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HKMA raises the Base Rate to 4.25% after the US rate rise

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On 17 September 2026 the Hong Kong Monetary Authority raised the Base Rate to 4.25%, following a 25-basis-point rise in the US federal funds target range.

Country reference

- Country: Hong Kong (planned expansion country)
- Authorities: Hong Kong Monetary Authority (HKMA)
- Topic: HKMA Base Rate
- Key date: Effective 17 September 2026
- Law: Linked Exchange Rate System; HKMA Discount Window

What the HKMA announced

The Base Rate rose to 4.25% with immediate effect on 17 September 2026, after the US Federal Reserve raised its target range by 25 basis points on 16 September (US time). The Base Rate sets the rates the HKMA charges banks through its Discount Window.

How the rate is set

- The Base Rate is the higher of two figures: 50 basis points above the lower end of the US federal funds target range, or the average of the five-day moving averages of overnight and one-month HIBOR.
- This time the US-linked figure was 4.25%, well above the HIBOR average of 2.50%.
- The formula follows from the Linked Exchange Rate System, which ties the Hong Kong dollar to the US dollar, so Hong Kong cannot set rates independently.

What it means

- Bank lending and deposit rates are driven by HIBOR and each bank's prime rate, not the Base Rate directly. With HIBOR at about 2.50%, the gap to the Base Rate is wide.
- If HIBOR moves up toward US levels, HIBOR-linked loans and mortgages will reprice quickly.
- The Saudi riyal is also pegged to the US dollar, and the Saudi Central Bank raised its rates the same week.

What to do now

- Check which loans are priced on HIBOR and which on prime rate, and test a HIBOR rise.
- Review the timing of new Hong Kong dollar borrowing and of term deposits.
- For group treasury, compare Hong Kong dollar and US dollar funding costs before choosing the currency.

Our take

The Base Rate moves mechanically with the Fed. The number to watch is HIBOR, which is still low; when it catches up, Hong Kong dollar funding costs will rise sharply.

Sources

- HKMA: Adjustment of Base Rate (17 September 2026)

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