



Our Ref: POL/B9/53C

19 September 2000

To: The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Taxi Financing

I am writing to inform you that the Finance Houses Association (“FHA”) has revised its Guidelines on Taxi Financing for its members. A copy of the revised Guidelines issued by the FHA is attached.

While these are not formal guidelines issued by the Hong Kong Monetary Authority (“HKMA”), they do have our strong support. Apart from members of the FHA, the HKMA expects all other authorised institutions to comply with the revised guidelines when making new taxi financing loans. We would ascertain compliance with the revised guidelines during our onsite examinations of individual institutions.

In case of any queries concerning this letter or the revised guidelines, please do not hesitate to approach your usual contacts at the HKMA.

Yours faithfully,

Y.K. Choi
Executive Director
(Banking Supervision)

Encl.

香港信貸機構聯會有限公司
The Finance Houses Association of Hong Kong Limited

FROM THE OFFICE OF:
CHAIRMAN
VICE-CHAIRMAN
SECRETARY
TREASURER

*PLEASE REPLY TO:

24 August 2000

Guidelines on Taxi Financing

a. Maximum Finance Amount

A maximum of \$2mn against the medallion plus up to 90% against a new car body or up to 80% against a used car body and the possibility of lending up to 100% (less the value of any grant by the government) against the cost of replacing a diesel vehicle with an LPG vehicle.

b. Relaxation of Maximum Finance Amount

Lenders could advance more than the usual maximum finance amount if tangible security is available.

c. Restructured Loan Account Arrangement

Loan restructure applicable to original borrower and new borrower who takes over the problematic account.

The maximum restructured loan amount can exceed 85% of the LTV, but under no circumstance, can exceed the loan outstanding balance plus accrued interests (if any).

d. Maximum Loan Tenor

Maximum loan tenor on new taxi loan will be 20 years except for restructured loans.

e. Provisioning Policy

1% general provision being applied to new loans and all existing loans which have been performing in the last 6 months and whose amount outstanding does not exceed the current market value (of the medallion value plus car body).

Those granted under restructuring arrangement, specific provisions would apply.

For those accounts not qualified for 1% general provision, and for accounts re-structured under new hirer, then the 2% general provision applies.