

3 May 2021

Our Ref: INS/TEC/6/93

By **email** only

To: Chief Executives of All Authorized Insurers

Dear Sirs,

Pilot Insurance-linked Securities Grant Scheme

The Financial Secretary announced in the 2021-22 Budget that the Government would launch a two-year Pilot Insurance-Linked Securities Grant Scheme (“the Grant Scheme”) to attract insurance enterprises and organisations to issue insurance-linked securities (“ILS”) in Hong Kong. As noted in the Budget, details of the ILSGS would be announced by the Insurance Authority (“IA”) in due course.

We are writing to inform you about the eligibility criteria of the Grant Scheme, as set out below:

Issues	Details
Eligible applicants	Onshore and offshore issuers and sponsors, including supranational and multinational organisations, will be eligible.
Eligible issuances	<p>Eligible issuances must satisfy the following criteria:</p> <ul style="list-style-type: none"> • being issued in Hong Kong; • having an issuance size of at least HK\$ 250 million (or the equivalent in foreign currency); and • at least 20% of upfront issuance costs being attributable to the revenue of Hong Kong-based service providers. <p>Priority will be given to:</p> <ul style="list-style-type: none"> • first time issuers and sponsors; and • issuances lodged with and cleared by the Central Moneymarkets Unit (“CMU”) operated by the Hong Kong Monetary Authority, where feasible.
Sum of grants	The grant covers the upfront costs of an eligible ILS issuance. The sum of grant for each issuance will be up to the following limits:

	<ul style="list-style-type: none"> • the lesser of HK\$ 12 million or 100% of total upfront costs incurred if maturity of the ILS concerned is three or more years; or • the lesser of HK\$ 6 million or 50% of total upfront costs incurred if maturity of the ILS concerned is one year to less than three years.
Eligible issuance costs	<p>Eligible issuance costs include the following upfront costs¹:</p> <ul style="list-style-type: none"> • fees to arrangers, brokers or structurers; • fees to legal advisors; • fees to risk modellers; • fees to trustees, custodians and administrators; • fees to auditors and accountants; • fees to rating agencies; • CMU lodging and clearing fees; • authorization and annual fees levied by the IA; and • any other ancillary expenses reasonably incurred in issuing the ILS.
Application process	<p>Sponsors or arrangers may request an Application Form from the IA via ils@ia.org.hk. They are required to submit the completed form and provide relevant supporting documents within six months after the date of issuance of the ILS.</p> <p>Applicants are encouraged to consult the IA at the early stage of the ILS issuance process about the application for the Grant Scheme.</p>

Should you have any questions regarding the Grant Scheme and its application process, please email to ils@ia.org.hk or Adrian Lam (adrianlam@ia.org.hk).

Yours faithfully,

Tony Chan
Associate Director (Policy and Development)
Insurance Authority

c.c. Financial Services and the Treasury Bureau (Attn: Ms. Ada Cheung)
The Hong Kong Federation of Insurers

¹ Expenses covered by another grant scheme(s) in Hong Kong or overseas are ineligible.