

Pre-approved Principal Payment Holiday Scheme extended by further six months

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

In light of the ongoing impact of the COVID-19 outbreak on economic activities and the cash flow difficulties faced by some corporates, the Hong Kong Monetary Authority (HKMA), together with the Banking Sector SME Lending Coordination Mechanism (Mechanism), today (September 2) announced that the Pre-approved Principal Payment Holiday Scheme (Scheme) has been extended for a further six months to April 2021. All loan principal payments of eligible customers falling due between November 2020 and April 2021 will be deferred by six months except for repayments of trade loans, which will be deferred by 90 days. The HKMA has written to all participating banks requesting them to implement the new arrangement.

As customers are already familiar with the Scheme and with banks adopting work-from-home arrangements in response to the pandemic, banks will not issue individual notifications to eligible customers regarding the extension of the Scheme. Corporate customers in need of relief are requested to contact their banks. Banks will handle each eligible customer's case on a "pre-approved" basis. Banks may request customers (especially those who have been granted multiple extensions of payment holidays) to provide up-to-date business and financial information to better understand their needs when processing their cases.

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) in English, Cantonese or Putunghese.

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 temporary overdraft facilities. At the end of July 2020, banks had granted over 43,000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of over HK\$530 billion.

One hundred and four banks participate in the Pre-approved Principal Payment Holiday Scheme, which took effect in May. The Scheme covers more than 130,000 eligible corporate customers, with over 15,000 of them enrolled into the Scheme. 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.

The HKMA together with the Mechanism announced at the beginning of the last month a 90-day repayment deferment for trade facilities under the Scheme.