

Repayment of trade facilities deferred by the 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 (July 15) announced a further 90-day repayment deferment for trade facilities under the Pre-approved Principal Payment Holiday Scheme (Scheme).

Since its introduction in May last year, repayment deferment for trade facilities under the Scheme has been extended five times, for 90 days each time. Some of these loans will start to fall due in August this year. The Mechanism noted that Hong Kong's external trade has continued to improve, with the overall trade value returning to the pre-pandemic levels. The local economy is also gradually recovering. Cash flow pressure faced by corporates has eased significantly since the onset of the pandemic. Corporates requiring loan extension decreased significantly to 2.1 per cent of all eligible corporates following the second extension of the Scheme, from 16 per cent when it was first introduced. However, given the still fluctuating pandemic situation around the world and the rapid spread of virus variants in some places, economic recovery is still laden with uncertainties. The Mechanism therefore considers it appropriate to further extend the repayment period of trade facilities under the Scheme for 90 days until the end of October, when the whole Scheme will expire.

The HKMA and the Mechanism will consider the way forward for the Scheme when it expires at end-October. In the process, we will consult the banking industry and commercial sectors, and make reference to overseas practices in handling similar schemes.

Corporate customers in need can further extend for 90 days their trade facilities falling due between August and October this year. Eligible corporate customers can also apply for a 90-day extension of trade facilities drawn down from May to end-July this year. For facilities which are self-liquidating in nature, banks may require the loan to be settled when the underlying payment has been received by the customer. Given the short-term nature of trade facilities, for a trade loan which has been extended for 270 days or more cumulatively since it was first drawn down, banks can adopt a flexible approach and consider on a case-by-case basis whether other forms of relief are more suitable to help the customers ride out the current difficulties, subject to prudent risk-management principles. This helps strike a balance between catering for the unique circumstances facing individual customers and the need for prudent risk management of the bank.

Similar to previous extensions of the Scheme, banks will not issue

individual notifications to eligible customers regarding the deferment arrangement. Corporate customers in need may contact their banks. Banks will handle deferment requests 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.

If bank 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 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 Hong Kong Mortgage Corporation 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 June 2021, banks had granted over 72 000 applications for loan tenor extension and other forms of relief measures, involving an aggregate amount of over HK\$850 billion.

The Scheme covers all corporate customers that have an annual sales turnover below HK\$800 million and that have no seriously overdue loan payments. The Scheme took effect in May 2020 with around 100 participating banks and covers more than 120 000 eligible corporate customers. The Scheme has been extended twice in November 2020 and May 2021, for six months each time, to end-October 2021. 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 2 400 (participation rate of 2.1 per cent). All corporate loans including mortgages, vehicle loans and trade facilities are covered by the Scheme. The HKMA has 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.