

Pre-approved Principal Payment Holiday Scheme for Corporate Customers

1) The Scheme	<p>To provide relief to corporate borrowers affected by the outbreak of COVID-19, participating institutions will offer principal payment holiday to covered corporate borrowers on a pre-approval basis.</p>
2) Participating institutions	<p>All authorized institutions are expected to participate in the Scheme.</p>
3) Covered borrowers	<p>Corporate borrowers which:</p> <ul style="list-style-type: none"> i. Have, on an entity basis, an annual sales turnover of HK\$800mn or less, based on their latest financial statements; ii. have no outstanding payments payable to the participating institution which have been overdue for more than 30 days at the Launch Date of the Scheme; and iii. are not in the process of ceasing operations or declaring bankruptcy or liquidation.
4) Payments covered	<p>All principal payments of bilateral loans falling due within 6 months from the Launch Date of the Scheme to be made by a covered borrower to the participating institution. Syndicated loans and loans financing the purchase of shares and other financial assets are not covered by the Scheme.</p>
5) Applicable payment holiday	<p>Six months beginning from the original due dates of the payments covered, except that</p> <ul style="list-style-type: none"> i. for trade facilities, the payment holiday period should be 90 days; and ii. for facilities which are self-liquidating in nature, the participating institution may require the loan to be settled when the underlying payment has been received by the covered borrower. <p>In line with the above principle, for revolving facilities (e.g., corporate credit cards and overdraft lines) with facility limits that are due for review within 6 months from the Launch Date of the Scheme, the participating institution should either extend the review dates by 6 months or not adjust</p>

	downward the existing facility limit within 6 months from the review dates.
6) Processes to be followed by participating institutions	<p>Participating institutions should begin informing covered borrowers of the fact that they are covered by the Scheme within April, with priority given to customers that have principal payments falling due soon after the Launch Date. The notice should request covered borrowers to contact the bank within 14 days. Participating institutions should advise covered borrowers who responded to the notice the detailed terms of the pre-approved principal payment holiday and the financial implications arising therefrom.</p> <p>Participating institutions should ensure that they dedicate sufficient resources to implementing and operating the Scheme and that their staff are able to answer the enquiries of customers.</p>
7) Supervisory reporting treatment	In accordance with the HKMA's existing loan classification guidelines, deferments of principal payment under the Scheme will not by themselves render the loan account to be downgraded to a lower category. The FAQs issued by the HKMA on 28 Oct 2019 and 9 Mar 2020 on Rescheduled Loans and Relief Measures for SMEs and Retail Clients apply to the Scheme.
8) Loans of covered borrowers under the SME Financing Guarantee Scheme (SFGS) and the SME Loan Guarantee Scheme (SGS)	<p>Participating institutions are not required to seek prior written consent from the Hong Kong Mortgage Corporation Insurance Limited ("HKMCI") or the Trade and Industry Department (TID) of the Hong Kong SAR Government before offering pre-approval to covered borrowers with loans under the SFGS and SGS, respectively.</p> <p>Participating institutions are required to inform the HKMCI and TID the revised principal payment terms of loans under the SFGS and the SGS, respectively, by monthly batches.</p>
9) Launch Date	1 May 2020.
10) Borrowers not covered by the Scheme	For corporate borrowers not covered by the Scheme, participating institutions should adopt an accommodative stance and proactively reach out to them to understand whether they require any financial assistance and assess on a case-by-case basis whether it is in line with established risk management principles to provide such assistance.