



talkingtreasury

The seventh in the thought-leadership series

What impact is inflation having on liquidity risk management and corporate funding strategies?

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Hong Kong's Benefits to Corporates in the Region

- Easy access to a wide variety of financial products for investment / hedging / other purposes
- Easy access to credit facilities



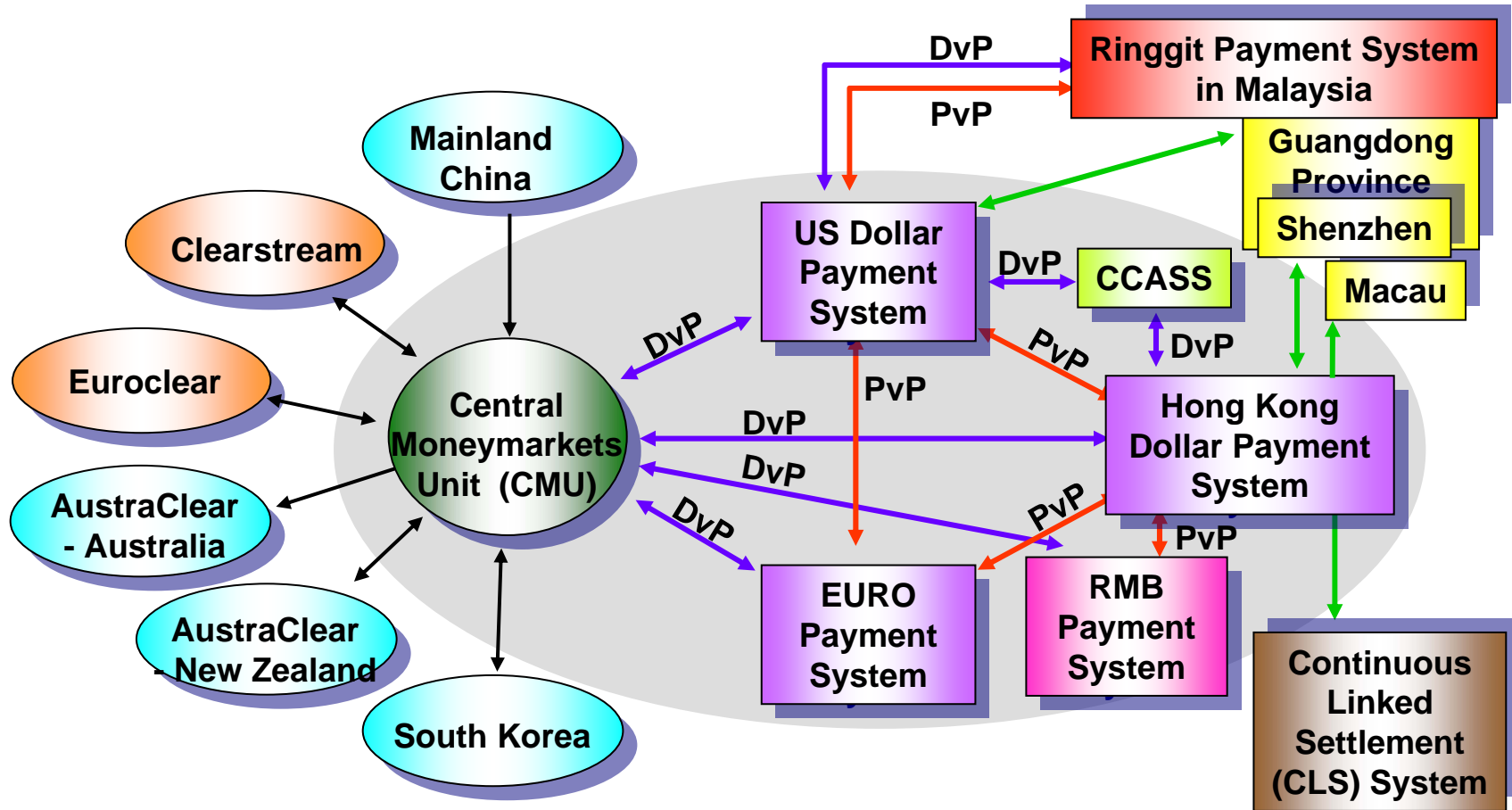
The Unique China Factor

Hong Kong is a convenient conduit/platform through which

- Savings in Mainland China can be channelled to overseas investment
- Savings overseas can be channelled to investments in Mainland China



Payment and Settlement Infrastructure in Hong Kong : how it facilitate cross border money and securities flows



