



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

5 August 2020

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

90-day extension of Trade Loans under the Pre-approved Principal Payment Holiday Scheme

The Pre-approved Principal Payment Holiday Scheme, effective from 1 May 2020, has helped alleviate cash-flow pressure faced by corporates, particularly small and medium sized enterprises (SMEs). Each of the 104 Authorized Institutions (AIs) that have eligible customers under the Scheme have participated. In total, over 130,000 eligible corporate customers are covered and have been invited to join the Scheme. Taken together with other corporate relief initiatives rolled out by banks, as at end-June, more than 42,000 principal payment holidays or other forms of relief have been granted, amounting to more than HK\$500 billion. Your bank's ongoing support of the Scheme and other actions you have taken to tide customers over this difficult time are very much appreciated.

With the global resurgence of the COVID-19 outbreak, some borrowers would likely continue to need support from their banks. In particular, many in trade-related sectors are facing shipment delays or cancellation of orders from customers abroad. Borrowers in these sectors may be concerned that after the principal deferment period under the Scheme—generally 90 days for trade loans given the short-term nature of trade financing—ends, the above mentioned challenges would put their short-term cash-flows under further pressure.

Against this backdrop, the HKMA requests all AIs to extend the principal payment holiday for trade loans for another 90 days. This deferment should cover trade loans both currently subject to the Scheme as well as those drawn between 1 May 2020 to 31 July 2020 by eligible customers with no outstanding payments overdue for more than 30 days as at 1 August 2020. 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. All other terms of the Scheme stated in the Annex to the HKMA's circular on 17 April 2020 should continue to apply (<https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2020/20200417e3a1.pdf>).

This extension of principal payment holiday for trade loans has received the full support of the 11 major lenders in the Banking Sector SME Lending Coordination Mechanism, which have agreed that a banking sector-wide extension is necessary to tide borrowers, particularly SMEs, over this difficult time.

Since the launch of the Scheme in May, the take-up rate has ranged between 10% to 20%. As such, the HKMA in consultation with the Mechanism considers that rather than requiring AIs to inform all eligible customers with trade loans of the extension, customers in need of relief should contact their AIs to request the detailed terms of the 90-day deferment, including the financial implications. While in some cases AIs may need updated financial or business information from customers, they should nonetheless handle the requests from all enquiring customers on a pre-approved basis.

For the avoidance of doubt, I would like to reiterate that this extension of the Scheme will not by itself render a trade loan to be downgraded, nor will it cause the loan to be categorised as “rescheduled” as long as the terms of the extension are “commercial”. This principle applies regardless of whether or not the trade loan is already on a payment holiday. That said, borrowers who are unable to meet the restructured payment schedule should continue to be recognised in a timely manner and the classification of their loans should reference the HKMA’s Guideline on Loan Classification System as well as previously issued FAQs.

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.

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

Yours faithfully,

Arthur Yuen

Deputy Chief Executive