

HKMA introduces nine measures to support SMEs

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA), together with the Banking Sector SME Lending Coordination Mechanism (Mechanism), announced today (March 28) a series of measures to assist small and medium-sized enterprises (SMEs) in obtaining financing from banks and to support their continuous development.

SMEs are the bedrock of the Hong Kong economy and an important customer segment for banks. In 2023, the 11 participating banks in the Mechanism together approved over 110,000 loans to SMEs, involving an aggregate facility limit of over HK\$450 billion.

Although the local economy has been recovering gradually, some SMEs are still facing challenges in their operations. Taking into account the views of the commercial sectors, the Mechanism decided to launch the following nine measures to assist SMEs in navigating a complex and ever-changing operating environment and to increase their bargaining power relative to banks:

Supporting the financing needs of SMEs

(1) Never demand early repayments from mortgage customers who repay on schedule: The participating banks in the Mechanism commit to follow the guidance issued by the HKMA on December 20, 2023 not to demand early repayments from mortgage borrowers who make payments on schedule.

(2) Give customers a transition period of at least six months for credit limit adjustments: When performing periodic review of credit limits, banks will take into account a range of factors such as the borrower's credit demand, overall financial position and repayment ability. Banks will not adjust a credit limit merely due to a change in the collateral value. If the credit limit needs to be lowered due to changes in the customer's credit demand or its risk profile, banks will give at least six months for the customer to transition to the new credit limit, provided that the customer has been making payments on schedule and has not breached any loan covenant.

(3) Expedite the handling of applications for the 80% and 90% Guarantee Products: The Financial Secretary announced in the 2024-25 Budget that the application period for the 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme would be extended for two years to the end of March 2026. Banks will co-operate with HKMC Insurance Limited to actively review the handling process, with a view to expediting loan approvals.

(4) Apply the principles under the Pre-approved Principal Payment Holiday Scheme to support customers facing difficulties: For SMEs facing challenges in their operations, banks will be sympathetic in providing suitable credit

relief, subject to prudent risk-management principles. This includes referencing the arrangements under the Pre-approved Principal Payment Holiday Scheme in offering loan restructuring to ease customers' cash-flow pressure. For corporates which have transitioned to partial principal repayment under the Scheme, banks will, upon a customer's request, consider extending the duration of the partial principal repayment, allow the customer to choose a lower proportion of partial principal repayment or even offer principal moratorium. The above-mentioned arrangements are also applicable to taxi loans, public light bus loans and commercial vehicle loans taken out by personal customers.

(5) Offer credit products that better serve SMEs' needs and other support services: Leveraging financial technology including the Commercial Data Interchange (CDI) launched by the HKMA, banks will actively explore the launch of bespoke credit products for SMEs such as unsecured loans with fast approval. Apart from credit products, banks will offer other services to support the business development of SMEs. Examples include cross-border banking services, digital business services, and services related to e-commerce and environmental, social, and governance (ESG) to assist SMEs in their business expansion, upgrade and transformation.

(6) Actively consider lowering interest charges and fees: Banks will improve the transparency of fees for SME banking services. For SME customers in need, banks will also consider offering fee waivers, interest or other concessions to ease their financial burden.

Enhancing the bargaining power of SMEs

(7) Set up a one-stop platform for providing information on banking services for SMEs: To facilitate SMEs to compare and select banking services of different banks, the HKMA will create a dedicated web page to provide information on banks' SME lending services, including their service hotlines and credit products offered. The HKMA will also create a dedicated email account (smelending@hkma.gov.hk) and an enquiry hotline (2878 1199) to collect and convey feedback received from SMEs on banking services.

(8) Provide convenience to customers to switch lending banks: Banks will undertake to provide assistance to SME customers who wish to switch to another lending bank. Through the HKMA's Interbank Account Data Sharing (IADS) initiative, the original lending bank will provide a customer's bank account data to the new lending bank with the customer's consent. In addition, the original lending bank will commit to provide the customer's existing credit information to the customer within seven working days, so that the customer can pass on such information to the new lending bank to expedite their account opening and loan applications. For credit facilities that are secured by property, the original lending bank will endeavour to release the charge over the collateral within six weeks after receipt of the relevant legal instructions, except in exceptional circumstances.

Strengthening communication

(9) Regular meetings with business sectors to understand the needs of SMEs:

The Hong Kong Association of Banks (HKAB) and Chinese Banking Association of Hong Kong (HKCBA) will take lead in arranging regular meetings between the banks and the business sectors to understand the needs of SMEs. This will enable banks to continuously enhance their banking services and strengthen their support for SMEs. The HKAB and HKCBA will regularly communicate with the HKMA on the progress of their outreach.

The HKMA will follow up on the above measures via the Mechanism, and maintain close communication and join hands with the banking and commercial sectors in supporting the continuous development of SMEs.

Background

The Mechanism was established by the HKMA in October 2019. Participants include 11 banks that are most active in SME lending. The HKAB and the HKMC Insurance Limited are also represented in the Mechanism. During the pandemic, the Mechanism rolled out several rounds of relief measures for corporates, including the Pre-approved Principal Payment Holiday Scheme. An orderly exit from the Scheme commenced at the end of July 2023, with the focus of the Scheme moving from tiding corporates over the pandemic to assisting their return to normal repayment. Participating corporates may choose to repay 20 per cent of the original principal repayment amount with a duration of 18 months, or 50 per cent of the original principal repayment amount with a duration of 30 months. For corporates which are not financially able to transition to partial principal repayment, banks will continue to offer principal moratorium on a case-by-case basis.