<p>↔ Cross-border bond settlement link</p> <p>↔ Cross-border payment link</p>	<p>↔ DvP: Delivery vs. Payment</p> <p>↔ PvP: Payment vs. Payment</p>
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CMU – Settlement system for bonds

CCASS – Settlement system for shares

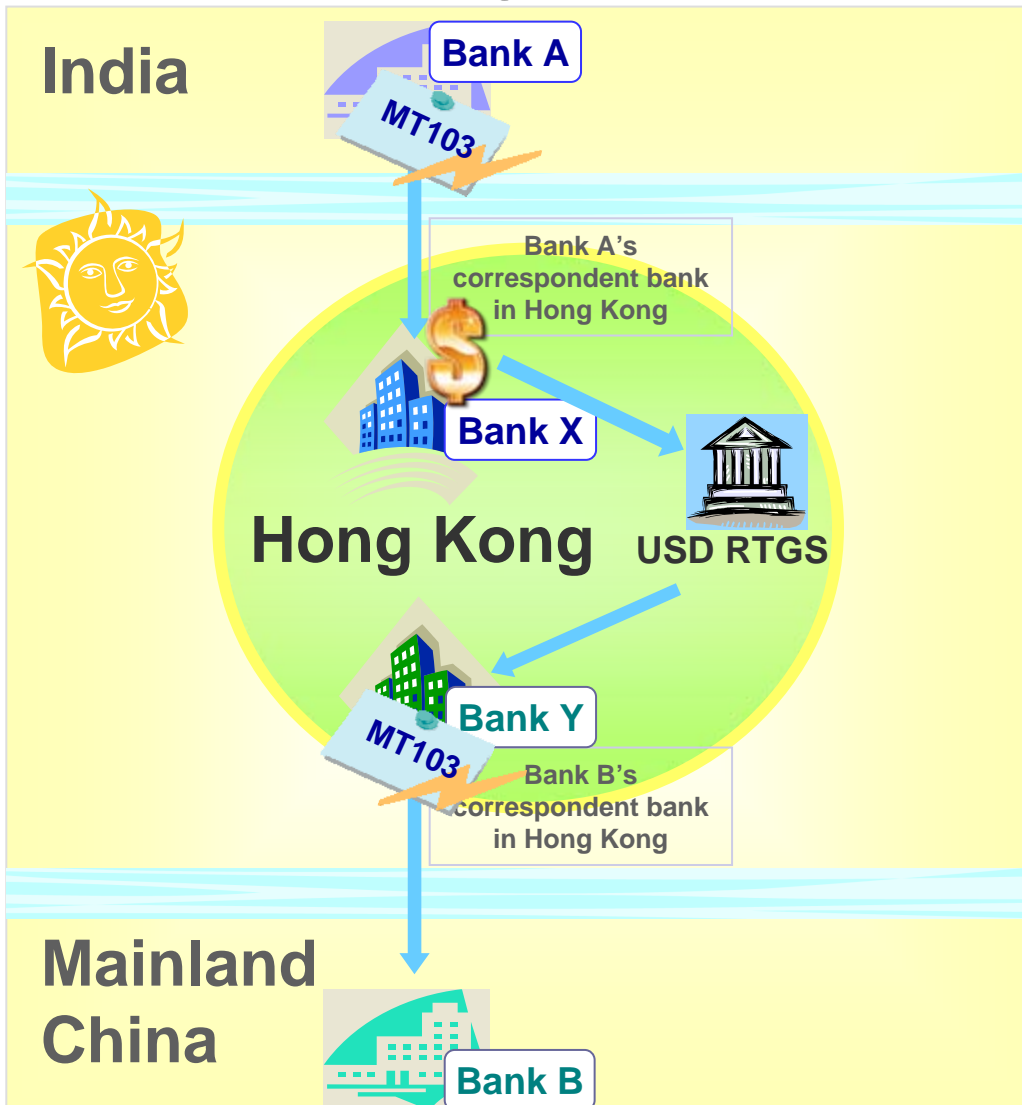
CMU – Euroclear Link

- Venue for banks to bring in Euroclear securities (for example; US Treasuries and others) into the CMU system
- Facilitate the use of US Treasuries and other securities (of credit quality acceptable to HKMA) by banks in Hong Kong to do repo with the HKMA through the Discount Window



