



04 May 2021

HKMA announces guideline on the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme)

The Hong Kong Monetary Authority (HKMA) today released a guideline on the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme) as announced in the 2021-22 Budget.

The GSF Grant Scheme will provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. It will commence on 10 May 2021 and last for three years.

The guideline on the GSF Grant Scheme is set out in [this link](#).

Commenting on the GSF Grant Scheme, Mr Eddie Yue, Chief Executive of the HKMA, said, “The global green bond market has grown from practically non-existent ten years ago to US\$270 billion in 2020. In Hong Kong, we have taken early and proactive steps to strengthen Hong Kong’s position as a regional green and sustainable finance hub, including the issuance of two rounds of Government green bonds since 2019 and the establishment of the Green and Sustainable Finance Cross-Agency Steering Group to coordinate cross-agency market development efforts. The launch of a new Green and Sustainable Finance Grant Scheme to support green and sustainable bond issuance and lending will further enrich the green and sustainable finance ecosystem in Hong Kong.”

Hong Kong Monetary Authority
4 May 2021

Guideline on the Green and Sustainable Finance Grant Scheme

The Financial Secretary announced in the 2021-22 Budget that the Government would consolidate the Pilot Bond Grant Scheme and Green Bond Grant Scheme into a Green and Sustainable Finance Grant Scheme (GSF Grant Scheme) to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As noted in the Budget, details of the GSF Grant Scheme would be announced by the Hong Kong Monetary Authority (HKMA) in due course.

The eligibility criteria and application process of the GSF Grant Scheme are set out below. The HKMA will keep in view market developments and may update or adjust certain details of the GSF Grant Scheme as needed.

Overview

The GSF Grant Scheme consists of two tracks, covering:

- I. General Bond Issuance Costs: covering bond issuance expenses (e.g. arrangement, legal, audit, listing fees, etc.) for eligible first-time green and sustainable bond issuers; and
- II. External Review Costs: covering transaction-related external review fees (e.g. including pre-issuance external review and post-issuance external review or reporting) for eligible green and sustainable bond issuers and loan borrowers, including first-time and repeated issuers and borrowers.

It will commence on 10 May 2021 and last for three years.

The English version of the Guideline shall prevail in the event of a conflict with the Chinese version.

Track I - General Bond Issuance Costs

	Details
First-time green and sustainable bond issuers	<p>First-time green and sustainable bond issuers are issuers¹ that have not issued green and sustainable bonds in Hong Kong in the rolling five-year period prior to the bond’s pricing date².</p> <p>Arrangers of GSF Grant Scheme bonds are not eligible as issuers of the GSF Grant Scheme.</p>
Eligible issues	<p>Eligible issues must satisfy the following criteria:</p> <ul style="list-style-type: none">• having procured pre-issuance external review services related to the bond issue that is provided by a recognised external reviewer (see Definitions below);• being issued in Hong Kong (see Definitions below);• having an issuance size of at least HK\$1.5 billion (or the equivalent in foreign currency);• being lodged with and cleared by the Central Moneymarkets Unit (CMU) operated by the HKMA in its entirety, or being listed on The Stock Exchange of Hong Kong Limited (SEHK); and• being, at issuance, issued in Hong Kong to (i) 10 or more persons or (ii) less than 10 persons none of whom is an associate of the issuer.
Grant amount	<p>The grant amount for each green and sustainable bond issue is equivalent to half of the eligible expenses, up to the following limits:</p> <ul style="list-style-type: none">• HK\$2.5 million where the bond, its issuer or its guarantor(s) possess a credit rating by a rating

¹ In the GSF Grant Scheme, the term “issuer” denotes the entity issuing a bond and the entity’s associate(s). The term “associate” refers to (i) a person/corporation over which the issuer has control; (ii) a person/corporation which has control over the issuer; or (iii) a person/corporation that is under the control of the same person/corporation as the issuer.

² Issuers who have issued only non-green and sustainable bonds during the five-year period will still be eligible.

	Details
	<p>agency recognised by the HKMA³; or</p> <ul style="list-style-type: none">• HK\$1.25 million where none of the bond, its issuer or its guarantor(s) possess a credit rating by a rating agency recognised by the HKMA. <p>Each issuer can apply for a grant for two green and sustainable bond issuances at most.</p>
Eligible expenses	<p>Eligible expenses include the following⁴:</p> <ol style="list-style-type: none">1. Fees to Hong Kong-based arrangers2. Fees to Hong Kong-based legal advisors3. Fees to Hong Kong-based auditors and accountants4. Fees to Hong Kong-based rating agencies5. SEHK listing fees6. CMU lodging and clearing fees <p>Expenses relating to external review services are covered separately under Track II - External Review Costs below.</p>

³ The rating agencies recognised by the HKMA are: Fitch Ratings, Moody's Investors Service, Rating and Investment Information, Inc, and Standard and Poor's Ratings Services.

⁴ Expenses covered by another grant scheme(s) in Hong Kong or outside Hong Kong are ineligible.

