

Extension of Pre-approved Principal Payment Holiday Scheme for another six months

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 (Mechanism) today (February 23) announced that the Pre-approved Principal Payment Holiday Scheme (Scheme) will be extended for another six months to end-October 2022. The Scheme will also offer a one-year partial principal repayment option to those customers who are financially capable and willing to resume principal repayment gradually.

Since its introduction, the Scheme has been extended three times. Some corporate customers have had their principal repayment deferred for more than two years. This has presented challenges to banks' risk management. Nevertheless, as the operating environment for some corporates has once again been affected by the deterioration in the local pandemic situation, the HKMA and the Mechanism have decided to extend the Scheme for another six months to the end of October. At the same time, the Mechanism notes that some participating corporates' repayment ability has recovered to some extent and they may prefer to have greater certainty to their future repayment schedule. The Scheme will therefore offer an option for corporates to repay 20 per cent of the original principal repayment amount over a period of one year on a voluntary basis.

Eligible corporate customers who participate in principal repayment holiday can have principal repayments on loans falling due between May and October 2022 deferred by six months except for repayments of trade loans, which will be deferred by 90 days. For trade facilities which are self-liquidating in nature, banks may require the loan to be settled when the customer has received the underlying payment. Corporate customers in need of principal repayment deferment may contact their banks. Requests will be handled on a "pre-approved" basis. For loans which have been extended for 540 days or more successively since first drawdown (or trade loans which have been extended for 270 days or more successively since first drawdown), banks have the flexibility to offer different forms of suitable credit relief to help the customers ride out the current difficulties, subject to prudent risk management principles.

Corporate customers currently participating in the Scheme may, at any time, opt to start to resume partial repayment of the original principal repayment amount on a voluntary basis. In principle, borrowers can resume repaying 20 per cent of the original principal repayment amount over a period of one year. The specific treatments of different types of loans are set out below:

- For instalment loans, such as mortgages and commercial vehicle loans, the principal repayment amount in each instalment will be 20 per cent of the original principal repayment amount, for a period of one year. The loan tenor should generally be extended correspondingly. Banks should apply the same treatment to commercial vehicle loans taken out by personal customers.
- For trade facilities, loans with bullet payments falling due within one year and outstanding revolving facilities, banks may discuss with customers having regard to the actual circumstances and allow them to repay the amount due by regular instalments over a period of two years.

â€‹The HKMA and the Mechanism will review the principal repayment arrangement beyond the one-year period at a suitable time with a view to proceeding gradually.

As the pandemic has caused disruption to economic activities and business operations, the HKMA calls on banks to continue to adopt a sympathetic attitude to customers in temporary financial difficulties, and render feasible assistance and flexible treatment to them insofar as is consistent with prudent risk management principles.

If corporate customers have enquiries about the above arrangement, please contact the HKMA via the dedicated email account (ppphs@hkma.gov.hk) or enquiry hotline (2878 1199).

Background

The Banking Sector SME Lending Coordination Mechanism was established by the HKMA in October 2019. Participants include 11 banks that are most active in SME lending. The Hong Kong Association of Banks and the HKMC Insurance Limited are also represented in the Mechanism. Since its establishment, the Mechanism has rolled out several rounds of relief measures for corporate customers, including the Scheme, loan tenor extensions, and the conversion of trade financing lines into overdraft facilities. At the end of January 2022, banks had granted over 85 000 cases of loan tenor extension and other forms of relief, involving an aggregate amount of HK\$930 billion.

The Scheme covers all corporate customers that have an annual sales turnover below HK\$800 million and that have no seriously overdue loan payments. The Scheme took effect in May 2020 with around 100 participating banks and covers around 120 000 eligible corporate customers. The Scheme had been extended in November 2020, May 2021 and November 2021, for six months each time, to end-April 2021. From May to October 2020, 19 000 eligible corporate customers participated in the Scheme (participation rate of 16 per cent). Following the Scheme's extension in May 2021, the number of participating corporate customers dropped to 3 500 (participation rate of 3 per cent).