HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

16 September 2022

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 Hong Kong Monetary Authority ("HKMA"), after consultation with the Banking Sector SME Lending Coordination Mechanism ("Mechanism"), has decided to further extend the Pre-approved Principal Payment Holiday Scheme ("Scheme") by three months.

Although the local economy has started to recover from the impact of the COVID-19 pandemic, the external environment and the economic outlook remain complicated and uncertain. As the Scheme will soon expire at the end of October this year, and some corporates are facing pressing cash-flow pressure, the HKMA and the Mechanism will extend the Scheme for another three months in the interim to the end of January 2023. In the meantime, the HKMA and the Mechanism will work with relevant Government departments to review the Scheme and further study the way forward. Further announcement will be made at a suitable juncture.

Scope of application

With the extension of the Scheme, the principal payments of all loans of eligible corporate customers falling due between 1 November 2022 and 31 January 2023 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.

For a loan which has been extended for 540 days or more successively since it was first drawn down (or a trade loan which has been extended for 270 days or more successively 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, including but not limited to full principal payment deferment, are more suitable to help the customers ride out the current difficulties, subject to prudent risk management principles.

In-line with the existing terms of the Scheme:

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

- For revolving facilities that are due for credit review between 1 November 2022 and 31 January 2023, AIs should not adjust downward the existing facility limits within six months from the review dates.

Partial principal repayment option

Same as the last extension, customers currently participating in the Scheme may, at any time, opt to start to resume partial repayment of 20% of the original principal repayment amount (i.e. the original payment schedule when the customer first joined the Scheme) over a period of one year. AIs should emphasize to customers that taking up the option is entirely voluntary for the customers. The specific treatments for different types of loans are set out below:

- For instalment loans, such as mortgage loans and commercial vehicle loans, customers may start to repay 20% of the original principal repayment amount within one year. The loan tenor should generally be extended correspondingly. The same treatment should be applicable to commercial vehicle loans taken out by personal customers.

- For trade facilities, loans with bullet payment falling due within one year and outstanding balances of revolving facilities, customers may repay the amount due to be settled by regular instalments (e.g. quarterly or monthly) over a period of two years. For trade 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.

For the avoidance of doubt, loans which have been extended for 540 days or more successively since the first drawdown (or trade loans which have been extended for 270 days or more successively since the first drawdown) are also eligible for the above partial principal repayment option.

Operational details

Similar to the previous rounds, AIs need not issue individual notifications to eligible customers regarding the 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/).

Taking part in the full principal payment deferment or the partial principal repayment option 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. That said, AIs should continue to recognise and classify loans of customers which are unable to meet the rescheduled payments in a timely manner, referencing the HKMA's Guideline on Loan Classification System, and to make adequate provisions as and when needed.

The HKMA calls on AIs to continue to adopt a sympathetic attitude to customers in temporary financial difficulties and render assistance to them insofar as it is consistent with prudent risk management principles to do so.

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

Yours faithfully,

Raymond Chan
Acting Deputy Chief Executive