



HONG KONG MONETARY AUTHORITY  
香港金融管理局

10 May 2018

The Chief Executive  
All Registered Institutions

Dear Sir / Madam,

**Pilot Bond Grant Scheme**

The Financial Secretary announced in the 2018-19 Budget that the Government would launch a three-year Pilot Bond Grant Scheme (PBGS) to attract local, Mainland and overseas enterprises to issue bonds in Hong Kong. The PBGS will cover eligible enterprises issuing bonds in Hong Kong for the first time. As noted in the Budget, details of the PBGS would be announced by the HKMA in due course.

I am now writing to inform you about the eligibility criteria of the PBGS, as set out below.

Issues	Details
First time issuers	First time issuers are issuers <sup>1</sup> that have not issued bonds in Hong Kong in the five-year period between 10 May 2013 and 9 May 2018, both days inclusive.  Arrangers of PBGS bonds are not eligible as issuers of the PBGS.
Eligible issues	Eligible issues must satisfy the following criteria: <ul style="list-style-type: none"><li>• being issued in Hong Kong;</li><li>• having an issuance size of at least HK\$1.5 billion (or the equivalent in foreign currency);</li><li>• being lodged with and cleared by the Central Moneymarkets Unit (CMU) operated by the HKMA in its entirety, or being listed on The Stock Exchange of Hong Kong Limited (SEHK); and</li><li>• being, at issuance, issued in Hong Kong to (i) 10 or more persons or (ii) less than 10 persons none of whom is an associate of the issuer.</li></ul>

<sup>1</sup> In the PBGS, the term “issuer” denotes the entity issuing a bond and the entity’s associates. The term “associate” 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.

Issues	Details
Issued in Hong Kong	A bond is considered issued in Hong Kong if a majority of its arranging activities take place in Hong Kong <sup>2</sup> . Bond arranging activities comprise originating and structuring, legal and transaction documentation preparation, and sale and distribution.
Grant amount	<p>The grant amount for each bond issue is equivalent to half of the eligible issuance expenses, up to the following limits:</p> <ul style="list-style-type: none"> <li>• HK\$2.5 million where the bond, its issuer or its guarantor(s) possess a credit rating by a rating agency recognised by the HKMA<sup>3</sup>; or</li> <li>• HK\$1.25 million where none of the bond, its issuer or its guarantor(s) possess a credit rating by a rating agency recognised by the HKMA.</li> </ul> <p>Each issuer can apply for a grant for two bond issuances at most.</p>
Eligible expenses	<p>Eligible expenses include the following<sup>4</sup>:</p> <ol style="list-style-type: none"> <li>1. Fees to Hong Kong-based arrangers</li> <li>2. Fees to Hong Kong-based legal advisors</li> <li>3. Fees to Hong Kong-based auditors and accountants</li> <li>4. Fees to Hong Kong-based rating agencies</li> <li>5. In the case of green bonds, fees to Hong Kong-based external green reviewers</li> <li>6. SEHK listing fees</li> <li>7. CMU lodging and clearing fees</li> </ol>
Application process	<p>Issuers and lead arrangers may request PBGS Application Forms from the HKMA via <a href="mailto:pbgs@hkma.gov.hk">pbgs@hkma.gov.hk</a> and they should submit the forms and provide relevant supporting documents within 3 months after a bond's issue date.</p> <p>The HKMA expects Registered Institutions to provide assistance to their clients in completing the application form as appropriate and may submit the form to the HKMA on their behalf.</p> <p>Issuers and Registered Institutions are encouraged to consult the HKMA at the early stage of the bond issuance process about the PBGS application.</p>

The commencement date of the PBGS will be announced in due course, subject to the completion of legislative process for the 2018-19 Budget. The PBGS will be valid for a period of three years.

<sup>2</sup> When assessing whether a majority of the bond's arranging activities take place in Hong Kong, one of the factors that the HKMA will consider is to what extent the involved lead arranger(s) has substantial Hong Kong debt capital market (DCM) operations, determined based on the size of an arranger's DCM operations, its use of Hong Kong service providers, its plan for developing its DCM operations in Hong Kong, and other relevant factors.

<sup>3</sup> The rating agencies recognised by the HKMA are: Fitch Ratings, Moody's Investors Service, Rating and Investment Information, Inc, and S&P Global Ratings.

<sup>4</sup> Expenses covered by another grant scheme(s) in Hong Kong or overseas are ineligible.

Should you have any questions regarding the PBGS, please email to [pbgs@hkma.gov.hk](mailto:pbgs@hkma.gov.hk) or Mr Seth Lau ([swclau@hkma.gov.hk](mailto:swclau@hkma.gov.hk)).

Yours faithfully,

Vincent Lee  
Executive Director (External)

c.c.: SFC (Attn: Ms Julia Leung, Deputy Chief Executive Officer and Executive  
Director (Intermediaries Division))  
FSTB (Attn: Ms Eureka Cheung)