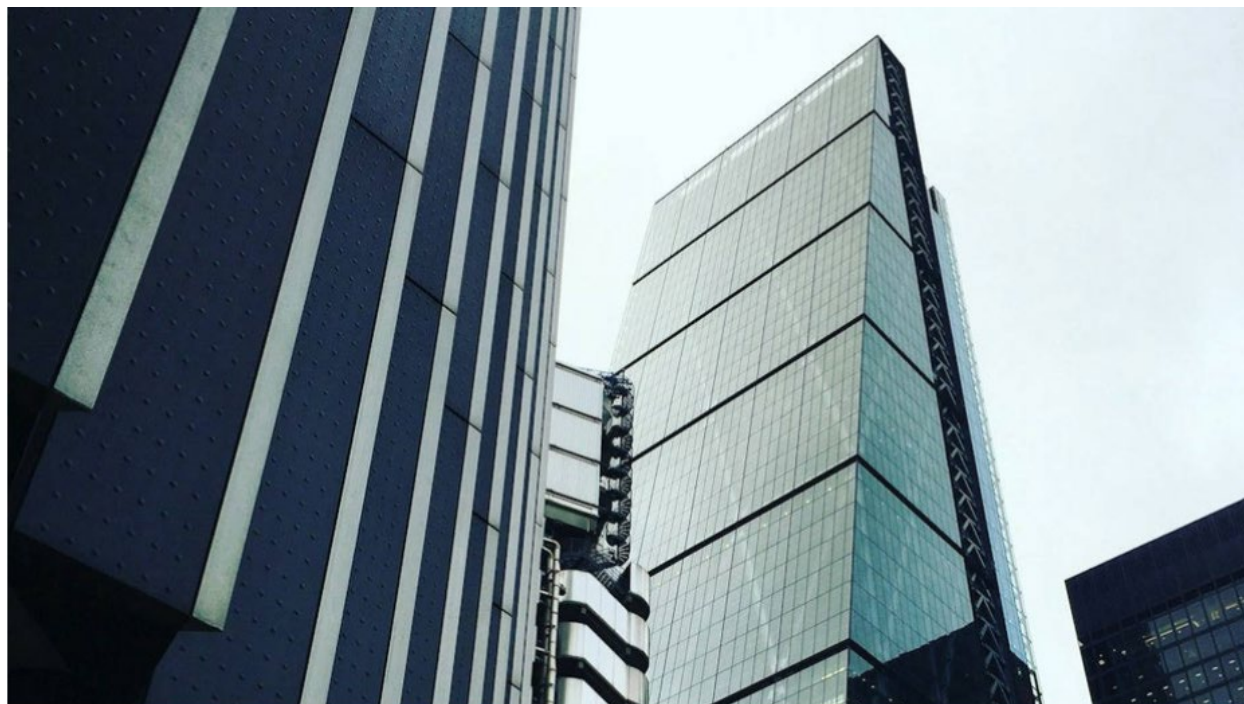


## Using the Digital Bond Grant Scheme to Raise Funds from Hong Kong's Securities Market

Opportunities to obtain government grants for digital bond issuances in Hong Kong



The Hong Kong Monetary Authority (HKMA) launched the Digital Bond Grant Scheme (DBGS) on November 28, 2024, as announced in the 2024 Policy Address. The scheme provides financial support to eligible digital bond issuances, offering grants of up to HK\$2.5 million subject to specific eligibility criteria. The DBGS operates initially for three years, with applications open since November 28, 2024.

### *Scope and Eligibility Criteria*

The DBGS applies to digital bonds, defined as bonds using distributed ledger technology (DLT) to represent ownership, such as legal titles or beneficial interests. Eligibility is assessed on a case-by-case basis. The scheme subsidizes 50% of eligible expenses per issuance, with up to HK\$1.25 million (the “Half Grant”) available for issuances meeting Basic Requirements, and up to HK\$2.5 million (the “Full Grant”) for those fulfilling both Basic and Additional Requirements. Each issuer, including its associates, may receive subsidies for a maximum of two digital bond issuances.

To meet the Basic Requirements, a digital bond must be issued in Hong Kong, with at least half of the lead arrangers having substantial operations in Hong Kong's debt capital markets. The issuance must either have a development or operations team with a significant presence in Hong Kong or be conducted on a DLT platform operated by the Central Moneymarkets Unit (CMU). Recognized arrangers under the DBGS match those listed under the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme). For the Full Grant, the bond must be issued on a DLT platform unaffiliated with the issuer, have a minimum issuance size of HK\$1 billion, include at least five investors unaffiliated with the issuer or platform provider, and be listed on either the Stock Exchange of Hong Kong Limited or a virtual asset trading platform (VATP) licensed by the Hong Kong Securities and Futures Commission.

Eligible expenses include fees paid to DLT platform providers (excluding those affiliated with issuers), Hong Kong-based arrangers, legal advisors, auditors, accountants, and rating agencies. Listing fees for SEHK or licensed VATPs, as well as CMU lodging and clearing fees, are covered. Expenses subsidized by other grant schemes in Hong Kong or overseas are excluded. Issuances qualifying as green, social, sustainability,

sustainability-linked, or transition bonds may have general issuance costs covered under either the DBGS or Track I of the GSF Grant Scheme, up to HK\$2.5 million. External sustainability review costs are covered under Track II of the GSF Grant Scheme, capped at HK\$800,000 for all pre-issuance and post-issuance reviews combined.

#### *Application Process*

The application process for the DBGS includes an optional pre-application consultation. Issuers, lead arrangers, or DLT platform providers may contact the HKMA to confirm eligibility before submitting a formal application. Formal applications must be filed within three months of the bond's issuance, using the DBGS Application Form, obtainable from the HKMA. The HKMA determines whether an application meets the scheme's requirements and decides the grant amount. Applications have been accepted since November 28, 2024, within the scheme's initial three-year period.

The DBGS operates as part of the HKMA's efforts to modernize Hong Kong's bond market infrastructure through DLT. The scheme runs for three years from its launch on November 28, 2024. Further details are provided in the HKMA's DBGS guidelines.

For inquiries about JML's assistance with the Digital Bond Grant Scheme, please scan the QR code below to know more about the services offered by us:



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