

Repayment of trade facilities deferred by banking sector for another 90-day period

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 (January 11) announced a further 90-day repayment deferment for trade facilities under the Pre-approved Principal Payment Holiday Scheme (Scheme).

The rapid spread of the COVID-19 variant in various places around the world is creating uncertainties for economic recovery. At the same time, ongoing global supply-chain disruptions continue to put pressure on corporates hard-hit by the pandemic. The Mechanism has therefore decided to extend the repayment period of trade facilities under the Scheme for a further 90-day period until the end of April this year. As for the way forward for the whole Scheme, which is due to expire at the end of April this year, the HKMA and the Mechanism are considering ways to strike a balance between banks' need for prudent risk management and supporting corporates that are still hard-pressed by the pandemic.

Corporate customers participating in the repayment deferment for trade facilities under the Scheme can, if in need, extend trade facilities falling due between February and April this year for a further 90 days. Eligible corporate customers can also apply for a 90-day extension of trade facilities drawn down from November 2021 to the end of January this year. For facilities which are self-liquidating in nature, banks may require the loan to be settled when the customer has received the underlying payment. For trade loans which have been successively extended for 270 days or more since first being drawn down, banks may adopt a flexible approach and consider whether other forms of relief are more suitable to help the customers ride out the current difficulties on a case-by-case basis, subject to prudent risk management principles.

If corporate customers have 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 temporary overdraft facilities. At the end of

November 2021, banks had granted over 81 000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of \$900 billion.

The Scheme covers all corporate customers that have an annual sales turnover below \$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 has been extended in November 2020, May 2021 and November 2021, for six months each time, to end-April 2022. 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 has dropped to 3 500 (participation rate of three per cent).