



Hong Kong

May 2018

HONG KONG MONETARY AUTHORITY TO LAUNCH PILOT BOND GRANT SCHEME

On 10 May 2018, the Hong Kong Monetary Authority (**HKMA**) issued a circular¹ setting out details of the highly anticipated three-year Pilot Bond Grant Scheme (**Bond Grant Scheme**) announced in the 2018-2019 Budget. The aim of the scheme is to encourage Hong Kong, Mainland and overseas enterprises to issue bonds in Hong Kong.

The commencement date of the Bond Grant Scheme will be announced in due course. The following is a summary of the Pilot Bond Grant Scheme and the criteria for eligibility.

1. Eligible issuers

To be eligible for the Pilot Bond Grant Scheme Scheme, issuers must be first time issuers that have not issued bonds in Hong Kong between 10 May 2013 and 9 May 2018, both dates inclusive.

2. Eligibility Criteria

The criteria for eligibility are:

a) **The bonds must be issued in Hong Kong.**

A bond will be considered to be Hong Kong issued if a majority of its arranging activities (which include originating, structuring, legal and transaction documentation preparation, and sale

and distribution) take place in Hong Kong. In its assessment of whether this requirement is met, HKMA will consider whether the lead arranger has substantial Hong Kong debt capital market operations determined by the size of those operations, its use of Hong Kong service providers, its plan for developing its debt capital markets operations in Hong Kong, and other relevant factors.

b) **HK\$ 1.5 billion minimum issue size** (or the equivalent in a foreign currency).

c) **HKEx Listing or CMU Clearance**

The bonds must all be lodged with and cleared by the Central Moneymarkets Unit (**CMU**) which is operated by the HKMA, or listed on the Hong Kong Stock Exchange.

d) The bonds must be issued in Hong Kong either to:

i) 10 persons or more, or

ii) less than 10 persons provided that none of them are associated with the issuer.

3. Grant amount

The grant amount for each bond issue will be the equivalent of half the eligible issue expenses, not exceeding the following limits:

¹ HKMA. Circular "Pilot Bond Grant Scheme". 10 May 2018. <http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2018/20180510e1.pdf>.

- **HK\$2.5 million** if the bond, its issuer or its guarantor(s) has a credit rating by one of the rating agencies recognised by the HKMA – Fitch Ratings, Moody's Investors Service, Rating and Investment Information, Inc, and Standard and Poor's Ratings Services; or
- **HK\$1.25 million** in all other cases.

An issuer cannot apply for a grant for more than two bond issues.

4. Eligible expenses for issuance in the Scheme:

Eligible expenses include fees paid to the following:

1. Hong Kong-based arrangers;
2. Hong Kong-based legal advisors;
3. Hong Kong-based auditors and accountants;
4. Hong Kong-based rating agencies;
5. Hong Kong-based external green reviewers (applicable to green bonds);
6. Hong Kong Stock Exchange by way of listing fees; and
7. CMU lodging and clearing fees.

5. Application and commencement date for the Scheme

Prospective issuers and lead arrangers can request application forms from the HKMA via pbgs@hkma.gov.hk. The forms and supporting documents must be submitted within 3 months after the bonds are issued. Issuers and registered institutions are encouraged by the HKMA to consult with them at the early stage of the bond issuance process.

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