

HKMA introduces nine measures to support SMEs

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), announced today (March 28) a series of measures to assist small and medium-sized enterprises (SMEs) in obtaining financing from banks and to support their continuous development.

SMEs are the bedrock of the Hong Kong economy and an important customer segment for banks. In 2023, the 11 participating banks in the Mechanism together approved over 110,000 loans to SMEs, involving an aggregate facility limit of over HK\$450 billion.

Although the local economy has been recovering gradually, some SMEs are still facing challenges in their operations. Taking into account the views of the commercial sectors, the Mechanism decided to launch the following nine measures to assist SMEs in navigating a complex and ever-changing operating environment and to increase their bargaining power relative to banks:

Supporting the financing needs of SMEs

(1) Never demand early repayments from mortgage customers who repay on schedule: The participating banks in the Mechanism commit to follow the guidance issued by the HKMA on December 20, 2023 not to demand early repayments from mortgage borrowers who make payments on schedule.

(2) Give customers a transition period of at least six months for credit limit adjustments: When performing periodic review of credit limits, banks will take into account a range of factors such as the borrower's credit demand, overall financial position and repayment ability. Banks will not adjust a credit limit merely due to a change in the collateral value. If the credit limit needs to be lowered due to changes in the customer's credit demand or its risk profile, banks will give at least six months for the customer to transition to the new credit limit, provided that the customer has been making payments on schedule and has not breached any loan covenant.

(3) Expedite the handling of applications for the 80% and 90% Guarantee Products: The Financial Secretary announced in the 2024-25 Budget that the application period for the 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme would be extended for two years to the end of March 2026. Banks will co-operate with HKMC Insurance Limited to actively review the handling process, with a view to expediting loan approvals.

(4) Apply the principles under the Pre-approved Principal Payment Holiday Scheme to support customers facing difficulties: For SMEs facing challenges in their operations, banks will be sympathetic in providing suitable credit

relief, subject to prudent risk-management principles. This includes referencing the arrangements under the Pre-approved Principal Payment Holiday Scheme in offering loan restructuring to ease customers' cash-flow pressure. For corporates which have transitioned to partial principal repayment under the Scheme, banks will, upon a customer's request, consider extending the duration of the partial principal repayment, allow the customer to choose a lower proportion of partial principal repayment or even offer principal moratorium. The above-mentioned arrangements are also applicable to taxi loans, public light bus loans and commercial vehicle loans taken out by personal customers.

(5) Offer credit products that better serve SMEs' needs and other support services: Leveraging financial technology including the Commercial Data Interchange (CDI) launched by the HKMA, banks will actively explore the launch of bespoke credit products for SMEs such as unsecured loans with fast approval. Apart from credit products, banks will offer other services to support the business development of SMEs. Examples include cross-border banking services, digital business services, and services related to e-commerce and environmental, social, and governance (ESG) to assist SMEs in their business expansion, upgrade and transformation.

(6) Actively consider lowering interest charges and fees: Banks will improve the transparency of fees for SME banking services. For SME customers in need, banks will also consider offering fee waivers, interest or other concessions to ease their financial burden.

Enhancing the bargaining power of SMEs

(7) Set up a one-stop platform for providing information on banking services for SMEs: To facilitate SMEs to compare and select banking services of different banks, the HKMA will create a dedicated web page to provide information on banks' SME lending services, including their service hotlines and credit products offered. The HKMA will also create a dedicated email account (smelending@hkma.gov.hk) and an enquiry hotline (2878 1199) to collect and convey feedback received from SMEs on banking services.

(8) Provide convenience to customers to switch lending banks: Banks will undertake to provide assistance to SME customers who wish to switch to another lending bank. Through the HKMA's Interbank Account Data Sharing (IADS) initiative, the original lending bank will provide a customer's bank account data to the new lending bank with the customer's consent. In addition, the original lending bank will commit to provide the customer's existing credit information to the customer within seven working days, so that the customer can pass on such information to the new lending bank to expedite their account opening and loan applications. For credit facilities that are secured by property, the original lending bank will endeavour to release the charge over the collateral within six weeks after receipt of the relevant legal instructions, except in exceptional circumstances.

