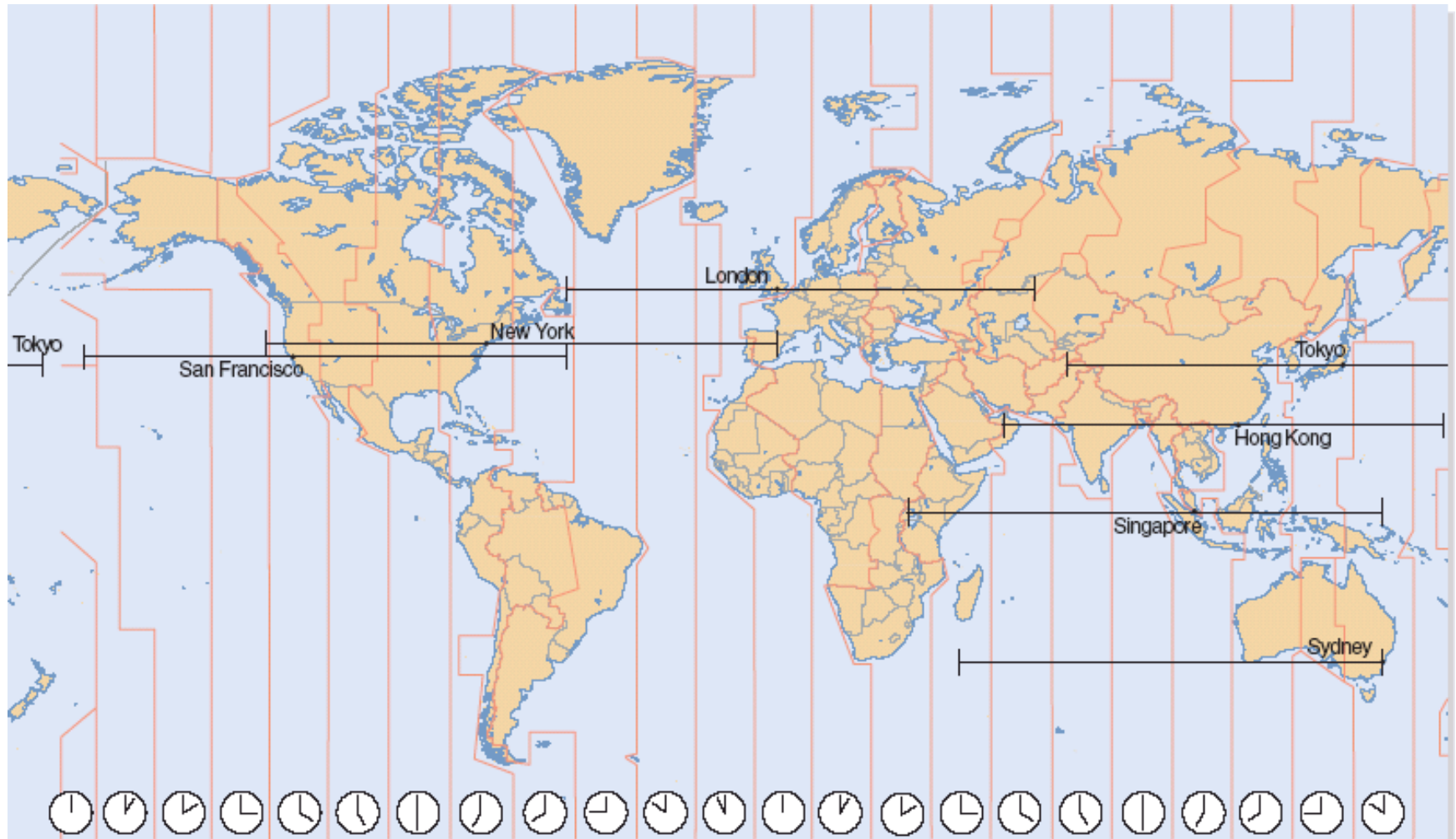
- The world has become increasingly integrated
 - Implying that there is more interdependence
- Problems in one part of the global economic system have ramifications for the entire system
 - Implying that there is more need for global collective action
 - There is greater need for institutions, like the IMF, to regulate the global international financial markets

Classification of Global Financial Market

1. Equity markets;
2. Markets for interest rate instruments;
3. Markets for investment and money market funds' shares/units
4. Foreign exchange markets; and
5. Financial derivatives markets
 - The most relevant types of derivatives are swaps, options, futures, and forward rate agreements.

Since foreign exchange risk and interest rate risk are highly concerned by firms involved in global business, we will focus our discuss on items 1, 2, and 4.

24 Hour Trading



Balance-of-Payments Accounting

<https://www.imf.org/en/Data>

Under External Sector Statistics, choose “Balance of Payments and International Investment Position”

Definition

The Balance of Payments is a system statement of all movements of goods and services, financial assets, and reserve assets between one country and the rest of the world over a year and compiled on principles of double-entry bookkeeping.

In Balance-of-Payments Accounting:

A debit entry is any transaction which results in a money outflow or payment to a foreign country (e.g., Imports).

A credit entry is any transaction which results in a money inflow or receipt from a foreign country (e.g., Exports).

A hypothetical Balance-of-Payments

	Credit entry (+)	Debit entry (-)
Current account	Merchandise exports	Merchandise imports
	Export of services	Import of services
	Unilateral transfers from foreigners	Unilateral transfers to foreigners
Current and financial account	Sales of money market assets and financial market assets to foreigners	Purchases of money market assets and financial market assets from foreigners
settlement account	Official sales of gold and foreign currencies reserves	Official purchases of gold and foreign currencies reserves

Balance-of-payments equilibrium and disequilibrium

Two different types of international transactions

Autonomous transactions:

Current account
Short-term capital account
(Financial market assets)

Accommodating transactions:

Official settlement account
Short-term capital account
(Money market assets)

Balance-of-payments equilibrium is a state of balance between autonomous international payments and receipts over a given period (a several years over a full business cycle)

$$\boxed{\text{Autonomous receipts}} = \boxed{\text{Autonomous payments}}$$

	F^s	$=$	F^d		Balance-of-payments equilibrium
Balance-of-payments disequilibrium	F^s	$>$	F^d		Balance-of-payments surplus
	F^s	$<$	F^d		Balance-of-payments deficit



Census and Statistics Department
The Government of the Hong Kong Special Administrative Region

Balance of Payments, International Investment Position and External Debt Statistics of Hong Kong

Summarising external transactions and positions of Hong Kong with the rest of the world

Third Quarter 2024

Release Date:

20 December, 2024

Previous Issue:

Second Quarter 2024

[All Issues](#)

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[1. Key Figures](#)

Source:

<https://www.censtatd.gov.hk/en/wbr.html?ecode=B10400012024QQ03&scode=260> 17

Table 5.1 : Balance of Payments

	Balance of Payments										
	HK\$ million										
Year	2022	2023	2022		2023				2024		
Quarter			Q3	Q4	Q1	Q2	Q3	Q4	Q1 @	Q2 @	Q3 @
Components of Balance of Payments											
Current account	286,089 @	257,105 @	118,093 @	55,869 @	43,967 @	41,636 @	111,429 @	60,074 @	98,076	100,321	120,816
Goods	-40,458 @	-129,141 @	16,627 @	2,839 @	-37,836 @	-62,244 @	-21,375 @	-7,686 @	-7,092	-14,219	-1,136
Services	155,398 @	150,641 @	41,383 @	27,361 @	46,564 @	36,871 @	39,448 @	27,758 @	48,379	29,441	39,765
Primary income	185,769 @	252,721 @	64,013 @	29,450 @	39,149 @	71,028 @	97,655 @	44,889 @	61,276	90,236	87,239
Secondary income	-14,620 @	-17,116 @	-3,931 @	-3,781 @	-3,910 @	-4,019 @	-4,299 @	-4,887 @	-4,488	-5,137	-5,052
Capital account	1,231 @	5,740 @	-104 @	-394 @	-113 @	-129 @	6,167 @	-185 @	-95	-204	-218
Financial account	276,830	241,045	140,901	33,636	44,323	47,103	119,093	30,526	135,307	133,254	84,729
Financial non-reserve assets	644,042	320,929	279,287	50,165	40,685	137,611	102,994	39,639	170,819	195,925	107,682
Direct investment	-27,086	-201,964	-60,146	-45,750	-18,047	-51,128	-110,879	-21,910	22,522	-176,277	-108,090
Portfolio investment	317,357	452,935	201,542	102,979	-43,709	371,271	180,139	-54,767	457,532	376,553	138,542
Financial derivatives	-140,392	-102,848	-57,706	-52,026	-6,245	-11,254	-51,005	-34,344	62,258	-19,168	-40,701
Other investment	494,163	172,806	195,596	44,962	108,686	-171,278	84,738	150,661	-371,492	14,816	117,932
Reserve assets	-367,212	-79,884	-138,386	-16,529	3,638	-90,508	16,099	-9,113	-35,513	-62,671	-22,953
Net errors and omissions	-10,489 @	-21,800 @	22,912 @	-21,839 @	470 @	5,596 @	1,497 @	-29,363 @	37,326	33,137	-35,869
Overall Balance of Payments	-367,212	-79,884	-138,386	-16,529	3,638	-90,508	16,099	-9,113	-35,513	-62,671	-22,953

Chart 2.1 : Current account balance

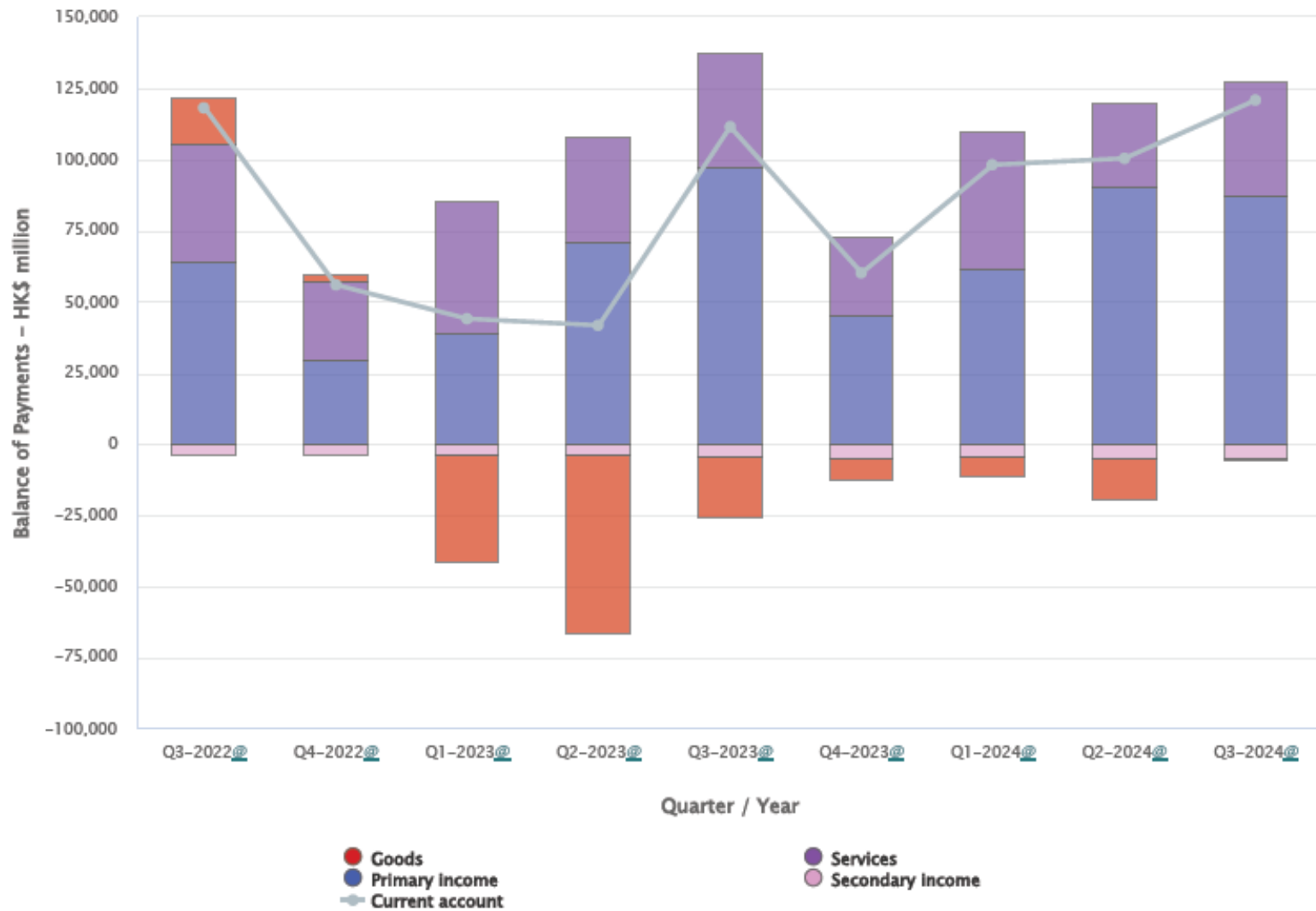


Table 2.1 : Current account balance

	Balance of Payments								
	HK\$ million								
Year	2022		2023				2024		
Quarter	Q3 @	Q4 @	Q1 @	Q2 @	Q3 @	Q4 @	Q1 @	Q2 @	Q3 @
Components of Balance of Payments									
Current account	118,093	55,869	43,967	41,636	111,429	60,074	98,076	100,321	120,816
Goods	16,627	2,839	-37,836	-62,244	-21,375	-7,686	-7,092	-14,219	-1,136
Services	41,383	27,361	46,564	36,871	39,448	27,758	48,379	29,441	39,765
Primary income	64,013	29,450	39,149	71,028	97,655	44,889	61,276	90,236	87,239
Secondary income	-3,931	-3,781	-3,910	-4,019	-4,299	-4,887	-4,488	-5,137	-5,052

@ Figure is subject to revision later on.

Financial account

- Financial account increased by \$84.7 billion (10.4% of GDP) in the third quarter of 2024.
- Financial non-reserve assets increased by \$107.7 billion while reserve assets decreased by \$23.0 billion.