Track II - External Review Costs

	Details
Eligible issuers/ borrowers	<p>Green and sustainable bond issuers and loan borrowers, including first-time and repeated issuers and borrowers.</p> <p>Arrangers/lenders of GSF Grant Scheme bonds/loans are not eligible as issuers/borrowers of the GSF Grant Scheme.</p>
Eligible issues	<p>Eligible green and sustainable bonds must satisfy the following criteria:</p> <ul style="list-style-type: none"> • having procured pre-issuance external review services related to the bond issue that is provided by a recognised external reviewer (see Definitions below); • being issued in Hong Kong (see Definitions below); • having an issuance size of at least HK\$200 million (or the equivalent in foreign currency); • being lodged with and cleared by the CMU in its entirety, or being listed on the SEHK; and • being, at issuance, issued in Hong Kong to (i) 10 or more persons or (ii) less than 10 persons none of whom is an associate of the issuer. <p>Eligible green and sustainable loans must satisfy the following criteria:</p> <ul style="list-style-type: none"> • having procured pre-issuance external review services related to the loan that is provided by a recognised external reviewer (see Definitions below); and • being issued in Hong Kong (see Definitions below).
Grant amount	<p>Full cost of eligible expenses paid to recognised external reviewers, capped at HK\$800,000 per bond issuance/loan.</p>

	Details
Eligible expenses	Eligible expenses include ⁵ all transaction-related fees for: <ul style="list-style-type: none">• pre-issuance external review (including, for example, certification, second-party opinion, verification, ESG scoring/rating, assurance, consultation to develop the green and sustainable bond/loan framework); and• post-issuance external review or reporting.

⁵ Expenses covered by another grant scheme(s) in Hong Kong or outside Hong Kong are ineligible.

Definitions

Term	Definition
Issued in Hong Kong	<p>A bond is considered issued in Hong Kong if half or more of the involved lead arranger(s) are recognised arrangers. Bond arranging activities comprise originating and structuring, legal and transaction documentation preparation, and sale and distribution.</p> <p>A loan is considered issued in Hong Kong if at least half of the loan amount is borrowed from Hong Kong-based lenders.</p>
Recognised arranger	<p>When assessing an arranger, the HKMA will, based on the information provided in the <u>Arranger Information Form</u>, consider to what extent it has substantial Hong Kong debt capital market (DCM) operations, determined based on the size of an arranger's DCM operations, its use of Hong Kong service providers, its plan for developing its DCM operations in Hong Kong, and other relevant factors.</p>
Recognised external reviewer	<p>When assessing an external reviewer, the HKMA will, based on the information provided in the <u>External Reviewer Information Form</u>, consider whether it has:</p> <ul style="list-style-type: none">• considerable presence in Hong Kong⁶;• satisfactory observance of internationally-recognised standards; and• proven track records in providing external review services to green and sustainable bonds and loans, especially international issuances.

⁶ The HKMA will consider the current size and functions of its Hong Kong team, its plan for maintaining or expanding its presence in Hong Kong, and other relevant considerations.

Application Process

Application for grant

- **Pre-application consultation:** Prior to or after the issuance of the bond/loan, the lead arranger(s)/lender(s) may, on behalf of the issuer/borrower, consult the HKMA via gsfsgs@hkma.gov.hk on a pre-application before submitting the formal application. The HKMA will give a no-objection to the pre-application if it is satisfied that, based on the preliminary information provided by the lead arranger(s)/lender(s), the eligibility requirements for the GSF Grant Scheme are met.
- **Formal application:** A formal application may be made by the lead arranger(s)/lender(s) within three months after the bond/loan is issued, or within three months of the invoice date in the case of post-issuance external reviewer costs⁷. Applicants may obtain the Issuer/Borrower Application Form, Arranger Information Form and External Reviewer Information Form from the HKMA via gsfsgs@hkma.gov.hk. The HKMA will process applications in monthly batches.

Application for recognition as a recognised arranger

Interested arrangers may obtain and submit the Arranger Information Form to the HKMA via gsfsgs@hkma.gov.hk. If the form is submitted as part of an application by the lead arranger(s) of a bond, the arranger will be assessed simultaneously with other parts of the application. Alternatively, an arranger may submit the form on its own and seek recognition status before being engaged for a particular bond issuance. The recognition status would be valid for a one-year period, after which the arranger may update the information in its Arranger Information Form to renew its recognition status.

Application for recognition as a recognised external reviewer

Interested external reviewers may obtain and submit the External Reviewer Information Form to the HKMA via gsfsgs@hkma.gov.hk. If the form is

⁷ Application for post-issuance external reviewer costs of bonds/loans may also be submitted by the issuer/borrower directly.

submitted as part of an application by the lead arranger(s)/lenders(s) of a bond/loan, the external reviewer will be assessed simultaneously with other parts of the application. Alternatively, an external reviewer may submit the form on its own and seek recognition status before being engaged for a particular bond issuance/loan. The recognition status would be valid for a one-year period, after which the external reviewer may update the information in its External Reviewer Information Form to renew its recognition status.