



HKMA Guideline on Digital Bond Grant Scheme

NOVEMBER 29, 2024

On 28 November 2024, the Hong Kong Monetary Authority (**HKMA**) published the guideline on Digital Bond Grant Scheme (**DBGS**). As acknowledged in the [2024 Policy address](#), the DBGS is part of the Hong Kong Government and HKMA's efforts to promote the development of the digital securities market in Hong Kong as well as supporting Hong Kong's position as a leading international financial center.






Effective on 16 October 2024¹, the DBGS, will provide subsidies of up to HKD1.25 million (for Half Grant) and up to HKD2.5m (for Full Grant) to eligible applicants to cover costs of issuing digital bonds in Hong Kong, subject to certain criteria and conditions, for an initial period of three years.

The DBGS seeks to promote digital bond issuance in Hong Kong and cultivate the local digital asset ecosystem. Building on the success of the two tokenized government green bonds issued by the Hong Kong Government in 2023 and 2024 (see '[Related Capabilities](#)' below for details), the HKMA is eager to incentivize the adoption of tokenization technology in capital market transactions. This effort aims to foster innovation and enhance efficiency within the financial sector.

Key information of the [Guidelines on the DBGS](#), including eligibility requirements, eligible expenses and the application process are set out in the table below.

¹ For avoidance of doubt, applications can be made for bonds issued on or after the Policy Address announcement on 16 October 2024.

THE DIGITAL BOND GRANT SCHEME 2024

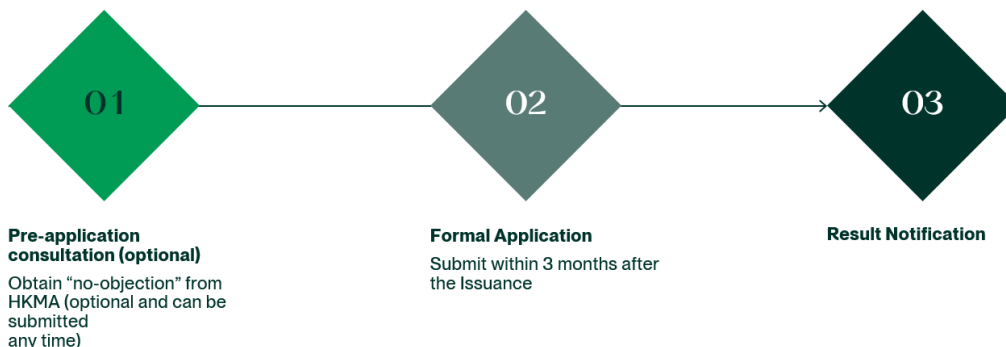
	TIER 1—HALF GRANT	TIER 2—FULL GRANT
 <p>GRANT</p>	<p>50% of the Eligible Expenses per issuance up to HKD1.25m</p> <p>(Max two issuances per issuer (including associates²))</p>	<p>50% of the Eligible Expenses per issuance Up to HKD2.5m</p> <p>(Max two issuances per issuer (including associates³))</p>
 <p>ELIGIBILITY— BASIC REQUIREMENTS</p>	<ul style="list-style-type: none"> Issued in Hong Kong (≥half of lead arranger(s) being recognised arrangers[*]) Either: (i) the team involved in the development and/or operations of the DLT platform and other digital aspects of the issuance (“digital team”⁴) must have substantial Hong Kong presence^{**}; or (ii) issued on a DLT platform operated by the CMU^{**} <p>[*] Same list of recognized arrangers as the Green and Sustainable Finance Grant Scheme (GFSGS)</p> <p>^{**} Assessed on case-by-case basis</p>	<p>Same as Half Grant</p>
 <p>ELIGIBILITY— ADDITIONAL REQUIREMENTS</p>	<p>N/A</p>	<ul style="list-style-type: none"> Issued on a DLT platform provided by an entity that is not an associate of the issuer Minimum issuance size: HKD1 billion equivalent (all tranches combined) Five or more external investors[#] at issuance Listed (i) in Hong Kong, or (ii) on virtual asset trading platform(s) (VATPs) licensed by the Securities and Futures Commission (SFC) <p>[#]Excluding any associates of the issuer or DLT platform provider(s)</p>
 <p>ELIGIBLE EXPENSES</p>	<ul style="list-style-type: none"> Fees to DLT platform providers, excluding DLT platform providers that are associates of the issuer Fees to HK-based arrangers, excluding arrangers that are associates of the issuer Fees to Hong Kong-based legal advisors Fees to Hong Kong-based auditors, accountants and rating agencies Listing fees to the SEHK or VATPs licensed by the SFC CMU lodging and clearing fees 	
 <p>OTHER ELIGIBILITY REQUIREMENTS</p>	<ul style="list-style-type: none"> Interaction with the GSFSGS: If the digital bond is a ESG bond, (i) eligible general bond issuance costs covered by either the DBGs or Track I of the GSFSGS, up to HK\$2.5m; and (ii) external sustainability review costs covered by Track II of the GSFSGS, up to HK\$800,000 for all pre-issuance and post-issuance external reviews combined. 	

² For the purposes of DBGs, the issuer’s “**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; but does not include persons/corporations which are associated merely because of common ownership by the central government of a country or its sovereign wealth funds or similar state-owned enterprises but in practice operate independently as separate commercial entities.

³ Refer to footnote 2 above.

⁴ Digital team could comprise, but are not limited to, roles in project/business management, information technology, engineering, operations, legal and compliance, issuer services, securities services, etc. The HKMA may also consider other factors that can demonstrate the Hong Kong nexus of the relevant DLT platform.

APPLICATION PROCESS



RELATED CAPABILITIES

A&O Shearman advises on the HKSAR Government’s inaugural issuance of HKD-denominated tokenised green bond

A&O Shearman advises on the HKSAR Government’s multi-currency, digitally native, green notes issuance

A&O Shearman advises the HKMA on legal and regulatory considerations for tokenisation of bonds in Hong Kong

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