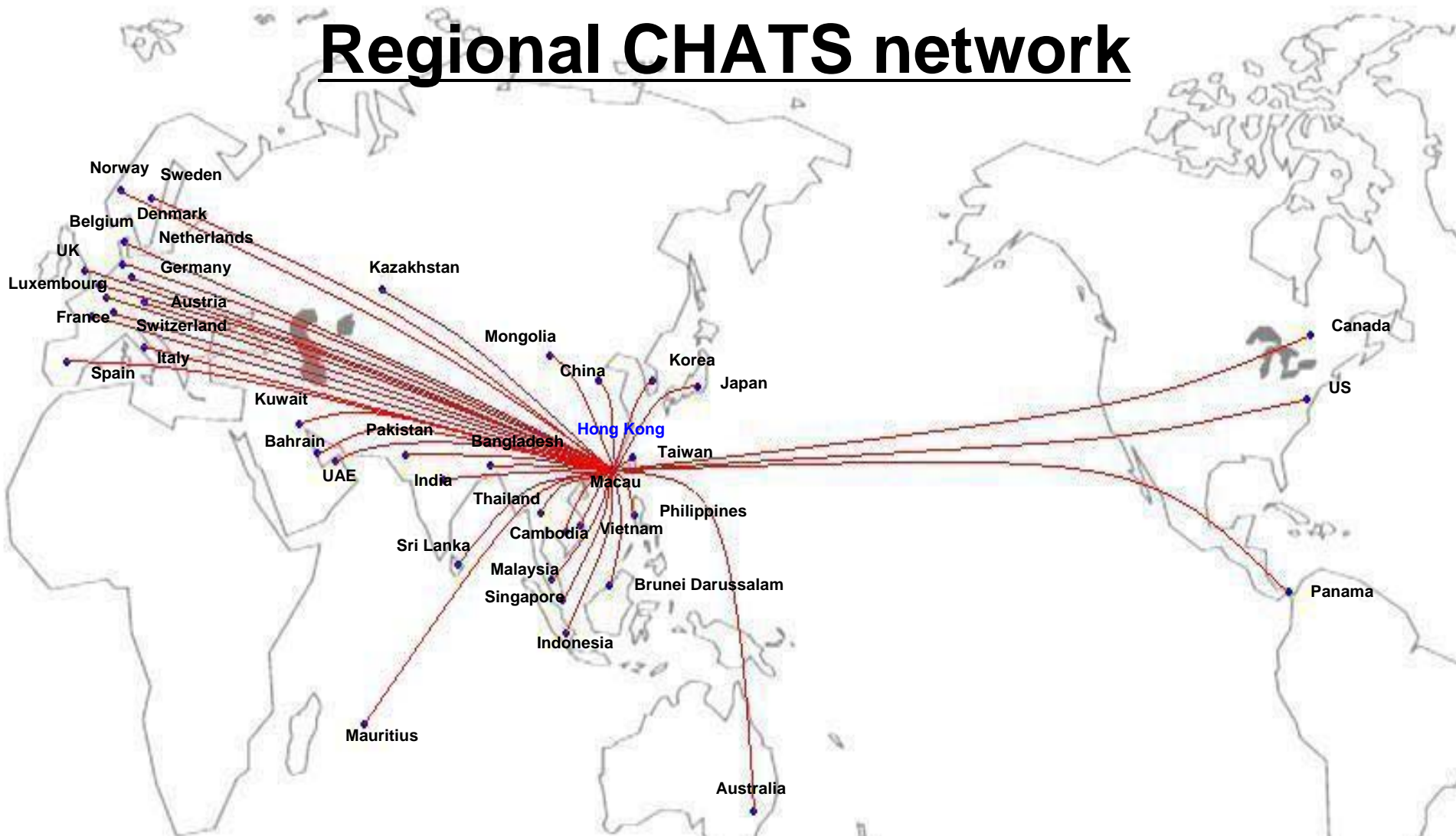
Regional CHATS:

Efficient Regional Cross Border Payments



- With the USD, EUR and HKD RTGS in Hong Kong, USD, EUR and HKD payments across the region can be conducted efficiently in Asian time

Regional CHATS network



- Launched in mid-July 2007, the Regional CHATS covers 42 economies, over 1,800 beneficiary points worldwide
- The Regional CHATS Directory Search Engine is available on www.hkicl.com.hk⁷

Consumer prices inflation (latest)

	(%)
US (August 2008)	5.4
China (August 2008)	4.9
Japan (August 2008)	2.1
Britain (August 2008)	4.7
Canada (August 2008)	3.5
Euro area (September 2008)	3.6
Hong Kong (August 2008)	4.6

(Source : Economist, 11th – 17th October 2008)



Inflation prospects

- Continuing inflation
- Disinflation
- Deflation

Inflation is unlikely to be running at current high rate in the next one to two years.



Fund raising strategy

- Equity
- Bonds
- Bank lending

Which is easier in the coming one to two years?





Thank you