Strengthening communication

(9) Regular meetings with business sectors to understand the needs of SMEs:

The Hong Kong Association of Banks (HKAB) and Chinese Banking Association of Hong Kong (HKCBA) will take lead in arranging regular meetings between the banks and the business sectors to understand the needs of SMEs. This will enable banks to continuously enhance their banking services and strengthen their support for SMEs. The HKAB and HKCBA will regularly communicate with the HKMA on the progress of their outreach.

The HKMA will follow up on the above measures via the Mechanism, and maintain close communication and join hands with the banking and commercial sectors in supporting the continuous development of SMEs.

Background

The Mechanism was established by the HKMA in October 2019. Participants include 11 banks that are most active in SME lending. The HKAB and the HKMC Insurance Limited are also represented in the Mechanism. During the pandemic, the Mechanism rolled out several rounds of relief measures for corporates, including the Pre-approved Principal Payment Holiday Scheme. An orderly exit from the Scheme commenced at the end of July 2023, with the focus of the Scheme moving from tiding corporates over the pandemic to assisting their return to normal repayment. Participating corporates may choose to repay 20 per cent of the original principal repayment amount with a duration of 18 months, or 50 per cent of the original principal repayment amount with a duration of 30 months. For corporates which are not financially able to transition to partial principal repayment, banks will continue to offer principal moratorium on a case-by-case basis.

[Exchange Fund Abridged Balance Sheet and Currency Board Account](#)

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

The Hong Kong Monetary Authority (HKMA) announced today (March 28) that the total assets of the Exchange Fund amounted to HK\$4,040.9 billion as at February 29, 2024, HK\$5.7 billion lower than that at the end of January 2024. Foreign currency assets decreased by HK\$3.6 billion and Hong Kong dollar assets decreased by HK\$2.1 billion.

The decline in foreign currency assets was mainly due to reduction in the month-end balances of unsettled purchase of securities, which was partly offset by interest income from investments and mark-to-market revaluation of investments. The decline in Hong Kong dollar assets was mainly due to a decrease in placements with banks, which was partly offset by mark-to-market revaluation of Hong Kong equities.

The Currency Board Account shows that the Monetary Base at the end of

February 2024 was HK\$1,909.8 billion, decreased by HK\$0.9 billion, or 0.05 per cent, from the end of January 2024. The decline was mainly due to the decrease in the outstanding amount of Certificates of Indebtedness, which was partly offset by amortisation of discount on Exchange Fund Bills and Notes.

The amount of Backing Assets decreased by HK\$1.8 billion, or 0.09 per cent, to HK\$2,117.9 billion at the end of February 2024. The decrease was mainly attributable to the redemption of Certificates of Indebtedness and mark-to-market revaluation of investments, which were partly offset by interest from investments. The Backing Ratio decreased from 110.94 per cent at the end of January 2024 to 110.90 per cent at the end of February 2024.

At present, four press releases relating to the Exchange Fund's data are issued by the HKMA each month. Three of these releases are issued to disseminate monetary data in accordance with the International Monetary Fund's Special Data Dissemination Standard (SDDS). The fourth press release, on the Exchange Fund's Abridged Balance Sheet and Currency Board Account, is made in accordance with the HKMA's policy of maintaining a high level of transparency. For the month of March 2024, the scheduled dates for issuing the press releases are as follows:

March 7 (Issued)	SDDS International Reserves (Hong Kong's Latest Foreign Currency Reserve Assets Figures)
March 14 (Issued)	SDDS Analytical Accounts of the Central Bank (Analytical Accounts of the Exchange Fund)
March 28	SDDS Template on International Reserves and Foreign Currency Liquidity
March 28	Exchange Fund Abridged Balance Sheet and Currency Board Account

[International Reserves and Foreign Currency Liquidity](#)

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

The Hong Kong Monetary Authority (HKMA) released today (March 28) the analytical data on the Hong Kong Special Administrative Region's foreign currency reserves and foreign currency liquidity as at the end of February 2024 (Annex). These data are published monthly in the Template on International Reserves and Foreign Currency Liquidity in accordance with the International Monetary Fund's Special Data Dissemination Standard (SDDS).

