

**Panel on Financial Affairs**

**Meeting on 23 May 2011**

**Briefing on the work of Hong Kong Monetary Authority**

**List of follow-up actions**

- 1. The Hong Kong Monetary Authority (HKMA) is requested to provide the following information:**
  - (a) the trend of rollover balances of credit cards and the extent to which the credit growth of the banking sector in Hong Kong is attributed to the growth of rollover balances of credit cards.**

HKMA's reply

The rollover amount of credit cards in Hong Kong banks fell by about HK\$2 billion to HK\$19.1 billion in 2010. This accounted for only 0.5% of total bank lending in Hong Kong. This indicates that the change in rollover amount of credit cards was not directly related to the fast credit growth of the banking sector.

Note:

Rollover amount, which represents "borrowing", is the amount within total credit card receivables where the cardholder has not fully repaid the statement balance but has at least made the minimum amount of payment required by the lending institution. It does not include any overdue amounts. An account is overdue when the minimum payment is not made upon the due date.

- (b) reasons for banks refusing to provide re-mortgage loans to buyers of residential units under the Sandwich Class Housing Scheme, and the relevant guidelines issued by HKMA to banks**

HKMA's reply

In processing applications for refinancing loans (including re-mortgages or additional borrowing), banks will consider the value of the properties concerned, requested loan amounts and repayment ability of the mortgage loan applicants, regardless of whether the properties belong to the Sandwich Class Housing Scheme or other types of properties. Banks may not approve an application if they consider that a mortgage loan applicant does not meet the mortgage underwriting standards. The residential mortgage lending guidelines issued by the HKMA to banks include maximum loan-to-value ratios requirements, assessment of the repayment ability of borrowers and stress-testing of the potential impact which interest rate rises could have on the borrowers. These guidelines apply to all types of residential properties. The HKMA has no specific guidelines on refinancing loans for properties under the Sandwich Class Housing Scheme.

- (c) **the estimated amounts of Renminbi (“RMB”) invested in the property market and securities in Hong Kong, and whether HKMA has taken any measure to prevent/combat money-laundering activities involving the use of RMB to purchase properties in Hong Kong.**

HKMA’s reply

The HKMA does not collect any data on the amount of RMB funds investing in the property or securities markets in Hong Kong.

As a member of the Financial Action Task Force on Money Laundering, Hong Kong attaches great importance to guarding against money laundering activities. The HKMA has adopted international standards in putting in place a comprehensive and robust anti-money laundering supervisory regime.

The HKMA issues, from time to time, anti-money laundering guidelines. These supervisory requirements cover all types of financial transactions (including property investments in Hong Kong) conducted by bank clients in all currencies (including RMB). They include:

- “Amendments to Guideline on Prevention of Money Laundering” and “Supplement to the Guideline on Prevention of Money Laundering” issued on 9 July 2010. The amended guideline and supplement require banks to establish effective internal controls to combat money laundering, which include conducting due diligence checks on clients, monitoring their transactions (including cash transactions and fund transfers) to identify any suspicious transactions, and report suspicious transactions to the relevant authorities (including the Joint Financial Intelligence Unit).

- “Renminbi Business in Hong Kong” issued on 19 July 2010. This guideline reminds banks participating in RMB businesses to conduct due diligence checks on clients and implement proper measures to guard against money laundering activities.

The HKMA also examines from time to time banks’ compliance with the relevant supervisory requirements.

- (d) **quantitative information (in tabular form) on residential mortgage lending for individuals and companies in respect of different flat sizes, with details on (i) loan-to-value ratios and (ii) the periods when mortgages were redeemed prematurely.**

HKMA's reply

The HKMA's guidelines on maximum loan-to-value (LTV) ratios are based on the value of residential properties, but not their size. Therefore, the HKMA does not collect any information on the LTV ratios of mortgages based on flat sizes. The HKMA currently does not collect information on the periods when mortgages were redeemed prematurely.