

Transcript of remarks by Chief Executive of HKMA on setting up joint Taskforce on SME Lending at media session (with photo)

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

The Chief Executive of the Hong Kong Monetary Authority (HKMA), Mr Eddie Yue, and the Chief Executive Officers of three chairman banks of the Hong Kong Association of Banks (HKAB) met with the press today (August 23). The following is the translation of the transcript of remarks by Mr Yue:

My colleagues and I just had a meeting with the three chairman banks of the HKAB and discussed various issues relating to lending to small and medium-sized enterprises (SMEs) and property mortgage lending.

In the past few years, the banking sector in Hong Kong has been supporting the development of SMEs of different industries. Since the establishment of the Banking Sector SME Lending Coordination Mechanism by the HKMA together with the banking sector in 2019, several rounds of measures have been rolled out to support SMEs, including the Pre-approved Principal Payment Holiday Scheme, deferment of repayment period and conversion of trade financing lines into temporary overdraft facilities, which tided many SMEs over the difficult times during the COVID pandemic.

While the local economy has continued to recover after the pandemic, the HKMA is keenly aware that some SMEs are still facing challenges in their business operations amid uncertainties in the external and local economic environment. In view of this, we launched nine measures in March this year, including banks undertaking not to demand early repayments from mortgage customers repaying on schedule, and not to adjust credit limit merely due to change in collateral value. For certain cases warranting adjustment of credit limits, a transition period of at least six months should be given.

A total of around 14 000 SMEs had already benefitted from the nine measures in the first four months following their launch, involving an aggregate credit limit of over HK\$31 billion. The HKMA also joined hands with the HKAB and the Chinese Banking Association of Hong Kong to exchange views with over 20 different trade associations and representatives of various industry sectors through seminars and other events.

During the meeting today, the three banks reaffirmed clearly that they had not changed and would not change their risk appetite towards SME financing and related credit approval standards. They would also ensure ongoing effective implementation of the aforementioned nine measures.

We also hereby announce that the HKMA and the HKAB are establishing a

joint Taskforce on SME Lending, to further strengthen the related work at both the individual case and the industry levels:

1. For individual cases of SMEs encountering difficulties when obtaining bank financing, a mechanism will be set up, whereby the cases will be reviewed by the HKMA and, as appropriate, referred to the relevant banks for prompt handling by their dedicated teams;
2. If some common issues are identified among the cases, the Taskforce will work out appropriate solutions for adoption across the banks; and
3. The Taskforce will work to further enhance communication among the HKMA, the banking industry and the commercial sector, so as to understand the financing needs of SMEs in a more timely manner, and to provide better support for the development and transformation of SMEs.

The HKMA will continue to monitor banks' business strategy for supporting SMEs through various means in our supervisory processes.

To sum up, the HKMA and the banking sector will work together to continue providing support for SMEs seeking bank financing, and walk side-by-side with SMEs to get through this rather difficult time. Understandably, it is necessary for banks to maintain consistent and effective risk management to safeguard depositor interests. For cases of prolonged non-repayment despite relief or restructuring provided, actions will inevitably be taken by banks, but they will ensure such actions are implemented and communicated to the customers in an accommodative manner.

Regarding residential mortgage lending, our discussion today focussed on how transparency, efficiency and customer experience in approval processes can be improved. For instance, banks will make clearly that loan applicants can be informed of the outcome within a reasonable period of time after receipt of necessary documents. This will be further discussed and worked on at the industry level via the Taskforce.

