

# Second meeting of the Banking Sector Coordination Mechanism to support small and medium-sized enterprises

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

The Banking Sector SME Lending Coordination Mechanism convened by the Hong Kong Monetary Authority (HKMA) held its second meeting today. The meeting was attended by representatives from the Hong Kong Association of Banks (HKAB), 10 major banks active in SME lending and HKMC Insurance Limited (HKMCI). In addition to following up on the progress of the measures proposed at the first meeting, the second meeting discussed other ways to support small and medium-sized enterprises (SMEs), including specific arrangements targeting individual sectors. The following are the key points discussed:

1. Banks attending the meeting are committed to using the capital released by the 0.5 percentage point reduction in the countercyclical capital buffer ratio announced by the HKMA in October 2019 to actively support the financing needs of SMEs. Despite the current uncertain economic outlook, the SME facility limits granted by the 10 banks participating in the mechanism grew by HK\$2.7 billion – or 0.6 per cent – in the fourth quarter of 2019.
2. After the HKMA clarified its supervisory guidelines on "rescheduled loans", the banks attending the meeting have started to help SMEs facing financial difficulties relieve their cash flow pressure by restructuring the repayment schedule or extending the loan tenor. Since mid-October 2019, the banks have approved more than 40 such applications with an aggregate amount of over HK\$1.5 billion.
3. To address possible concerns on the part of SMEs that requesting loan restructuring could lead to their being labelled as financially unsound, some banks have proactively offered to delay principal repayments or extend loan tenors for SME borrowers in the transportation, retail, catering and tourism sectors, which are the sectors most affected by global economic uncertainty and recent events in Hong Kong. Other banks attending the meeting indicated that they will consider adopting similar practices to strengthen support for their SME customers.
4. HKMCI launched the 90 per cent Guarantee Product under the SME Financing Guarantee Scheme (SFGS) on December 16, 2019, after funding was granted by the Legislative Council. As at January 15, 2020, HKMCI had received 82 applications, of which 42, totalling HK\$82 million, have been approved. At present, 15 banks, including nine of those attending the meeting, are already accepting applications for the 90 per cent Guarantee Product. The remaining bank attending the meeting will introduce the product in February this year. 2 700 applications for the 80 per cent Guarantee Product were approved in

2019 (a year-on-year increase of 60 per cent) resulting in HK\$13.8 billion of loans (an increase of 89 per cent).

5. In order to better align with the 90 per cent Guarantee Product, which waives the financial statement submission requirements on smaller-sized enterprises, newer businesses, and professionals seeking to set up their own practices, the HKMCI has made corresponding adjustments to the 80% Guarantee Product to streamline the application procedures. The banks indicated that they are supportive of these adjustments and, in order to handle loan applications from SMEs in a more flexible manner, will consider accepting other forms of financial proof in lieu of financial statements as appropriate, having regard to the borrower's situation.

6. Apart from previously-announced guarantee fee subsidies, interest rebates and handling fee waivers applicable to the SFGS, most banks will introduce plans to lower or waive low-balance fees and account opening charges for SME clients. They will also continue to evaluate other measures to help SMEs reduce their expenses.

7. A few companies in the retail sector have indicated that some merchant acquirers have been withholding customer credit card payments for longer than in the past. In response, the HKMA conducted a survey and found that, other than a handful of occasions where merchant acquiring banks lengthened or shortened the withholding period based on changed customer business conditions, they have generally not extended the withholding period for any given sector. The SME Lending Coordination Mechanism calls on all bank and non-bank merchant acquirers to strike a balance between risk management and being supportive to SMEs and, as far as possible, not to extend the credit card payment withholding period for SMEs in the current economic environment. In order to reduce the cash-flow pressure on retail businesses, some banks attending the meeting have introduced loan products such as credit card receivables financing and unsecured loans. Other banks will actively consider launching similar products to support their customers in the retail sector.

8. For the transportation sector, government policy allows public light buses (PLB) operators to upgrade their vehicles from 16 seats to 19 seats. Some PLB operators indicated that they encountered difficulties in obtaining refinancing from banks for this purpose. At the meeting, the HKMA clarified that banks should exercise flexibility in handling refinancing applications from PLB operators who aim to upgrade to 19-seat vehicles, and may depart from the 85 per cent LTV ratio guideline as long as prudent risk management principles are applied and such refinancing loans are for purchases of new vehicles. Banks attending the meeting understood and were supportive of the HKMA's clarification.

9. To strengthen communication with SMEs, the HKMA will, in collaboration with HKAB, the Innovation and Technology Bureau and HKMCI, hold briefing sessions for SMEs to explain banks' lending policies and the SFGS schemes, and to collect their opinions on Government's SME support policies.

The Banking Sector SME Lending Coordination Mechanism was established on

October 16, 2019 by the HKMA to provide a common platform for the banking industry to formulate solutions to support SMEs.