Hong Kong's US dollar peg faces fresh calls for review – but is change feasible?

Economists and financial analysts warn abandoning the anchor would pose risks that far outweigh potential rewards

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The Hong Kong dollar's four-decade-old peg to the US dollar is facing fresh calls for review, after a local financial industry body urged greater use of the yuan and floated the idea of shifting to a basket of major currencies and gold – though financial analysts argue the current system is likely to remain in place.

The proposal to revisit the pegged exchange rate system was submitted this

year plan.

Founded in 2002, the association recommended forming an independent expert committee to help chart the city's financial future and examine potential currency reforms. It recommended that the committee be co-led by the Hong Kong Monetary Authority (HKMA) and the Financial Services and the Treasury Bureau.

"The peg to the US dollar cedes control over local monetary policy to the US Federal Reserve," the association noted, citing financial pressure on local homebuyers and small businesses during recent rate-hike cycles.

"If Hong Kong clings to the old regime, any major dollar volatility or credit crisis would leave the Hong Kong dollar with no buffer, severely impacting financial markets, property prices and citizens' retirement savings."

The proposal coincides with a broader global debate about "de-dollarisation" as well as Beijing's push to expand the yuan's international use through Hong

Kong's offshore market.

> *There is no evidence that a basket of currencies is superior to the US dollar*
>
> Tommy Ong, T.O. & Associates Consultancy

However, market observers said the association's recommendations would face an uphill battle to reach the government's legislative agenda, let alone be acted on. Most local financial professionals and economists continue to view the peg as essential for maintaining market stability and ensuring prosperity.

"If we switch to a yuan peg, linking a freely convertible currency to a non-freely convertible one would be rare and highly complex," said Kenny Tang Sing-hing, chairman of the Hong Kong Institute of Financial Analysts and Professional Commentators.

Exchange-rate stability, he added, was "one of the core values and driving forces" behind Hong Kong's financial markets and should not be changed lightly.

Allen Ding, chief economist at China Citic Bank International, warned that sudden monetary shifts could trigger market instability, adding that "the true focus should remain on expanding the renminbi's broader global adoption".