

## LCQ14: Principal payment holiday schemes introduced by financial institutions

Following is a question by the Hon Frankie Yick and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (June 3):

Question:

It is learnt that quite a number of banks and finance companies (financial institutions) have introduced principal payment holiday schemes to assist small and medium enterprises affected by the coronavirus disease 2019 epidemic in tackling cash flow problems. However, some owners of commercial vehicles have indicated that such schemes often come with additional conditions (e.g. applicants being required to take out an insurance policy). In this connection, will the Government inform this Council:

(1) whether it knows which financial institutions have introduced principal payment holiday schemes for owners of commercial vehicles; the respective numbers of relevant applications received, approved and rejected by such institutions since February this year, with a breakdown by class of vehicles; if there were rejected applications, of the reasons for that;

(2) whether it knows the additional conditions of the various principal payment holiday schemes which are available for application by owners of commercial vehicles; whether the Government will request the relevant financial institutions to cancel the additional conditions, so as to avoid increasing the financial burden of the vehicle owners concerned; and

(3) of the measures in place to encourage financial institutions which have not yet introduced principal payment holiday schemes to roll out such schemes?

Reply:

President,

Our reply to the various parts of the question is as follows:

(1) To help corporates in Hong Kong cope with the impact of the COVID-19 pandemic, the Hong Kong Monetary Authority (HKMA) launched a Pre-approved Principal Payment Holiday Scheme (the Scheme) through the Banking Sector SME Lending Coordination Mechanism (the Coordination Mechanism) in April this year, allowing eligible corporate customers to defer their loan principal payments. The Scheme is applicable to all industries including the transport sector, and covers all corporate customers that have an annual sales turnover

below HK\$800 million and that do not have loans severely overdue. Eligible corporate customers can enjoy the deferment without having to file any application; all they have to do is to confirm relevant details with their banks upon the latter's invitation. At the HKMA's request, all 103 banks in Hong Kong that provide loans to eligible customers have joined the Scheme.

Of the over 130 000 eligible corporate customers covered by the Scheme, more than 100 000 have received invitations from their banks. We understand that more than 8 000 customers have confirmed their participation in the Scheme, some of which are owners and operators of commercial vehicles (such as taxis, public light buses, trucks, non-franchised buses, coaches, and construction-related vehicles). Save for a small number that do not meet the eligibility requirements (such as having larger scales of operation or loans that are severely overdue) in the first place, customers in need are generally able to join the Scheme with relative ease.

For customers excluded from the Scheme, the HKMA has requested banks to adopt an accommodative stance and consider, on a case-by-case basis, if financial assistance can be offered to them within the remit of the banks' risk management principles. The HKMA has also reminded banks to follow the guidelines set out in the "Hong Kong Approach to Corporate Difficulties", by being sympathetic to customers encountering financial difficulties, and enhancing communication with these customers to see if they need loan restructuring with a view to tiding them over the current difficulties.

(2) The Scheme does not impose extra conditions on corporate borrowers other than the aforesaid eligibility criteria in respect of sales turnover and repayment performance. If a bank is found to have imposed additional conditions on customers, the HKMA will follow up as appropriate.

(3) The HKMA has been maintaining close liaison with the banking industry since the outbreak of COVID-19. It has also rolled out several rounds of relief measures through the Coordination Mechanism with a view to helping different industries as far as possible. These measures include the issue of a circular in February to remind banks to favourably consider requests from borrowers for extension of repayment schedules, and the launch of the aforementioned Scheme in April requiring the participation of all banks. As of May 15, more than 24 000 cases of principal payment holidays and other extensions of repayment schedules have been granted by banks, involving more than HK\$257 billion.

In addition, the Hong Kong Mortgage Corporation Limited launched in April the Special 100% Loan Guarantee as announced in the 2020-21 Budget. Banks have received warm response from customers since the commencement of the scheme from April 20. As of May 22, 3 300 applications totalling around HK\$6.8 billion have already been approved.

Notwithstanding gradual improvements in the local COVID-19 situation in the recent months, we will continue to maintain close liaison with the banking industry and consider appropriate measures as necessary, with a view to helping persons affected by the pandemic weather the adversity.