

**Transactions of flats at 39 Conduit Road and
disclosure of information by the listed property developer**

The Hong Kong Monetary Authority (HKMA)'s response to the letter dated 5 July 2010 issued by the Legislative Council Panel on Financial Affairs with regard to certain remarks made by the Developer of 39 Conduit Road in its letter of 10 May 2010 to the Lands Department is as follows.

The HKMA has not given, and will not give, directions as to whether banks should extend mortgage loans in respect of a particular property development. Being a prudential regulator, the HKMA requires banks to properly assess and manage the risks involved when they extend mortgage loans to borrowers. According to the HKMA's guidelines issued on 23 October 2009, banks should reduce the maximum loan-to-value (LTV) ratio for properties with a value of \$20 million or above to 60%. The guidelines also require banks to conduct property valuation and assess borrowers' repayment ability prudently. Specifically, banks should ensure that a borrower's debt servicing ratio is within prudent lending limits.

In order to monitor market developments closely, and be prepared to take appropriate supervisory measures when necessary, the HKMA, from time to time, requires banks to provide mortgage related information in respect of property developments being sold, on top of regular mortgage statistics. Such property developments include, but are not limited to, 39 Conduit Road. This is consistent with the HKMA's usual practice. In our communication with banks, the HKMA has always stressed that whether or not to lend in respect of a particular property development or to a particular borrower is a commercial decision of banks, and banks should properly manage the risks and follow the HKMA's prudential supervisory requirements.

Hong Kong Monetary Authority

20 July 2010