

Guideline on the Digital Bond Grant Scheme

As announced in the 2024 Policy Address, the Digital Bond Grant Scheme (DBGS) aims to promote the development of the digital securities market and encourage broader adoption of tokenisation technology in capital market transactions. Subject to the satisfaction of relevant eligibility requirements under the DBGS, a maximum of HK\$2.5 million will be offered to each eligible digital bond issuance in Hong Kong.

The DBGS will start accepting applications on 28 November 2024, with an initial period of three years¹. Details of the DBGS, including eligibility requirements, eligible expenses and application process, are set out in this Guideline.

The HKMA will keep in view market developments and may adjust the design of the DBGS from time to time as needed. The HKMA reserves the absolute right to determine in relation to an application whether the relevant requirements and terms and conditions of the DBGS have been met and the amount of any subsidy to be granted under the DBGS.

¹ For avoidance of doubt, applications can be made for bonds issued on or after the Policy Address announcement on 16 October 2024.

1. Overview

The DBGS covers 50% of the Eligible Expenses for each digital bond issuance², up to:

(a) HK\$1.25 million (Half Grant) if the issuance meets the **Basic Requirements**; or

(b) HK\$2.5 million (Full Grant) if the issuance meets the **Basic Requirements** and all **Additional Requirements**.

Each issuer, including its associates³, may receive subsidies under the DBGS for a maximum of two digital bond issuances.

² Eligibility of a bond issuance as digital bond will be determined on a case-by-case basis. In general, “digital bond” refers to a bond that leverages distributed ledger technology (DLT) for digital representation of ownership, which could include, for example, legal titles and/or beneficial interests in the bond.

³ For the purpose of the DBGS, the issuer’s “associate” generally refers to (i) a person/corporation over which the issuer has control; (ii) a person/corporation which has control over the issuer; or (iii) a person/corporation that is under the control of the same person/corporation as the issuer; but does not include persons/corporations which are associated merely because of common ownership by the central government of a country or its sovereign wealth funds or similar state-owned enterprises but in practice operate independently as separate commercial entities.

2. Basic Requirements

To qualify for the DBGS, the digital bond must:

- (a) **be issued in Hong Kong**, i.e. half or more of the involved lead arranger(s) are recognised arrangers⁴; **and**

- (b) **meet either one of the following conditions:**
 - (i) **the team involved in the development and/or operations of the DLT platform and other digital aspects of the issuance (“digital team”)⁵ must have substantial Hong Kong presence** - the extent to which a digital team is considered to have substantial presence in Hong Kong will be determined on a case-by-case basis, taking into account factors such as the size and composition (including seniority) of the team based in Hong Kong; **or**

 - (ii) **issued on a distributed ledger technology (DLT) platform operated by the Central Moneymarkets Unit (CMU)⁶.**

⁴ In general, these are arrangers that have substantial Hong Kong debt capital market operations. The DBGS and the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme) share the same list of recognised arrangers. For more details, please refer to the [Guideline on the GSF Grant Scheme](#).

⁵ Such team could comprise, but are not limited to, roles in project/business management, information technology, engineering, operations, legal and compliance, issuer services, securities services, etc. The HKMA may also consider other factors that can demonstrate the Hong Kong nexus of the relevant DLT platform.

⁶ Eligibility of a DLT platform as a platform operated by the CMU will be determined on a case-by-case basis. For example, the [HKSAR Government’s digital green bond issuance in February 2024](#) involved an DLT platform operated by the CMU as an extension of the CMU, used for, including but not limited to, the issuance, settlement, transfer, redemption and cancellation of the digital bonds.

3. Additional Requirements

To qualify for the Full Grant (i.e. up to HK\$2.5 million for each digital bond issuance) under the DBGS, the digital bond must, in addition to meeting the Basic Requirements, be:

- (a) issued on a DLT platform provided by an entity that is **not** an associate of the issuer;
- (b) **issued at a minimum size of HK\$1 billion equivalent** (all tranches combined, if applicable);
- (c) **issued, at issuance, to five or more investors** that are not associate(s) of the issuer or DLT platform provider(s) of the issuance; **and**
- (d) **listed on (i) the Stock Exchange of Hong Kong Limited (SEHK), or (ii) virtual asset trading platform(s) (VATPs) licensed by the Securities and Futures Commission (SFC).**

4. Eligible Expenses

The following costs incurred by the issuer in respect of an eligible issuance are eligible for reimbursement⁷:

- (a) Fees to DLT platform providers, excluding DLT platform providers that are associates of the issuer
- (b) Fees to Hong Kong-based arrangers, excluding arrangers that are associates of the issuer
- (c) Fees to Hong Kong-based legal advisors
- (d) Fees to Hong Kong-based auditors, accountants and rating agencies
- (e) Listing fees to the SEHK, or VATPs licensed by the SFC
- (f) CMU lodging and clearing fees

In the case of a digital bond that is also a green, social, sustainability, sustainability-linked or transition bond, subject to meeting the eligibility requirements under the applicable grant scheme(s), (i) the eligible general bond issuance costs can be covered by either the DBGS or Track I of the GSF Grant Scheme, up to HK\$2.5 million, but not both; (ii) the external sustainability review costs can be covered by Track II of the GSF Grant Scheme, up to HK\$800,000 for all pre-issuance and post-issuance external reviews combined.

⁷ Expenses covered by other grant scheme(s) in Hong Kong or outside Hong Kong will be excluded.

5. Application Process

Pre-application consultation (Optional)

Prior to or after the issuance, the issuer, the lead arranger(s) and/or the DLT platform provider(s) may initiate a pre-application consultation with the HKMA via dbgs@hkma.gov.hk before submitting the formal application. The HKMA will give a no-objection if it is satisfied that, based on the preliminary information provided, the relevant eligibility requirements are met.

Formal application

A formal application may be made by the issuer, the lead arranger(s) and/or the DLT platform provider(s) within three months after the bond is issued. Applicants may obtain the DBGS Application Form from the HKMA via dbgs@hkma.gov.hk.