

Banking sector launches Pre-approved Principal Payment Holiday Scheme for corporate customers

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

The Hong Kong Monetary Authority (HKMA) together with the Banking Sector SME Lending Coordination Mechanism announced today (April 17) the launch of the Pre-approved Principal Payment Holiday Scheme for eligible corporate customers. The key features of the Scheme are:

- All corporate customers that have an annual sales turnover of HK\$800 million or less—estimated to cover more than 80 per cent of all corporate borrowers in Hong Kong—and that have no outstanding loan payments overdue for more than 30 days are eligible for the Scheme.
- All loan principal payments of eligible customers falling due within a 6-month period between May 1, 2020 and October 31, 2020 will be pre-approved for deferment. Principal payments of loans (including revolving facilities) will generally be deferred by 6 months, whereas trade facilities, given their short-term nature, will be deferred by 3 months.
- The Scheme does not cover syndicated loans or loans used for financing purchases of shares or other financial assets.
- Banks will begin informing eligible customers of the pre-approval under the Scheme as soon as practicable. Eligible customers do not need to apply. They only need to contact the bank within 14 days of the bank's notice to confirm the detailed arrangements of the principal payment holiday.
- The HKMA has issued a circular requesting all banks to participate in the Scheme, and has received support from all the 11 major lenders in the Coordination Mechanism.

In light of the economic challenges brought about by the COVID-19 outbreak, the banking sector considers it essential for the Scheme to be implemented quickly in order to alleviate the cash-flow pressure faced by corporate customers. Considering the Scheme's novel nature and the need to

roll it out within a short period, the HKMA has reminded banks to devote sufficient resources to ensuring the smooth operation of the Scheme, and to set up hotlines for customers who wish to make enquiries. The HKMA will monitor the operation of the Scheme and maintain close dialogues with banks with the aim of improving the Scheme's implementation on an ongoing basis. For more details about the Scheme, please refer to the attachment.

The Banking Sector SME Lending Coordination Mechanism was established by the HKMA in October 2019. Participating banks have expanded from the nine banks most active in SME lending at establishment to 11 banks at present. The Hong Kong Association of Banks and the HKMC Insurance Limited are represented in the Mechanism. Since its establishment, the Mechanism has rolled out four rounds of relief measures for corporate and retail customers, including principal payment holidays for SMEs and residential mortgages, loan tenor extensions, and the conversion of trade financing lines into temporary overdraft facilities. The measures have worked as intended—as at the end of March 2020, nearly 9 000 SME applications for relief measures have been approved by banks active in SME financing, amounting to over HK\$57 billion. Banks have approved over 2 800 principal payment holiday applications for residential mortgages and emergency personal loans, involving an aggregate amount of over HK\$8 billion.