Chart 2.2 : Financial account balance

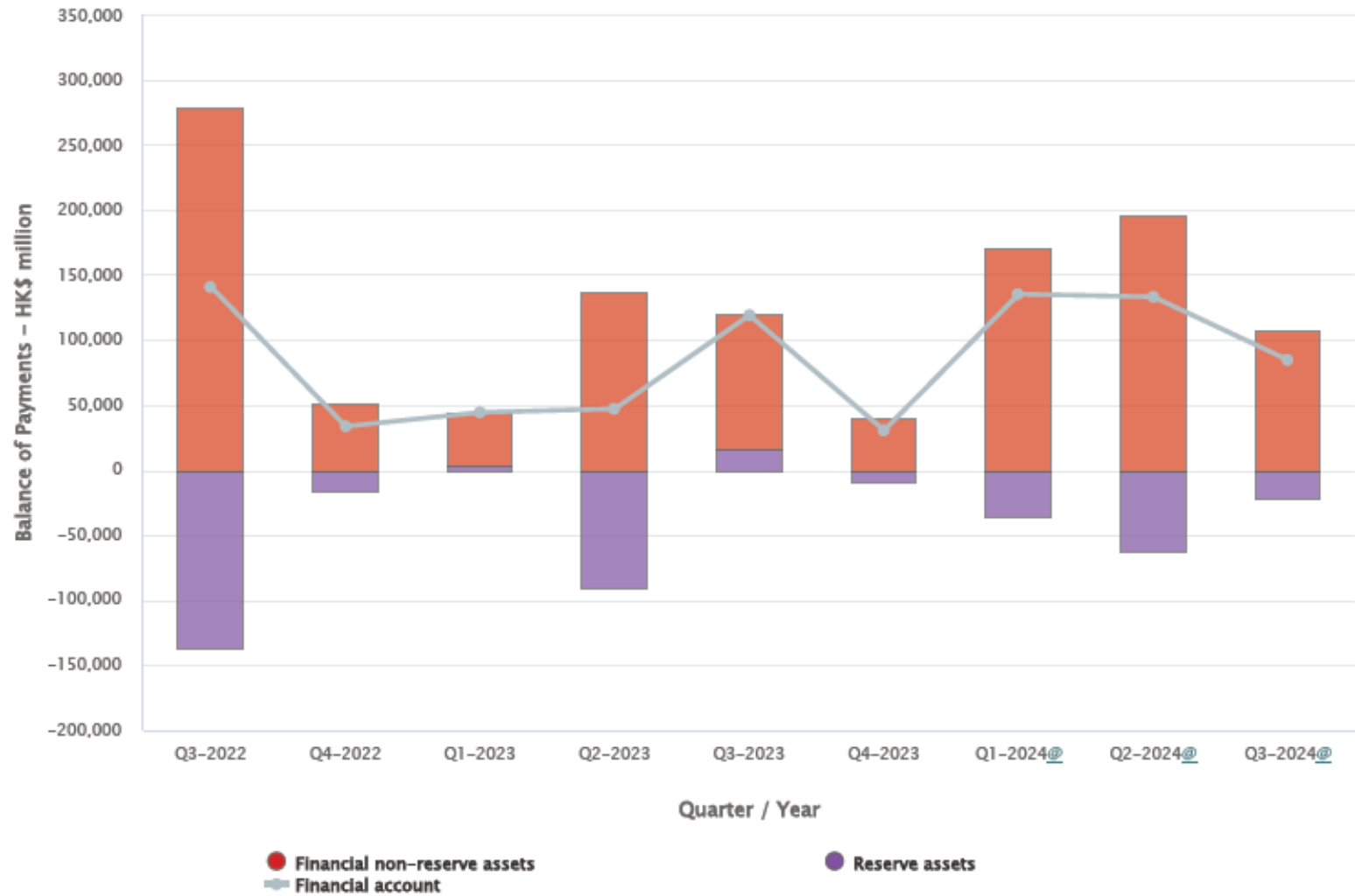


Table 2.2 : Financial account balance

	Balance of Payments								
	HK\$ million								
	2022		2023				2024		
Year									
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1 @	Q2 @	Q3 @
Components of Balance of Payments									
Financial account	140,901	33,636	44,323	47,103	119,093	30,526	135,307	133,254	84,729
Financial non-reserve assets	279,287	50,165	40,685	137,611	102,994	39,639	170,819	195,925	107,682
Reserve assets	-138,386	-16,529	3,638	-90,508	16,099	-9,113	-35,513	-62,671	-22,953

@

Figure is subject to revision later on.

Financial non-reserve assets

- The overall increase in financial non-reserve assets in the third quarter of 2024 was due to the net increases in portfolio investment and other investment, partly offset by the net decreases in direct investment and financial derivatives.

Chart 2.3 : Financial non-reserve assets



Table 2.3 : Financial non-reserve assets

	Balance of Payments								
	HK\$ million								
Year	2022		2023				2024		
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1 @	Q2 @	Q3 @
Components of Balance of Payments									
Financial non-reserve assets	279,287	50,165	40,685	137,611	102,994	39,639	170,819	195,925	107,682
Direct investment	-60,146	-45,750	-18,047	-51,128	-110,879	-21,910	22,522	-176,277	-108,090
Portfolio investment	201,542	102,979	-43,709	371,271	180,139	-54,767	457,532	376,553	138,542
Financial derivatives	-57,706	-52,026	-6,245	-11,254	-51,005	-34,344	62,258	-19,168	-40,701
Other investment	195,596	44,962	108,686	-171,278	84,738	150,661	-371,492	14,816	117,932

@ Figure is subject to revision later on.

3. International Investment Position

- Hong Kong's external financial assets increased in the third quarter of 2024 to \$52,982.1 billion (16.9 times of GDP), while external financial liabilities increased to \$36,927.0 billion (11.8 times of GDP).
- Compared with the end of the second quarter of 2024, Hong Kong's net IIP (i.e. external financial assets minus external financial liabilities) increased by \$1,746.7 billion to \$16,055.0 billion (5.1 times of GDP). This ratio is one of the largest in the world, providing a strong cushion to Hong Kong against sudden external shocks.
- The increase in net IIP was mainly attributable to the increase in net asset position for portfolio investment and the decrease in net liability position for direct investment.

Chart 3.1 : International Investment Position

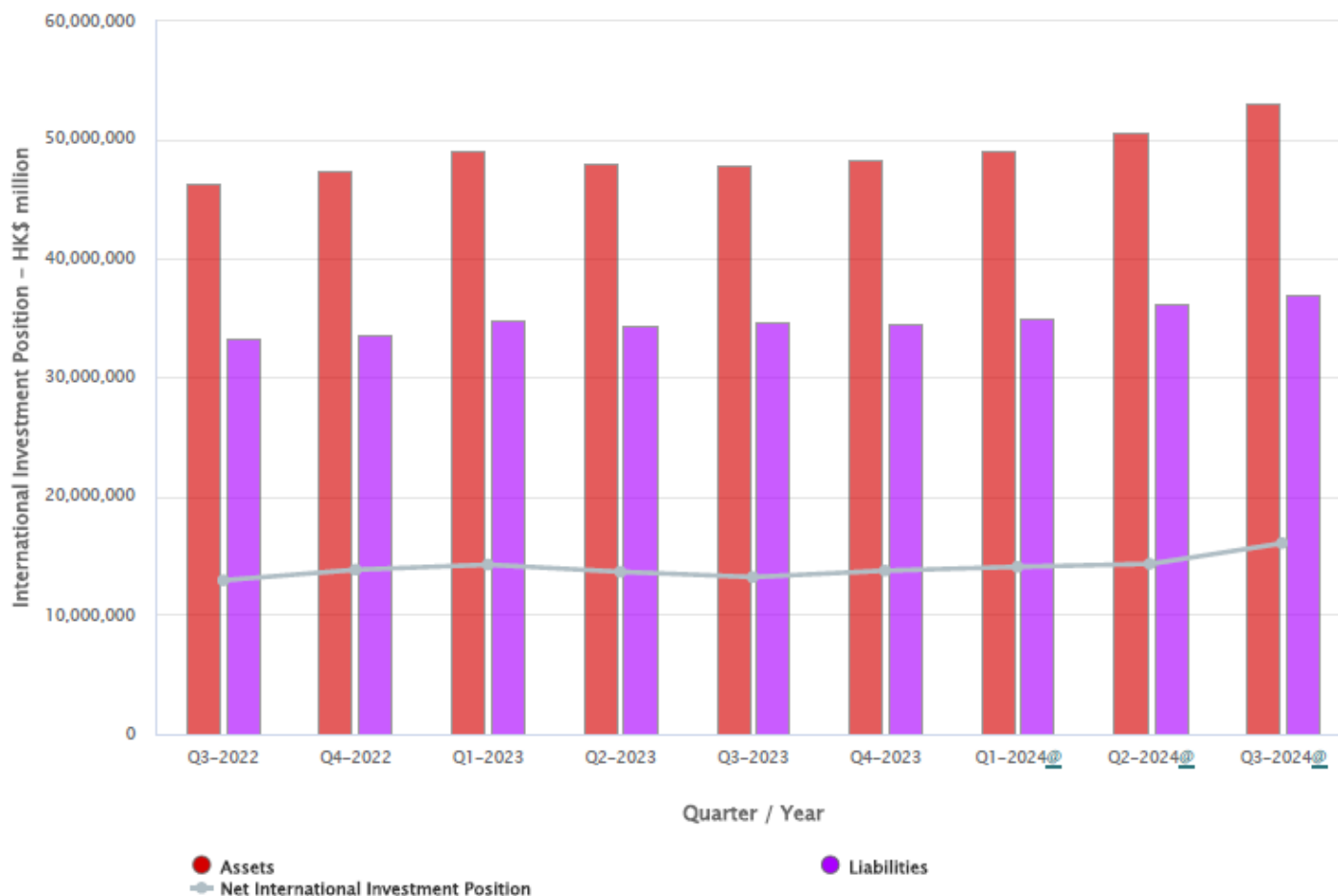


Table 3.1 : International Investment Position

	International Investment Position								
	HK\$ million								
Year	2022		2023				2024		
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1 @	Q2 @	Q3 @
Components of International Investment Position									
Assets	46,210,867	47,403,208	48,932,674	47,999,634	47,739,466	48,265,176	49,051,121	50,535,149	52,982,050
Liabilities	33,286,017	33,588,977	34,691,375	34,360,360	34,542,772	34,526,626	34,990,222	36,226,777	36,927,008
Net International Investment Position	12,924,850	13,814,231	14,241,299	13,639,274	13,196,695	13,738,549	14,060,899	14,308,372	16,055,042

@ Figure is subject to revision later on.