At present, four press releases relating to the Exchange Fund's data are issued by the HKMA each month. Three of these releases are issued to disseminate monetary data in accordance with the International Monetary Fund's SDDS. The fourth press release, on the Exchange Fund's Abridged Balance Sheet and Currency Board Account, is made in accordance with the HKMA's policy of maintaining a high level of transparency. For the month of March 2024, the scheduled dates for issuing the press releases are as follows:

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[Residential mortgage survey results for February 2024](#)

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

The Hong Kong Monetary Authority announced the results of the residential mortgage survey for February 2024.

The number of mortgage applications in February decreased month-on-month by 22.3 per cent to 5,070.

Mortgage loans approved in February decreased by 15 per cent compared with January to HK\$17.9 billion. Among these, mortgage loans financing primary market transactions decreased by 15 per cent to HK\$5.3 billion and those financing secondary market transactions decreased by 15.2 per cent to HK\$9.6 billion. Mortgage loans for refinancing decreased by 14.3 per cent to HK\$3.1 billion.

Mortgage loans drawn down during February decreased by 29 per cent compared with January to HK\$11.4 billion.

The ratio of new mortgage loans priced with reference to HIBOR increased from 93.4 per cent in January to 94 per cent in February. The ratio of new

mortgage loans priced with reference to best lending rates increased from 1.6 per cent in January to 2 per cent in February.

The outstanding value of mortgage loans remained virtually unchanged in February, standing at HK\$1,853.3 billion at end-February.

The mortgage delinquency ratio increased slightly to 0.09 per cent and the rescheduled loan ratio remained unchanged at nearly 0 per cent.

Monetary statistics for February 2024

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

According to statistics published today (March 28) by the Hong Kong Monetary Authority, total deposits with Authorized Institutions increased by 0.2 per cent in February 2024. Among the total, Hong Kong dollar deposits decreased by 0.2 per cent while foreign currency deposits increased by 0.6 per cent in February. In the first two months of 2024, total deposits and Hong Kong dollar deposits decreased by 0.4 per cent and 0.5 per cent respectively. Renminbi deposits in Hong Kong increased by 1.0 per cent in February to RMB964.2 billion at the end of February. The total remittance of renminbi for cross-border trade settlement amounted to RMB1,064.4 billion in February, compared with RMB1,400.9 billion in January. It should be noted that changes in deposits are affected by a wide range of factors, such as interest rate movements and fund-raising activities. It is therefore more appropriate to observe the longer-term trends, and not to over-generalise fluctuations in a single month.

Total loans and advances decreased by 1.0 per cent in February, and decreased by 1.8 per cent in the first two months of 2024. Among the total, loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong decreased by 1.0 per cent and 1.2 per cent respectively in February. The Hong Kong dollar loan-to-deposit ratio decreased to 83.7 per cent at the end of February from 84.2 per cent at the end of January, as Hong Kong dollar loans decreased by a larger extent than Hong Kong dollar deposits.

Hong Kong dollar M2 and M3 both decreased by 0.3 per cent in February while both increased by 0.1 per cent when compared to a year ago. The seasonally-adjusted Hong Kong dollar M1 increased by 1.5 per cent in February while decreased by 10.7 per cent compared to a year ago, reflecting in part investment-related activities. Total M2 and total M3 both increased by 0.2 per cent in February. Compared to a year earlier, total M2 and total M3 increased by 4.0 per cent and 4.1 per cent respectively.

As monthly monetary statistics are subject to volatilities due to a wide

range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.