

Banking industry assists small and medium-sized enterprises in overcoming impact of coronavirus outbreak

The following is issued on behalf of the Hong Kong Monetary Authority:

In view of the spread of the novel coronavirus, the Hong Kong Monetary Authority (HKMA) convened a special teleconference of the Banking Sector SME Lending Coordination Mechanism on February 11 to discuss ways for the industry to extend greater support to their small and medium-sized enterprise (SME) customers in light of the latest developments.

Participating banks agreed that the outbreak has resulted in a further wave of difficulties for SMEs, whose cash-flow pressures have increased significantly. The impact has been broad and SMEs from different sectors are affected. In addition to the retail and catering sectors, which are already suffering as a result of the economic downturn, other sectors like import and export and transportation are also affected to varying degrees. In view of this latest development, eight of the participating banks have already introduced measures to support SMEs in response to an earlier call of the HKMA. The remaining two participating banks will launch similar measures shortly. The Coordination Mechanism also noted that some non-participating banks have responded to the HKMA's call by proposing various measures to help their customers ride out this difficult time.

In order to reduce the cash-flow pressures facing SMEs, banks continue to proactively offer to delay repayments or extend loan tenors, and to reduce fees. Some banks also provide unsecured loan products for SMEs to help improve their cash flow and made special arrangements to expedite loan approvals.

Banks have also introduced relief measures targeting specific sectors. For the import and export sector, banks have extended the repayment period of trade financing facilities to align with the prolonged trade cycle as a result of the outbreak and allowed customers to convert trade financing lines into temporary overdraft facilities so that SMEs can manage their cash flow more flexibly. For the transportation sector, banks have offered repayment holidays or principal moratoriums to some affected customers, including taxi and minibus operators, to help them overcome this difficult period.

The Coordination Mechanism also took the opportunity to discuss how banks can help their retail customers. All participating banks have introduced or will shortly introduce measures to relief personal financial difficulties. These include principal moratoriums for residential mortgages and fee reductions for credit card borrowing. Regarding principal moratoriums for residential mortgages, the HKMA stated at the meeting that while banks

should adhere to the supervisory requirement that mortgage loan tenors should not exceed 30 years in normal circumstances, banks may exercise flexibility on a case-by-case basis for customers with special needs.

During the meeting, HKMC Insurance Limited (HKMCI) expressed its support for banks in introducing measures to lessen the impact of the outbreak on SME and personal customers. Because banks allowing extension of loan tenors and trade financing repayment schedules may result in changes to guarantee terms, HKMCI has streamlined procedures to speed up processing of bank applications for revision of loan terms. As for personal mortgages, HKMCI has confirmed that with regard to principal moratoriums or extensions of repayment schedules recently introduced by some banks, it stands ready to be flexible and will allow borrowers using the Mortgage Insurance Programme to apply for these measures to help reduce their repayment burden. It will also look into ways to streamline related procedures and shorten vetting and approval time.

The Coordination Mechanism will continue to closely monitor developments and discuss with banks other appropriate measures to support SME customers should the need arise.

The Coordination Mechanism was convened by the HKMA. Representatives from the Hong Kong Association of Banks, ten major banks active in SME lending, and the HKMCI attended the teleconference.