The Foreign Exchange Market

Bilateral Exchange Rates

Exchange rates are expressed as the price of one currency in terms of another.

Quoted currency = numerator
Base currency = denominator

(HKD/USD) = HKD needed to buy one U.S. dollar

HKD is quoted currency, dollar is base currency

$$\text{Direct quote} = \frac{\text{Quoted currency}}{\text{Base currency}} = \frac{7.8}{1} = 7.8$$

$$\text{Indirect quote} = \frac{1}{\text{Direct quote}} = \frac{1}{7.8} = 0.1282$$

香港統計月刊 Hong Kong Monthly Digest of Statistics

2024 年 1 月
January 2024



香港特別行政區 政府統計處
Census and Statistics Department
Hong Kong Special Administrative Region



2023 Privacy-Friendly Awards
Privacy-Friendly Awards
私隱之友嘉許獎
AWARDED TO CSD BY HKPD
AWARDS FOR PRIVACY-FRIENDLY ORGANISATIONS



Source:

<https://www.censtatd.gov.hk/en/EIndexbySubject.html?scode=460&pcode=B1010002>

Exchange rates and the Effective Exchange Rate Indices 2021-2023

表 9.14 **外幣兌換率及港匯指數**
Table 9.14 **Exchange rates and the Effective Exchange Rate Indices**

(每單位外幣兌換港元) (HK Dollar per unit of foreign currency)												
年	月	澳元 Australian Dollar	加拿大元 Canadian Dollar	人民幣 Chinese Renminbi	歐元 Euro	印度盧比 Indian Rupee	印尼盾 Indonesian Rupiah	日圓 Japanese Yen	南韓圓 Korean Won	馬來西亞元 Malaysian Ringgit	新台幣 New Taiwan Dollar	菲律賓 披索 Philippine Peso
2021		5.84	6.20	1.2054	9.20	0.105	0.0005	0.0708	0.0068	1.88	0.273	0.160
2022		5.44	6.02	1.1634	8.24	0.100	0.0005	0.0599	0.0061	1.78	0.263	0.145
2023		5.20	5.80	1.1047	8.47	0.095	0.0005	0.0558	0.0060	1.72	0.257	0.145
2022	10	4.99	5.73	1.0899	7.72	0.095	0.0005	0.0533	0.0055	1.67	0.246	0.134
	11	5.17	5.83	1.0914	7.99	0.096	0.0005	0.0551	0.0058	1.70	0.250	0.138
	12	5.26	5.73	1.1157	8.24	0.094	0.0005	0.0577	0.0060	1.76	0.256	0.142
2023	1	5.43	5.82	1.1523	8.42	0.096	0.0005	0.0600	0.0063	1.81	0.259	0.145
	2	5.42	5.84	1.1459	8.40	0.095	0.0005	0.0590	0.0061	1.80	0.262	0.146
	3	5.25	5.74	1.1377	8.40	0.095	0.0005	0.0587	0.0060	1.76	0.260	0.146
	4	5.25	5.82	1.1387	8.61	0.096	0.0005	0.0587	0.0059	1.77	0.263	0.145
	5	5.21	5.80	1.1198	8.52	0.095	0.0005	0.0572	0.0059	1.74	0.263	0.145
	6	5.25	5.89	1.0926	8.48	0.095	0.0005	0.0554	0.0060	1.69	0.261	0.145
	7	5.26	5.91	1.0867	8.64	0.095	0.0005	0.0554	0.0061	1.70	0.258	0.147
	8	5.08	5.81	1.0772	8.54	0.094	0.0005	0.0541	0.0059	1.70	0.253	0.143
	9	5.03	5.78	1.0718	8.36	0.094	0.0005	0.0529	0.0059	1.67	0.252	0.142
	10	4.97	5.71	1.0694	8.26	0.094	0.0005	0.0523	0.0058	1.65	0.248	0.142
	11	5.07	5.69	1.0790	8.44	0.094	0.0005	0.0521	0.0060	1.66	0.250	0.144
	12	5.22	5.81	1.0924	8.52	0.094	0.0005	0.0542	0.0060	1.68	0.256	0.145

(每單位外幣兌換港元) --- 續 (HK Dollar per unit of foreign currency) --- cont'd									港匯指數 (2020年1月=100) Effective Exchange Rate Indices for HK Dollar (January 2020 = 100)		
年 Year	月 Month	英鎊 Pound Sterling	新加坡元 Singapore Dollar	南非蘭特 South African Rand	瑞士法郎 Swiss Franc	泰銖 Thai Baht	美元 U.S. Dollar	特別 提款權 Special Drawing Right	貿易總值 (進口及整體 出口)加權 Trade (import and export) - weighted	進口貨值 加權 Import- weighted	整體出口 貨值加權 Export- weighted
2021		10.69	5.78	0.53	8.51	0.244	7.774	11.07748	95.5	95.8	95.1
2022		9.67	5.68	0.48	8.20	0.224	7.832	10.48219	100.1	100.8	99.3
2023		9.73	5.83	0.42	8.72	0.225	7.829	10.44396	103.4	103.9	102.9
2022	10	8.86	5.51	0.43	7.89	0.207	7.851	10.05705	106.4	107.3	105.3
	11	9.19	5.65	0.45	8.12	0.216	7.831	10.18422	105.3	105.9	104.5
	12	9.48	5.76	0.45	8.35	0.224	7.788	10.34885	103.0	103.5	102.5
2023	1	9.55	5.90	0.46	8.46	0.236	7.820	10.51305	100.3	100.7	99.8
	2	9.48	5.89	0.44	8.48	0.231	7.848	10.50455	100.7	101.2	100.2
	3	9.53	5.86	0.43	8.48	0.228	7.850	10.49098	101.4	101.9	100.8
	4	9.77	5.89	0.43	8.74	0.229	7.851	10.59061	101.1	101.6	100.5
	5	9.78	5.85	0.41	8.74	0.230	7.837	10.51138	102.3	102.8	101.8
	6	9.88	5.82	0.42	8.69	0.225	7.833	10.44695	103.9	104.3	103.5
	7	10.06	5.86	0.43	8.95	0.226	7.818	10.51576	104.0	104.3	103.7
	8	9.94	5.79	0.42	8.91	0.224	7.826	10.43167	105.1	105.6	104.6
	9	9.69	5.74	0.41	8.71	0.218	7.829	10.32684	105.9	106.4	105.4
	10	9.52	5.72	0.41	8.66	0.215	7.826	10.26364 *	106.5	107.1	105.8
	11	9.69	5.79	0.42	8.75	0.221	7.807	10.33178	105.5	106.0	104.9
	12	9.88	5.86	0.42	9.02	0.224	7.810	10.41784	104.2	104.7	103.7

註釋： 數字是指期內每日收市中間價的平均值。除印尼盾、新台幣及菲律賓披索的數字是現鈔價外，其餘的均為電匯價。

Note: Figures are the averages of the daily closing middle-market rates for the respective period. They are telegraphic transfer rates except those for the Indonesian Rupiah, New Taiwan Dollar and Philippine Peso which are notes rates.

