



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

4 March 2021

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Further extension of the Pre-approved Principal Payment Holiday Scheme

I am writing to inform you that the HKMA, after discussion with the Banking Sector SME Lending Coordination Mechanism, has decided to further extend the Pre-approved Principal Payment Holiday Scheme by six months.

The HKMA has been keeping in touch with members of the Mechanism and has also met with representatives from the business sectors to solicit views on the way forward for the Scheme as it sets to expire in April. As the impact of the COVID-19 pandemic lingers on and some SMEs continue to face challenging operating environment, the HKMA considers that a further six-month extension of the Scheme is appropriate. The extension has received the full support of the 11 major lenders of the Mechanism.

In order to strike an appropriate balance between prudent risk management and catering for the unique circumstances facing individual customers, it was further agreed that, for a loan which has been extended for 540 days or more cumulatively since it was first drawn down (or a trade loan which has been extended for 270 days or more cumulatively since it was first drawn down), AIs can adopt a flexible approach and consider on a case-by-case basis whether other forms of relief are more suitable to help the customers ride out the current difficulties, subject to prudent risk management principles.

With such an extension, the principal payments of all loans of eligible corporate borrowers (i.e. borrowers with an annual turnover less than HK\$800 million and with no loan payment overdue for more than 30 days as at 1 May 2021) falling due between 1 May and 31 October 2021 should be deferred by six months except for repayments of trade loans, which should be deferred by 90 days. The deferment applies whether or not a loan has previously been on a principal payment holiday.

In-line with the existing terms of the Scheme:

- AIs may require a borrower to settle trade facilities which are self-liquidating in nature if the borrower receives the underlying payment during the extended deferment period.

- For revolving facilities that are due for credit review between 1 May and 31 October 2021, AIs should not adjust downward the existing facility limits within six months from the review dates.

As stated in the HKMA’s earlier guidance on 2 September 2020 and 29 January 2021, the extension or other case-by-case relief arrangement will not by itself result in a loan being downgraded, nor will it cause the loan to be categorised as “rescheduled” as long as the terms of the deferment are “commercial”. In addition, the guidance issued by the Hong Kong Institute of Certified Public Accountants¹ stipulates that the provision of payment holidays to borrowers should not automatically result in loans being considered to have suffered a significant increase in credit risk for the purposes of determining expected credit loss, which is in line with guidance published by the Basel Committee on Banking Supervision. That said, AIs should continue to recognise and classify loans of borrowers who are unable to meet the restructured payment schedule in a timely manner, referencing the HKMA’s Guideline on Loan Classification System, and to make adequate provisions as and when needed.

Similar to the extended Scheme in November 2020, AIs need not issue individual notifications to eligible customers regarding the six-month extension of the Scheme. Corporate customers in need of relief should be advised to contact their lending institutions. AIs should handle each eligible customer’s case on a pre-approved basis. AIs may seek updated financial or business information from customers, particularly those who have already been granted multiple extensions of payment holidays. All other terms of the Scheme set out in the Annex to the HKMA’s circular on 17 April 2020 should continue to apply (<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2020/04/20200417-3/>).

Last but not least, I would like to relay the appreciation we have got from various quarters of society for the banking industry’s support of this Scheme and other relief initiatives that have proven to be helpful to many customers in need.

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

¹ https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/08_Resource-centre/edug_19.pdf