# COVID-19 and Global Financial Markets: Perspectives from China Hong Kong

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As 2020 progresses, the effects of COVID-19 continue to be felt on a global scale. In China, despite being the epicenter of the outbreak that has since become a global pandemic, market analysts report that, after an initial slump in January, domestic markets have remained relatively stable. Being the first country to experience the severity of the novel coronavirus, China's central bank announced as early as February that it would inject 1.2 trillion yuan (US$173 billion) of liquidity back into the market by way of reverse repo transactions, a move that served to stabilize nerves and maintain optimism. So far, the Shanghai Composite Index, the benchmark index of China, has experienced only a modest decline, although with the rest of the world following China's footsteps in going into lockdown mode, the Chinese market is bracing for a second wave of economic hiatus. Meanwhile, its central and local governments have promulgated a series of policies to facilitate work resumption and help businesses ride out the economic storm, including allowing borrowers to defer payment on bank loans, tax reductions, and lending financial support to SMEs.

In **Hong Kong**, local financial regulators, in an attempt to relieve the pandemic's impact on the local economy, have provided guidance on the steps they recommend be taken.

The Hong Kong Monetary Authority (HKMA) issued a circular in February 2020 regarding measures that may be adopted by authorized institutions (AIs) to relieve the impact brought about by COVID-19. Some AIs are considering measures such as the restructuring of repayment schedules for corporate loans, a principal moratorium for residential and commercial mortgages, and fees reductions for credit card borrowing. The HKMA encourages other AIs to consider taking similar action as a proactive response by the banking industry to help mitigate the financial consequences of the outbreak. AIs have also been reminded to adopt a sympathetic stance when dealing with customers facing financial stress due to COVID-19, in accordance with HKMA guidelines, "Hong Kong Approach to Consumer Debt Difficulties" and "Hong Kong Approach to Corporate Difficulties." The HKMA will continue to work on relief measures for small and medium-sized enterprises, particularly in those sectors most seriously affected by the COVID-19 outbreak.

The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited (the Exchange) issued a joint statement in February 2020 that provided guidance to listed companies and their auditors in relation to the disclosure of financial information in view of travel and other restrictions resulting from the recent outbreak. Listed issuers facing difficulties in complying with the Listing Rules with respect to the publication of results announcements and audited financial statements should consult the Exchange as soon as possible to discuss possible alternative arrangements. For more details, please read our article for a summary of the joint statement.

In 2003, Hong Kong was affected by the SARS (severe acute respiratory syndrome) epidemic and the financial markets did not begin stabilizing until the growth rate of new cases had been brought under control on a global scale. We should expect a similar trend for COVID-19, although at the moment, it is hard to say when the situation will stabilize. Although support and suggested guidelines have been provided by financial regulators in Hong Kong, the situation remains incredibly fluid and, in the absence of more concrete measures being implemented, we anticipate contractual disputes arising, for example in derivatives contracts, regardingthe interpretation and applicability of clauses dealing with market disruption and force majeure.

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