Source: Hong Kong Monthly Digest of Statistics. January 2024, C&S. P193

Currency Weights of the New Series of Effective Exchange Rate Index

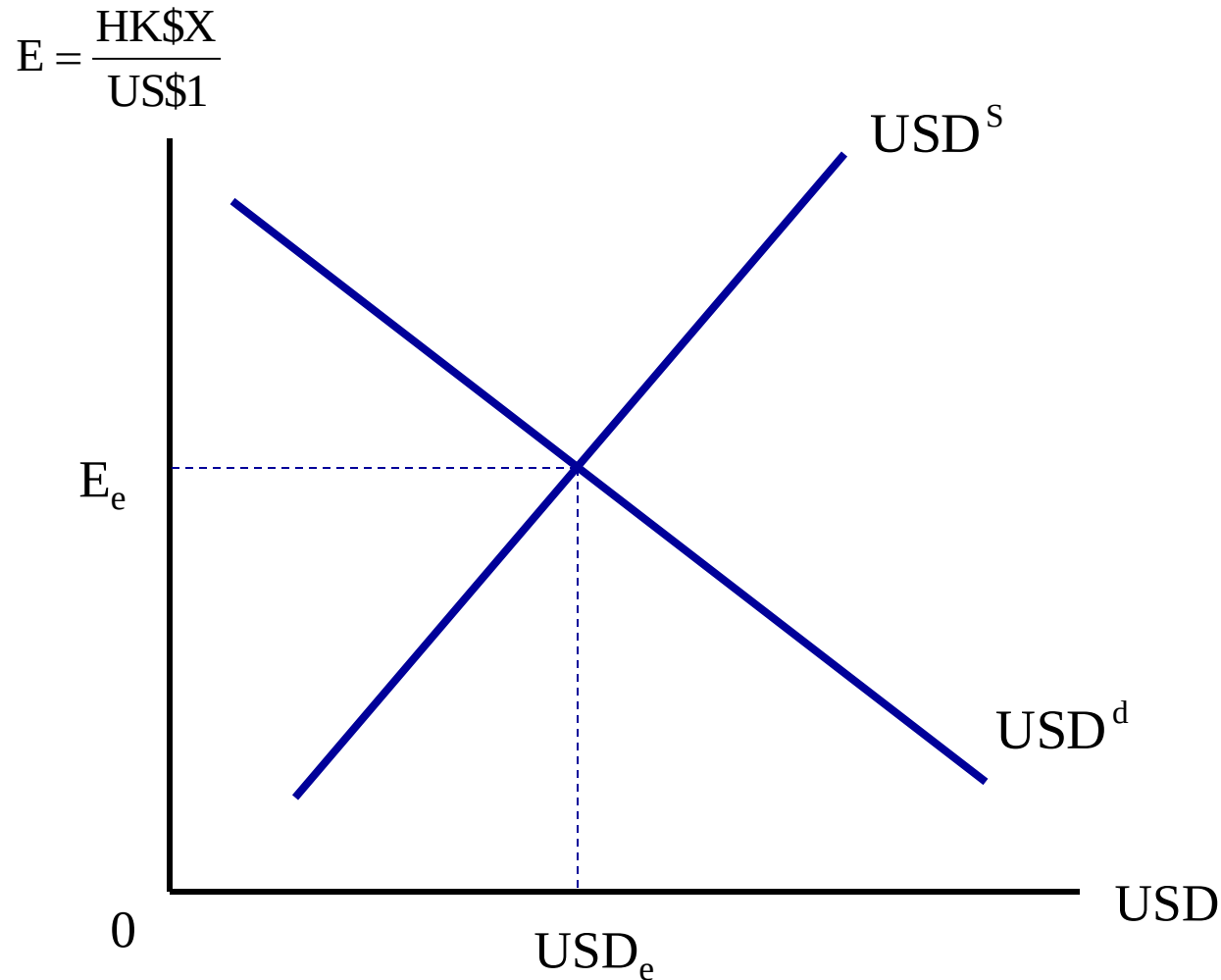
貨幣	Currency	(%)					
		貿易總值加權		進口貨值加權		整體出口貨值加權	
		Trade-weighted		Import-weighted		Export-weighted	
		重訂基期後 數列	舊數列	重訂基期後 數列	舊數列	重訂基期後 數列	舊數列
		Rebased series	Old series	Rebased series	Old series	Rebased series	Old series
人民幣	Chinese Renminbi	53.95	52.45	47.18	48.52	61.67	56.93
美元	U.S. Dollar	9.16	8.68	7.32	5.51	11.26	12.28
新台幣	New Taiwan Dollar	5.85	4.86	8.75	6.97	2.54	2.45
歐元	Euro	5.61	7.49	4.77	6.06	6.56	9.11
新加坡元	Singapore Dollar	4.66	4.67	7.18	7.16	1.78	1.86
日圓	Japanese Yen	4.56	7.22	5.81	9.43	3.13	4.71
南韓圓	Korean Won	3.64	3.09	5.54	4.11	1.48	1.93
馬來西亞元	Malaysian Ringgit	2.48	1.83	3.86	2.65	0.91	0.89
印度盧比	Indian Rupee	2.20	2.34	1.55	2.17	2.93	2.52
泰銖	Thai Baht	1.74	1.79	2.02	2.32	1.42	1.19
英鎊	Pound Sterling	1.45	1.82	1.55	1.30	1.33	2.40
菲律賓披索	Philippine Peso	1.29	0.97	1.65	1.26	0.88	0.65
瑞士法郎	Swiss Franc	1.07	1.18	1.38	1.63	0.72	0.68
澳門元	Macao Pataca	0.70	-	0.19	-	1.28	-
澳元	Australian Dollar	0.62	0.98	0.40	0.54	0.88	1.48
印尼盾	Indonesian Rupiah	0.45	-	0.36	-	0.56	-
加拿大元	Canadian Dollar	0.33	0.63	0.22	0.37	0.45	0.92
南非蘭特	South African Rand	0.23	-	0.24	-	0.21	-
總計	Total	100.00	100.00	100.00	100.00	100.00	100.00

The old and new Exchange Rate Index

- The effective exchange rate index ([EERI](#)) for the Hong Kong Dollar (HKD) is an index which measures movements in the weighted average of the exchange rate of the HKD against the currencies of major trading partners of Hong Kong. It serves as an indicator for measuring the overall strength of the HKD relative to selected currencies. A rebased series of EERI, which includes 18 currencies and is based on January 2020 as 100, has replaced the old series as from 3 January 2022.
- “Rebased Series of Effective Exchange Rate Index for the Hong Kong Dollar” ,Feature Articles FA1, in Hong Kong Monthly Digest of Statistics January 2022. Available at:
<https://www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1010002&rcode=460>

A theoretical model for exchange rate determination

The US Foreign Exchange Market in Hong Kong



Supply of the foreign currency

- A foreign currency is offered in exchange for the domestic currency because holders of the foreign currency wish to make payments in the domestic currency.
- It is derived from the credit items in the BP.
- The supply of curve is slopping upwards from left to right.

