

Repayment of Trade Facilities Deferred by the Banking Sector for Another 90-day Period

The HKMA together with the Banking Sector SME Lending Coordination Mechanism (Mechanism) today announced a 90-day repayment deferment for trade facilities under the Pre-approved Principal Payment Holiday Scheme (Scheme). The HKMA has written to all authorized institutions (AIs) requesting them to implement the new arrangement.

As the COVID-19 outbreak continues to affect economic activities, the HKMA and the Mechanism have been exploring ways to offer ongoing support to banks' corporate customers, including follow-up arrangements for the Scheme which will end in October. During such discussions, the banking sector pointed out that trade facilities which were granted a 90-day extension in May taking into account their short-term nature will start to fall due beginning in August. Although the global trading environment has improved slightly compared to April when the Scheme was announced, given the still fluctuating pandemic situation around the globe, the Mechanism has agreed to allow corporate customers, who still face cash-flow pressure, to further extend their trade facilities.

The Mechanism has also agreed that eligible corporate customers can apply for a 90-day extension of trade facilities drawn down between May and July. For facilities which are self-liquidating in nature, AIs may require the loan to be settled when the underlying payment has been received by the customer.

As only between 10% to 20% of eligible corporate customers have chosen to take up the Scheme and with banks adopting work-from-home arrangements in response to the pandemic, banks will not issue individual notifications to customers regarding the deferment arrangement. Interested corporate customers are requested to contact their banks. Banks will handle principal deferment requests on a "pre-approved" basis. Banks may request customers to provide up-to-date operational information to better understand their needs when processing their requests.

The HKMA will continue to engage banks and the commercial sectors through the Mechanism and expects to arrive at a decision regarding follow-up arrangements for the Scheme, which will end in October, as soon as possible.

Background

The Banking Sector SME Lending Coordination Mechanism was established by the HKMA in October 2019. Participating banks have expanded from the 9 banks most active in SME lending at establishment to 11 banks at present. The Hong Kong Association of Banks and the HKMC Insurance Limited are represented in the Mechanism. Since its establishment, the Mechanism has rolled out four 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 2020, banks had approved over 42,000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of over HK\$500 billion.

104 banks participate in the Scheme, which took effect in May. The Scheme covers 130,000 eligible corporate customers, with over 15,000 of them enrolled into the Scheme.