

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 (March 4) announced that the Pre-approved Principal Payment Holiday Scheme (Scheme) will be extended for another six months to October 2021.

Given the persistence of the COVID-19 pandemic around the globe and the severity of the ensuing impact on the global and local economy, some small and medium-sized enterprises continue to face cash-flow pressure. The Mechanism agreed that all principal payments of loans falling due between May and October 2021 by eligible corporate customers will be deferred by another six months except for repayments of trade loans, which will be deferred by 90 days.

As the Scheme has been rolled out for nearly one year, in order to strike a balance between catering for the unique circumstances facing individual customers and the need for prudent risk management, the Mechanism has agreed that, for loans which have been extended for 540 days or more cumulatively since first being drawn down (or trade loans which have been extended for 270 days or more cumulatively since first being drawn down), banks can adopt a flexible approach and consider, on a case-by-case basis and subject to prudent risk management principles, whether other forms of relief are more suitable to help the customers ride out the current difficulties.

Similar to the Scheme extension in November 2020, banks will not issue individual notifications to eligible customers regarding the deferment arrangement. Interested corporate customers may contact their banks. Deferment requests will be handled on a "pre-approved" basis. Banks may request customers to provide up-to-date operational and financial information to better understand their needs when processing their requests.

The Scheme covers all corporate customers that have an annual sales turnover below HK\$800 million and that have no seriously overdue loan payments. For enquiries about the Scheme, 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 2021, banks had granted over 59,000 cases of loan tenor extension and other forms of relief, involving an aggregate amount of HK\$750 billion.

The Scheme, which took effect in May last year, was extended by six months in November 2020 to April 2021. Around 100 banks participate in the Scheme, which covers around 120 000 eligible corporate customers. From May to October 2020, 19 000 eligible corporate customers participated in the Scheme, representing a participation rate of 16 per cent. Following the Scheme's extension in November 2020, the number of participating corporate customers dropped to 5 100, representing a participation rate of 4 per cent. All corporate loans including mortgages, vehicle loans and trade facilities are covered by the Scheme. The HKMA has also reminded banks to be sympathetic to customers who are not eligible for the Scheme and to help tide them over this difficult time as long as it is consistent with prudent risk management principles to do so.