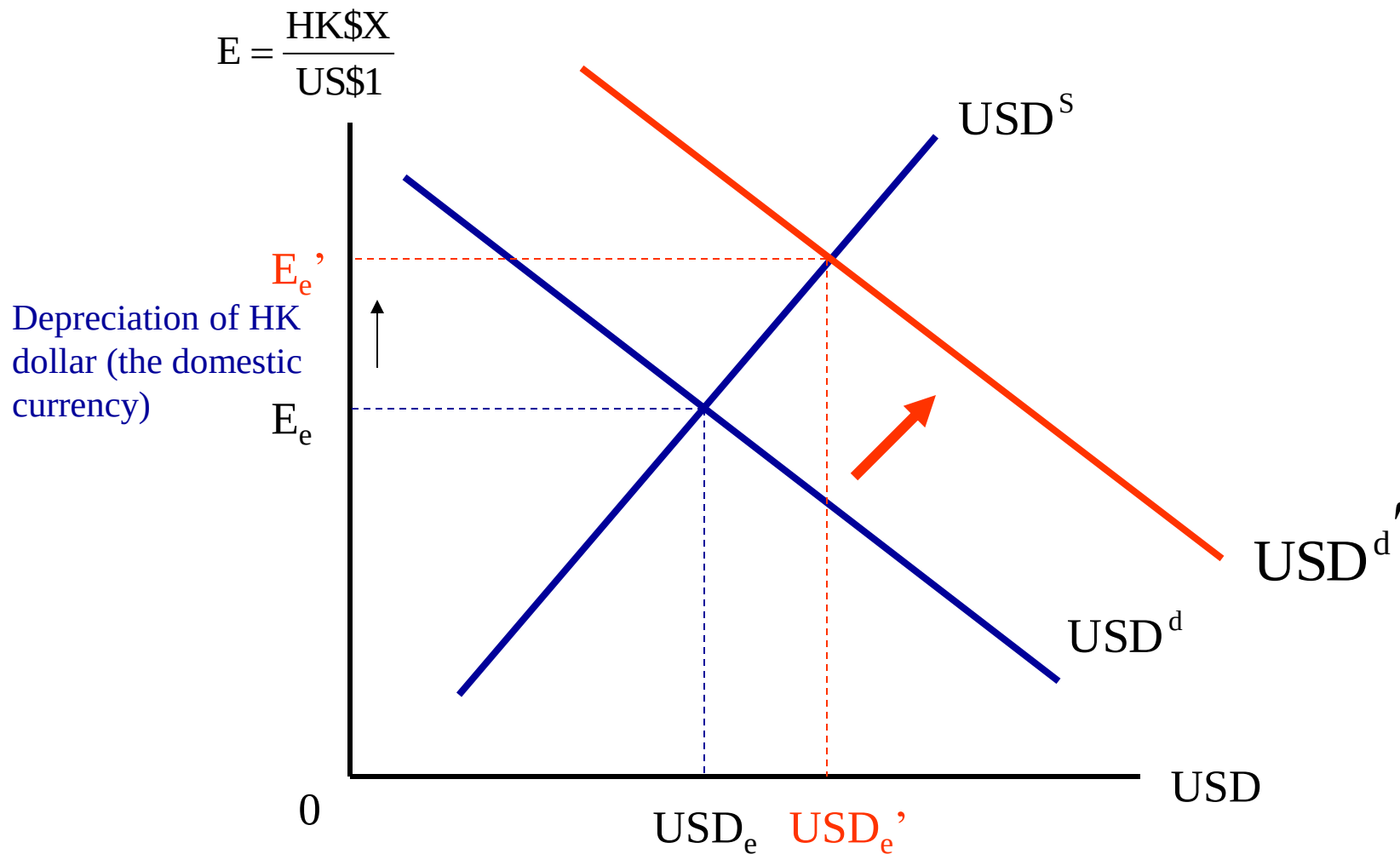
$$\text{USD}^S \uparrow = f(E \uparrow; X \uparrow, \text{Capital Inflow} \uparrow, \text{FX Reserves} \downarrow)$$

Demand for the foreign currency

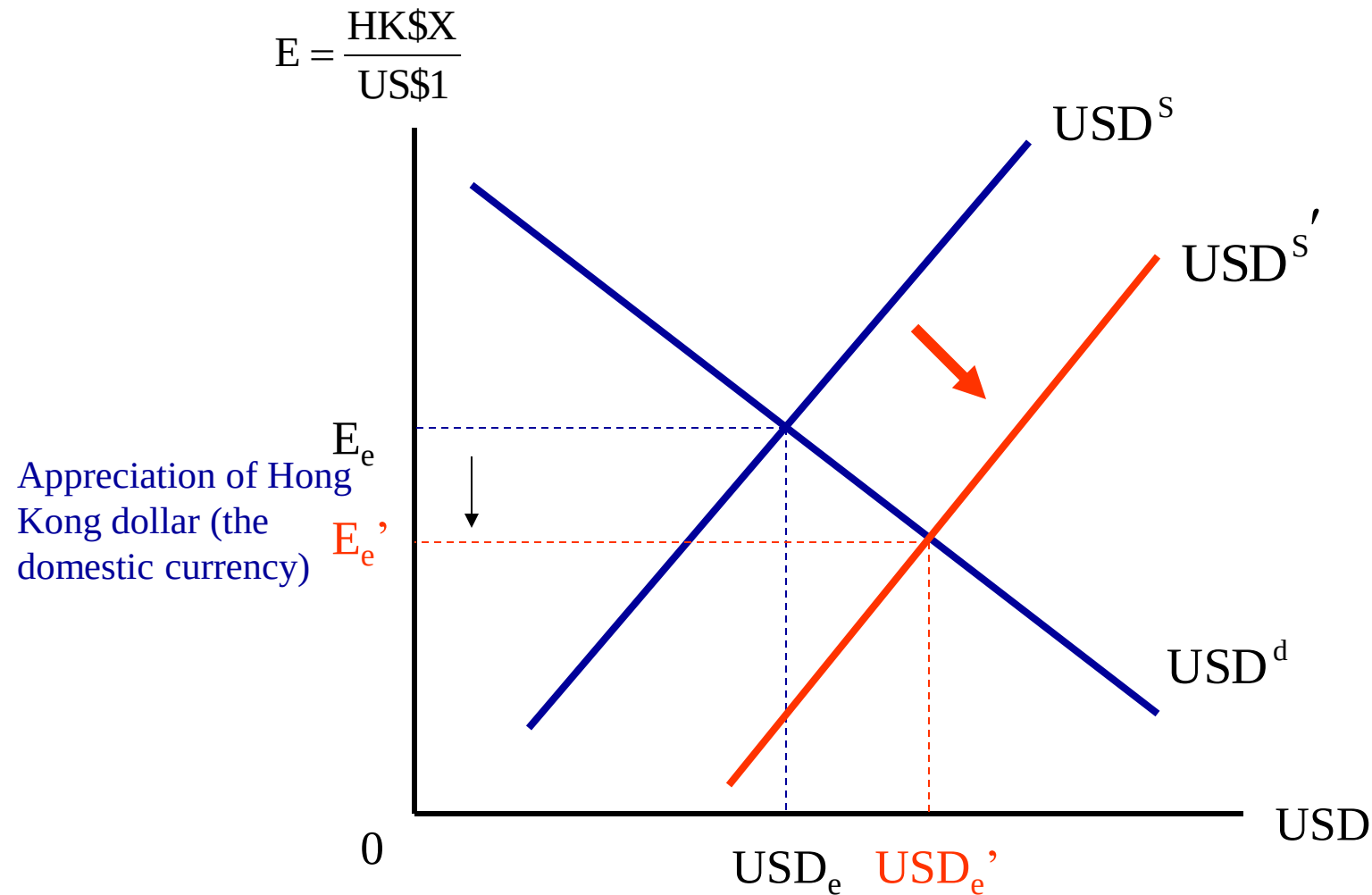
- It arises because holders of the domestic currency wish to make payments in a foreign currency.
- It originates in the debit items in the BP.
- slopes downwards from left to right.

$$\text{USD}^d \uparrow = f(E \downarrow; M \uparrow, \text{Capital Outflow} \uparrow, \text{FX Reserves} \uparrow)$$

