



HONG KONG MONETARY AUTHORITY
香港金融管理局

Press Releases

20 Oct 2022

Extension of Pre-approved Principal Payment Holiday Scheme for 6 months

The Hong Kong Monetary Authority (HKMA) together with the Banking Sector SME Lending Coordination Mechanism (Mechanism) today (20 October) announced that the Pre-approved Principal Payment Holiday Scheme (Scheme) will be extended for another six months to the end of July 2023. Considering that the Scheme has been in operation for two and a half years, the partial principal repayment option under the Scheme will be enhanced to facilitate financially capable corporates to gradually resume normal repayment.

Further to the 3-month extension of the Scheme to the end of January 2023 announced in September 2022, the HKMA and the relevant Government authorities have completed a review of the way forward of the Scheme. As the economic outlook remains complex and uncertain, some business sectors are still facing significant challenges in their operations. The HKMA and the Mechanism have therefore decided to further extend the Scheme by six months to the end of July 2023. The Mechanism notes that the Scheme has been extended five times over the past two and a half years, and it will have to come to an end eventually. A protracted principal repayment moratorium may also render it difficult for borrowers to resume normal repayment when the Scheme ends, particularly amid an environment of rising interest rates, which will increase the repayment burden of borrowers over the long term. Therefore, to facilitate financially capable corporates to gradually transition to normal repayment, the Mechanism will enhance the partial principal repayment option introduced in May 2022. A two-year 50% principal repayment option will be offered under the Scheme, on top of the existing one-year 20% principal repayment option. While participation in the partial principal repayment options remains entirely voluntary to be decided by individual borrowers having regard to their own financial conditions, the Mechanism recommends borrowers to actively consider taking up the options to better prepare for the eventual exit of the Scheme.

Eligible corporate customers who participate in the Scheme can have principal repayments on loans falling due between February 2023 and July 2023 deferred by six months except for repayments of trade loans, which will be deferred by 90 days. For trade facilities which are self-liquidating in nature, banks may require the loan to be settled when the customer has received the underlying payment. Corporate customers in need of principal repayment deferment may contact their banks. Requests will be handled on a "pre-approved" basis. For loans which have been extended for 540 days or more successively since first drawdown (or trade loans which have been extended for 270 days or more successively since first drawdown), banks have the flexibility to offer different forms of suitable credit relief to help the customers ride out the current difficulties, subject to prudent risk management principles.

Regarding the partial principal repayment options, the specific treatments for different types of loans are set out below:

- For instalment loans, such as mortgage loans and commercial vehicle loans, customers may start to repay 20% of the original principal repayment amount for one year, or 50% of the original principal repayment amount for two years. Customers currently participating in the 20% principal repayment option may, when the one-year period expires, choose to continue to repay 20% of the principal for another one year, or to transition anytime to the 50% principal repayment option for two years. Referencing past practice, the loan tenor should generally be extended correspondingly. Banks should apply the same treatment to commercial vehicle loans taken out by personal customers.
- For trade facilities, loans with bullet payment falling due within one year and outstanding balances of revolving facilities, banks may discuss with customers having regard to the actual circumstances and allow them to repay the amount due by regular instalments over a period of two years.

Banks may tailor-make a specific partial principal repayment arrangement for a particular customer, so long as the terms of the partial principal repayment arrangement are no less favourable than the aforesaid partial principal repayment options and are accepted by the customer, unless the customer explicitly asks for a less favourable arrangement taking into account its own circumstances.

Over the past years, the HKMA and the Mechanism introduced a number of relief measures for the transportation sector, such as providing greater flexibility in handling new financing applications for the purchase of new vehicles for taxi operators and upgrade of vehicles from 16 seats to 19 seats for public light bus (PLB) operators, and applying the same principles under the Scheme in handling requests for principal payment holiday and extension for taxis, PLBs and relevant commercial vehicles loans taken out by personal customers. These arrangements will remain applicable. In addition, the Mechanism continues to encourage banks to actively consider extending the maximum loan tenors for existing taxi and PLB loans to 30 years, and for non-franchised buses to 10 years, on a case-by-case basis having regard to the circumstances of individual borrowers.

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 overdraft facilities. At the end of September 2022, banks had granted over 101,000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of HK\$1 trillion.

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 around 120,000 eligible corporate customers. The Scheme has been extended 5 times since its launch, to end-January 2023. Between November 2021 and April 2022, the number of participating corporate customers dropped to 2,600 (participation rate of 2.3%), significantly lower than 19,000 customers (participation rate of 16%) when the Scheme was first launched.

Hong Kong Monetary Authority
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