

HKMA announces details of Pilot Bond Grant Scheme and progress of other bond market-related initiatives

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

The Hong Kong Monetary Authority (HKMA) today (May 10) announced details of the Pilot Bond Grant Scheme (PBGS) as promulgated in the 2018-19 Budget, and progress of other bond market-related initiatives.

The key eligibility criteria for the PBGS are as follows:

| Issues | Details |
|--------------------|---|
| First time issuers | Eligible issuers must be first time issuers, which are issuers that have not issued bonds in Hong Kong in the five-year period between May 10, 2013 and May 9, 2018, both days inclusive. |
| Eligible issues | Eligible issues must satisfy the following criteria: <ul style="list-style-type: none">• being issued in Hong Kong;• having an issuance size of at least HK\$1.5 billion (or the equivalent in foreign currency);• being lodged with and cleared by the Central Moneymarkets Unit (CMU) operated by the HKMA in its entirety, or being listed on the Stock Exchange of Hong Kong Limited (SEHK); and• being, at issuance, issued in Hong Kong to (i) 10 or more persons or (ii) less than 10 persons none of whom is an associate of the issuer. |
| Grant amount | The grant amount for each bond issue is equivalent to half of the eligible issuance expenses, up to the following limits: <ul style="list-style-type: none">• HK\$2.5 million where the bond, its issuer or its guarantor(s) possess a credit rating by a rating agency recognised by the HKMA; or• HK\$1.25 million where none of the bond, its issuer or its guarantor(s) possess a credit rating by a rating agency recognised by the HKMA. Each issuer can apply for a grant for two bond issuances at most. |

The commencement date of the PBGS will be the date of the completion of legislative process for the 2018-19 Budget. The PBGS will be valid for a period of three years.

Details of the PBGS are set out in an [industry circular](#) issued by the

HKMA today.

The HKMA has also made good progress on the other bond market-related initiatives:

- The HKMA is working with the Government in implementing the enhancements to the Qualifying Debt Instrument (QDI) Scheme by amending the existing law. The effective date of the enhancements, which would expand the profit tax exemption coverage*, will be announced after the completion of legislative process.
- The HKMA has appointed an advisor to study relevant issues in respect of green finance in Hong Kong and the Government green bond issue and will report the findings to the Government. Subject to legislative process, the HKMA stands ready to assist the Government by selecting an arranger(s) to issue the inaugural green bond.
- The HKMA and the International Capital Market Association will co-host the Green and Social Bond Principles Annual General Meeting and Conference on June 14, 2018. The following morning, the HKMA and the People's Bank of China will organise a joint seminar on Mainland-Hong Kong green finance opportunities.

Commenting on these initiatives, the Chief Executive of the HKMA, Mr Norman Chan, said, "Bond market is an important and growing component of Hong Kong's capital markets. The slate of measures being rolled out, together with initiatives in recent years such as Bond Connect, will bring more diversity, liquidity and business to our market. We will work with market participants closely on the implementation of these measures and continue to promote the growth of Hong Kong's financial services sector."

*The enhancements will extend the 100 per cent profits tax exemption from debt instruments with an original maturity of not less than seven years to instruments of any duration; and will allow debt instruments listed on the SEHK to become eligible as a QDI, in addition to instruments lodged and cleared by the CMU of the HKMA.