Comparative static analysis (1): An increase in imports



Comparative static analysis (2): An increase in FDI inflow

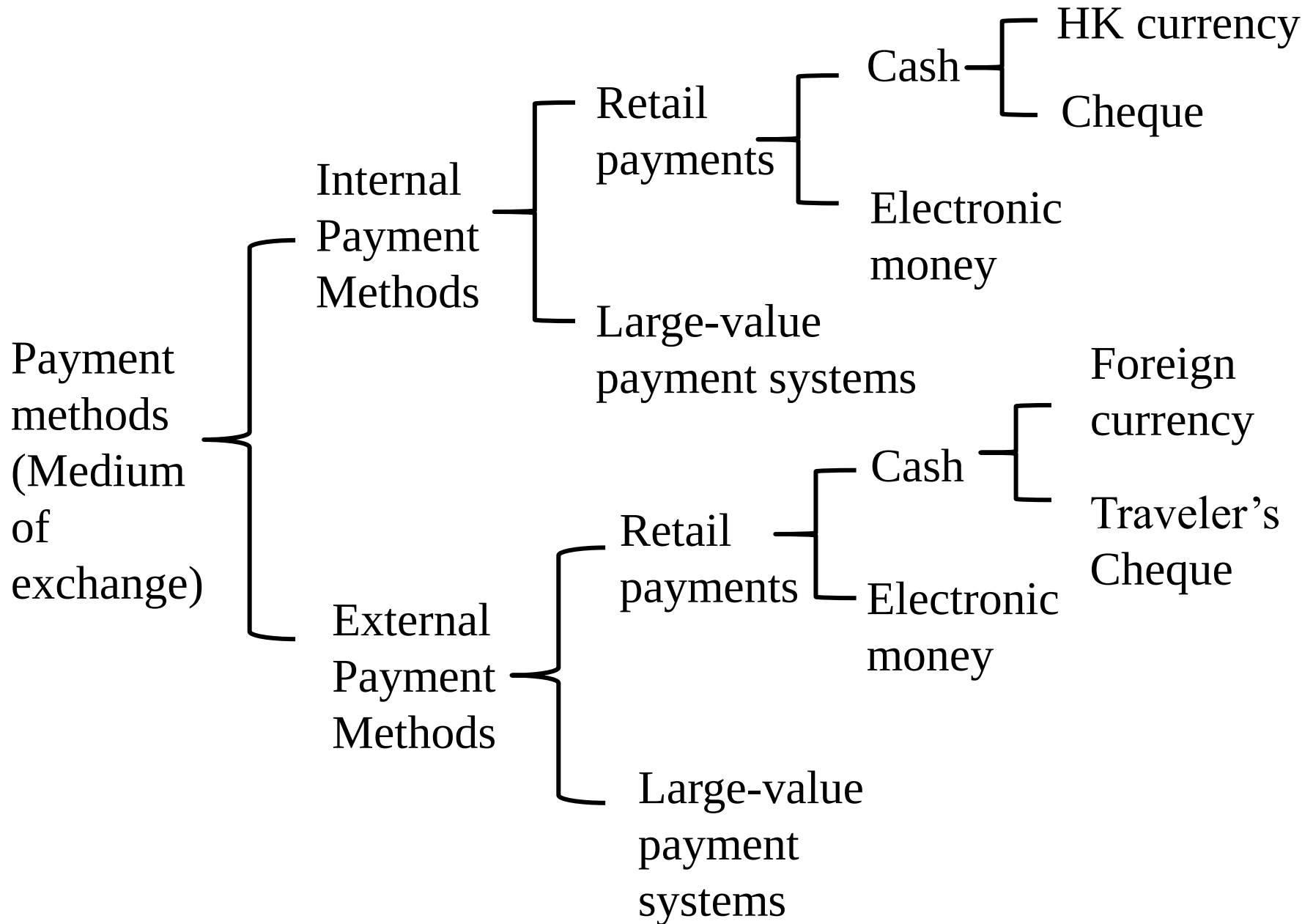


Big Mac PPP (Source:The Economist, 24/04/2003)

	Local currency price (2)	USD price (3)	USD PPP (4)	Actual exchange rate (5)	Over (+) or under (-) evaluation (%)
<i>United States</i>	\$ 2.71	2.71			
<i>UK</i>	£ 1.99	3.14	1.36*	1.58	+ 16
<i>Eurozone</i>	€ 2.71	2.97	1.00*	1.10	+ 10
<i>Argentina</i>	Peso 4.10	1.43	1.51	2.88	- 47
<i>Poland</i>	Zł 6.3	1.62	2.32	3.89	- 40
<i>Thailand</i>	Baht 59.0	1.38	21.8	42.7	- 49
<i>China</i>	Yuan 9.9	1.20	3.65	8.28	- 56
<i>Japan</i>	Yen 262	2.19	96.7	120	- 19

Note : except for the £ et the euro (€) whose exchange rate represents their value in dollars (indicated by a star *), column 5 gives the dollar value of the local currency. Column 3 results from dividing (2) by (5). Column 4 (dollar PPP) results from dividing (2) (local currency price of the Big Mac) by 2,71 (US price of the Big Mac) (except for the UK and the euro zone, where the reverse ratio is taken). Source : <http://www.economist.com>

Global Payment system



Five types of electronic payments

- Credit/debit card transactions,
- Bank transfers,
- E-wallets,
- Mobile payments, and
- Online banking.

電子繳費 ePayment

VISA



G Pay



八達通
Octopus



Apple Pay



Hong Kong Interbank Clearing Limited

Statistics of HKD Clearing Transaction Volume

(period total expressed in no. of count)

(期內總數以交易筆數計算)

Period (期內數字)		Paper Cheque Clearing (支票結算)	CHATS Funds Transfer (結算所自動轉帳系統)	Faster Payment System ^A (轉數快)	Electronic Clearing (ECG - 電子結算)				Total (總計)
					Autopay (自動轉帳)	e-Cheque # (電子支票)	ECG Others (其他電子結算)	ECG Total (電子結算總計)	
2022	Jan	6,137,776	616,049	29,883,708	6,726,002	34,439	1,983,163	8,743,604	45,381,137
	Feb	3,263,427	466,618	25,540,257	5,655,858	24,428	1,604,949	7,285,235	36,555,537
	Mar	4,746,482	631,679	28,635,390	6,843,416	33,281	2,366,665	9,243,362	43,256,913
	Apr	4,664,304	533,736	29,710,468	5,381,898	30,014	1,612,485	7,024,397	41,932,905
	May	5,135,665	563,389	32,146,317	6,341,465	32,871	1,736,447	8,110,783	45,956,154
	Jun	5,233,517	601,962	32,009,445	5,719,205	33,678	2,229,169	7,982,052	45,826,976
	Jul	5,166,221	570,448	33,414,937	5,448,814	30,979	1,870,991	7,350,784	46,502,390
	Aug	5,815,020	618,656	33,311,066	5,561,870	35,302	1,848,695	7,445,867	47,190,609
	Sep	5,304,896	590,589	34,410,093	5,225,945	32,836	1,866,279	7,125,060	47,430,638
	Oct	5,397,482	562,427	36,344,849	5,124,784	32,570	1,699,737	6,857,091	49,161,849
	Nov	5,214,780	602,015	37,448,545	4,990,181	33,423	1,937,938	6,961,542	50,226,882
	Dec	4,961,220	607,818	38,517,047	4,866,614	32,936	2,143,298	7,042,848	51,128,933
2023	Jan	5,205,378	573,689	39,816,981	4,671,814	32,840	1,751,254	6,455,908	52,051,956
	Feb	4,683,785	567,985	37,175,980	4,429,018	30,741	1,693,325	6,153,084	48,580,834
	Mar	5,365,069	664,823	41,764,206	4,649,315	35,303	2,066,247	6,750,865	54,544,963
	Apr	4,374,987	551,962	39,801,243	3,811,357	29,299	1,503,583	5,344,239	50,072,431
	May	5,126,337	633,431	43,031,073	4,194,906	34,006	1,733,600	5,962,512	54,753,353
	Jun	5,047,177	639,946	42,955,606	3,608,636	32,892	1,867,218	5,508,746	54,151,475
	Jul	5,119,871	631,393	43,926,387	3,471,223	32,229	1,614,702	5,118,154	54,795,805
	Aug	5,426,800	681,130	45,421,667	3,589,209	34,085	1,823,539	5,446,833	56,976,430
	Sep	4,770,970	615,083	46,002,251	3,236,662	30,963	1,674,084	4,941,709	56,330,013
	Oct	5,096,463	604,558	49,304,265	3,031,684	31,710	1,504,419	4,567,813	59,573,099
	Nov	5,030,253	644,503	49,790,609	2,888,614	31,902	1,672,050	4,592,566	60,057,931
	Dec	4,573,628	628,001	51,203,227	2,906,980	30,649	1,600,529	4,538,158	60,943,014
2024	Jan	5,375,858	683,976	54,165,550	2,775,192	33,965	1,609,649	4,418,806	64,644,190
	Feb	4,207,881	569,920	50,790,527	1,955,623	28,395	1,413,591	3,397,609	58,965,937
	Mar	4,479,106	628,229	55,764,523	1,889,980	28,882	1,646,349	3,565,211	64,437,069
	Apr	4,715,427	676,164	55,402,268	1,641,890	31,426	1,582,880	3,256,196	64,050,055
	May	4,697,285	708,203	57,831,815	1,499,288	31,562	1,741,094	3,271,944	66,509,247
	Jun	4,246,343	634,413	58,019,799	1,293,584	28,719	1,524,131	2,846,434	65,746,989
	Jul	5,039,952	731,419	60,208,084	1,420,291	31,714	1,560,509	3,012,514	68,991,969
	Aug	4,746,303	696,321	59,850,068	1,026,921	28,531	1,515,423	2,570,875	67,863,567
	Sep	4,518,436	677,240	61,839,892	327,964	27,584	1,547,344	1,902,892	68,938,460
	Oct	4,977,208	746,670	67,660,989	20	29,712	2,057,814	2,087,546	75,472,413
	Nov	4,327,100	692,414	65,214,452	102	27,474	1,597,407	1,624,983	71,858,949
	Dec	4,480,420	751,585	68,111,280	0	29,587	1,411,449	1,441,036	74,784,321

