



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C

17 April 2020

The Chief Executive  
All Authorized Institutions

Dear Sir / Madam,

**Pre-approved Principal Payment Holiday Scheme for Corporate Customers**

The outbreak of COVID-19 has severely impacted Hong Kong's economy and caused enormous financial strains to many small- and mid-sized corporates as their cash-flows have been disrupted by suspension of business operations, shipment delays, or cancellation of orders from customers. The impact has been large and sudden, resulting in many normally profitable corporates in need of financial assistance in order to avoid layoffs and other undesirable cutbacks.

To provide immediate relief to small and medium corporates, the HKMA in consultation with the Banking Sector SME Lending Coordination Mechanism has developed a Pre-approved Principal Payment Holiday Scheme, in which participating institutions will pre-approve deferment of loan principal payments falling due between 1 May 2020 and 31 October 2020 of eligible small-to-mid-sized corporates for up to 6 months. All corporate borrowers that have an annual sales turnover of HK\$800mn or less—estimated to cover more than 80% of all corporate borrowers in Hong Kong—and that have no outstanding loan payments overdue for more than 30 days are eligible for the Scheme. Applications by borrowers are not required so that financial relief can be provided to corporates in the timeliest manner. In accordance with the HKMA's loan classification guidelines, deferments of principal payments under the Scheme will not by themselves render a loan account to be downgraded to a lower category. The terms of the Scheme are set out in the [Annex](#).

For the Scheme to be effective in tiding corporate borrowers over this difficult period, it is important that the Scheme has the full support of the whole industry. The HKMA therefore expects all AIs to participate in the Scheme under the same terms. All the 11 major lenders in the Banking Sector SME Lending Coordination Mechanism, which together account for over half of the total bank lending in Hong Kong, have confirmed their participation in the Scheme.

AIs should ensure that they dedicate sufficient resources to implementing and operating the Scheme. They should begin informing eligible customers of the pre-approval under the Scheme before the end of April, with priority given to customers that have principal payments falling due soon after 1 May 2020. The notice should request eligible customers to contact the AI within 14 days so that details on the terms of the deferment can be confirmed.

For corporate customers not currently covered by the Scheme or have payment falling due before 1 May 2020, the HKMA expects AIs to adopt a sympathetic stance and proactively reach out to those customers to understand whether they require similar assistance and assess, on a case-by-case basis, whether it is in line with established risk management principles to provide such arrangements.

In the coming days, the HKMA will issue a list of frequently asked questions that pertain to the operations of the Scheme, and establish a hotline for corporate customers which wish to provide feedback on individual banks' implementation of the Scheme. The HKMA believes that, with the concerted efforts of the banking industry, the impact brought by the COVID-19 outbreak can be better managed.

If you have any questions about the Scheme, please approach your usual contact at the Banking Supervision Department.

Yours faithfully,

Arthur Yuen  
Deputy Chief Executive

Encl.