



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/1C
B4/1C
B4/9C

27 October 2022

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Implementation Arrangements in Connection with the Lowering of Statutory Limits of Effective Rates of Interests as Stipulated in the Money Lenders Ordinance (Cap. 163)

On 26 October 2022, the Legislative Council (“LegCo”) approved the Government’s proposal to lower the statutory limits of the effective rates of interests as stipulated in the Money Lenders Ordinance (“MLO”) (Cap. 163). While the MLO shall not apply to Authorized Institutions (“AIs”), section 12.3 of the Code of Banking Practice (“CoBP”) makes reference to the interest rate limits under sections 24 and 25 of the MLO in the charging of interest rates of credit products by AIs. Further to the HKMA’s consultation with the industry earlier, this Circular outlines the corresponding implementation arrangements.

Amendments to the MLO

At present, under sections 24(1) and 25(3) of the MLO, it is respectively stipulated that the interest rate cap on a loan (“the interest rate cap”) shall be 60% per annum; and that the interest rate of a loan exceeding 48% per annum shall render the loan, *prima facie*, to be extortionate and may trigger reopening of the transaction by the court (“the extortionate rate”). With LegCo’s approval, the interest rate cap will be lowered from 60% to 48% per annum, and the extortionate rate from 48% to 36% per annum. The new interest rate cap and the new extortionate rate (collectively “the revised interest rate limits”) will come into effect on **30 December 2022**.

Application to the banking industry

AIs are expected to adopt the revised interest rate limits when complying with section 12.3 of CoBP on the same date as licensed money lenders (i.e. 30 December 2022). A table illustrating the impact of the revision to the interest rate limits under the MLO on the banking industry via section 12.3 of the CoBP is enclosed at **Annex A** for reference. While there will be **no retrospective effect** for credit products offered by AIs, as a matter of principle, AIs are expected to facilitate customers to migrate from an existing credit product charging beyond the revised interest rate limits to a product that is subject to the revised (i.e. lower) interest rate limits, or at least not to unreasonably withhold customers from such migration.

The revision to the MLO's interest rate limits referenced by CoBP is a significant change, and AIs should clearly explain to customers on the revision in good time, so as to facilitate customers' planning of borrowing decisions and minimise any dispute that may arise. With this in mind, guidance in respect of customer communication has been formulated for adoption by the industry, taking into account the industry's feedback in the earlier consultation. Details of the guidance can be found at **Annex B**. In this connection, AIs are reminded to ensure that there are sufficient resources for handling enquiries and/or requests for assistance from the customers concerned.

On a side note, please be reminded that while the MLO shall not apply to AIs, AIs' subsidiaries (which lend or offer to lend money) are not exempted from compliance with sections 24 and 25 of the MLO. For the avoidance of doubt, AIs' subsidiaries are also expected to abide by the customer communication requirements as laid out in Annex B of this Circular. Please be reminded to pass a copy of this Circular to your subsidiaries which lend or offer to lend money for their attention.

Should you have any questions regarding this Circular, please feel free to contact Ms. Debby Ng (Phone: 2878-1004; Email: dtning@hkma.gov.hk) or Mr. Leonard Tso (Phone: 2878-8589; Email: lkmtso@hkma.gov.hk).

Yours sincerely,

Alan Au
Executive Director (Banking Conduct)

Encl.

c.c. The Chairperson, The Hong Kong Association of Banks
The Chairperson, The DTC Association
Secretary for Financial Services and the Treasury
(Attn: Mr. Desmond Wu)

**Impact of the revision to the interest rate limits under the MLO
on the banking industry via section 12.3 of the CoBP**

Period	Annualised Percentage Rates (APRs) as mentioned in section 12.3 of the CoBP	
	The level which is presumed to be extortionate under the MLO*	The legal limit as stated in the MLO**
Before 30 December 2022	Exceed 48%	Exceed 60%
On or after 30 December 2022	Exceed 36%	Exceed 48%

* AIs should be able to justify why such high interest is not unreasonable or unfair

** Unless justified by exceptional monetary conditions

Guidance in respect of customer communication

A. Notification to new customers (including prospective customers) of credit products

(Applicable to individual customers newly applying for credit products which the applicable APR/interest rate may, at any point of time, exceed 48% for any customer)

- (a) From 14 November to 29 December 2022, AIs should inform individual customers (including prospective customers) of credit products on the change in MLO's interest rate limits referenced by CoBP at the following juncture:
 - (i) at the time of **credit application** (before a customer decides to apply for the credit product); and
 - (ii) at the time of **informing the customer of approval of credit application**.
- (b) AIs should adopt means of notification which would provide reasonable assurance that their customers will be informed of the change and which do not rely unduly on the customers' own initiative.
- (c) AIs are requested to deploy the following message in the notification:

Chinese: “由 2022 年 12 月 30 日起，銀行所收取的利率一般不得超過 48%。你所申請的產品的利率有可能超過 48%，請向職員了解對你的影響。”

English: “With effect from 30 December 2022, banks are generally not allowed to charge interest rates exceeding 48%. As the interest rate of the product which you are applying for may exceed 48%, you are reminded to check with our staff on the impact on you.”

B. Notification in case of change in interest rate(s)

(Applicable to existing individual customers of credit product(s) which an AI plans to revise the interest rate(s) concerned.)

- (a) If an AI decides to change the interest rate(s) of any credit product offered to individual customers owing to the revision in interest rate limits, it should, as in other cases of interest rate changes, notify customers according to the requirements laid out in the CoBP.
- (b) If, after revision, the interest rate(s) will exceed 48% on or after 30 December 2022, the notification should mention clearly:
 - (i) the revision of the interest rate limits; and
 - (ii) the fact that the customer's interest rate will remain above 48% in spite of the revision of the interest rate limits.
- (c) The mention in (b) should be included in the notification as soon as practicable and not later than 14 November 2022. For the avoidance of doubt, such a mention is required irrespective of whether the change in interest rate(s) is favourable to the customer or not.

C. Special requirements for customers subject to interest rate(s) of 48% and above

(Applicable to existing credit arrangements to individual customers which take effect on or before 29 December 2022 only)

- (a) If the interest rates mentioned in section 12.3 of CoBP (for AIs)/ sections 24 and 25 of MLO (for AIs' subsidiaries) applicable to a customer will exceed 48% on or after 30 December 2022, the customer should be notified of:
 - (i) the revision of the interest rate limits; and
 - (ii) the fact that the customer's interest rate will remain above 48% in spite of the revision of the interest rate limits.

- (b) Such a notification should be issued to the customer not later than 14 November 2022. For a credit application newly approved after 14 November 2022, this notification should be issued on the date of the AI's approval of the credit application concerned.
- (c) For the avoidance of doubt, if an AI has decided to change the interest rate and the revised rate is above 48%, it should issue notification as required under section B. If the notification required under section B has been issued to customers on or before the designated date under section C (i.e. 14 November 2022), there is no need to issue another notification under section C.
- (d) In contrast, if an AI has issued a notification under section C (on or before the designated date) but decided to change the interest rate afterwards, it is required to issue another notification under section B.