Challenges of the global payment system

- Digital payments are electronic transactions that allow customers to make payments online and via mobile or digital wallets. They have revolutionized how people conduct financial transactions, offering convenience, security, and faster processing times compared to traditional payment methods. Due to their ease of use, accessibility, and affordability, digital payment methods are increasingly gaining popularity worldwide.

- Digital payments are becoming increasingly prevalent, as total transaction value in the digital payments market is projected to reach 11.53 trillion USD in 2024.
- Digital payment systems can face challenges in global payments due to differences in currency and regulation across countries.
- In addition, payments must also be secure and efficient. Financial institutions and payment providers must handle these challenges to offer reliable, affordable solutions.

How Do Digital Payments Work?



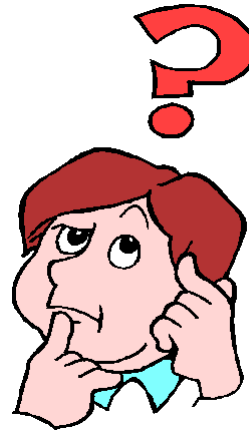
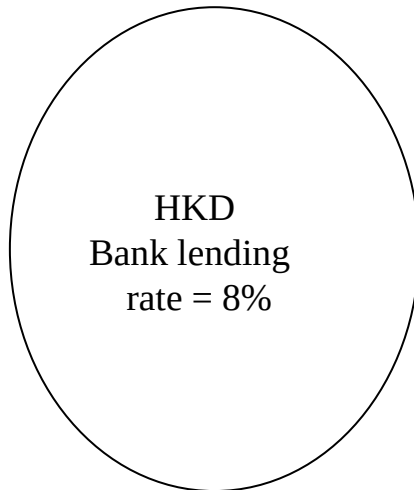
6 Challenges in Digital Payments:

- Secure and reliable processing
- Integration with multiple payment systems
- Global compatibility
- Partnerships for lower transaction fees
- Scalable and flexible infrastructure
- Customer trust

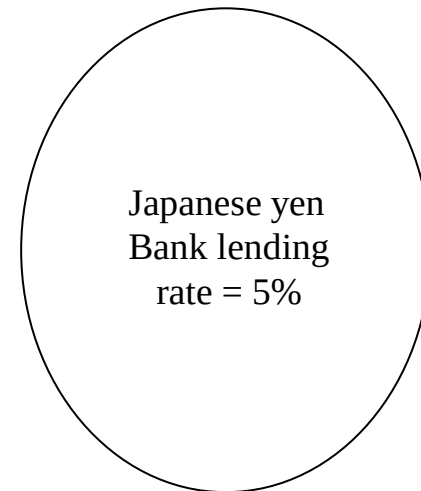
Markets for Interest Rate Instruments

Transformation of currency denomination in business loans

Hong Kong



Japan

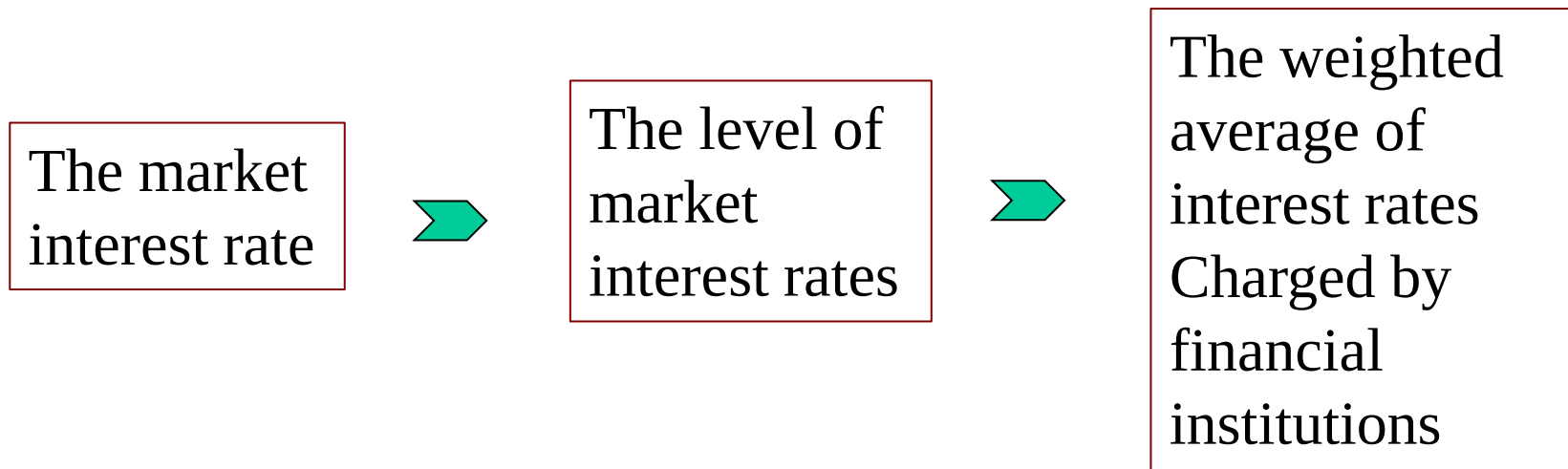


- The spread between buying and selling prices
- Service charge
- Transaction cost (service charge or commission)
- Exchange rate Expectations
- Exchange Risk
- Net profit margin

Interest Rate Instruments

Deposits and loans	Short term (up to and including 1 year) Interbank deposits and loans US Federal funds Bank time deposit or transferable deposits Bank business loans
	Long term (over 1 year) Bank mortgage loans Bank long term fixed deposits
Debt securities	Short term (up to and including 1 year) Examples: Treasury bills and commercial papers
	Long term (over 1 year) Examples: Bonds sold by issuing companies, governments and others outside their own countries

The market interest rate



There are different rate of interest applied to different individuals/firms subject to different terms to maturity, risk premium (credit risk, country risk, industry risk), and the monetary authority's interest rate target.

The Bank of International Settlement (BIS) Policy rates

- The data set on the monetary policy rates of 38 central banks.
- This is the only data set containing both current and historical data for a large number of countries.
- Central banks informed the BIS on which interest rates to be considered as policy
- The data set presents the target rate, or when this is not available the traded rate, for the central bank's main policy instrument. Several central banks implement their monetary policy based on more than one interest rate.

Sources: <https://www.bis.org/statistics/cbpol.htm>

Thank You