

**Speaking notes for Mr Norman Chan, Chief Executive of HKMA in addressing  
the media on 27 February 2015**

In view of the renewed signs of overheating in the property market since the second half of 2014 and having regard to the rise of the indebtedness of Hong Kong households to a historic high level of over 64% to GDP, the Hong Kong Monetary Authority has decided to introduce three additional countercyclical measures in order to safeguard banking and financial stability.

- (a) to lower the maximum loan-to-value (LTV) ratio for self-use residential properties with value below \$7 million from the existing range of 60% to 70% to 60% across the board.
- (b) to lower the maximum debt-servicing ratio (DSR) by 10 percentage points from 50% to 40% for borrowers who are buying a second residential property for self-use. The stressed-DSR cap will also be lowered by 10 percentage points from 60% to 50%.
- (c) to lower the maximum DSR by 10 percentage points from 50% to 40% for mortgage of all types of non-self use properties, including residential, commercial and industrial properties. The stressed-DSR cap will be lowered by 10 percentage points from 60% to 50% at the same time.

2. These three countercyclical measures take effect immediately. However, mortgage applications for properties with provisional sale and purchase agreements signed today or earlier will not be affected.

3. I would like to explain that the HKMA has always strived to achieve a balance between the need to tighten mortgage financing to protect banking stability and the desire to minimise negative impact on genuine end-users, especially the first-time home buyers. It was for this reason why in launching the past 6 rounds of countercyclical measures the HKMA had been mindful of the need to allow home buyers in the mass market for self-use to be able to enjoy the 70% LTV ratio.

4. We appreciate that this latest round of countercyclical measures will inevitably affect the home purchase plans of some people, including first-time buyers. However, it is the duty of the HKMA to undertake whatever supervisory measures that are necessary to safeguard banking and financial stability as and when the property cycle evolves.

5. I would also like to announce a change on the minimum risk weight for residential mortgage portfolios of banks. Since February 2013, the HKMA has required banks using the Internal Ratings-Based (IRB) Approach to introduce a risk-weight floor of 15% for their residential mortgage portfolios. To allow time for the banks to adapt to this new requirement, the HKMA agreed that the 15% risk-weight floor would apply only to new residential mortgages.

6. In order to achieve a consistent pace amongst different banks in achieving the 15% risk-weight floor, the HKMA has decided to require these IRB banks to apply the 15% risk-weight floor to their entire residential mortgage portfolios before the end of June 2016, with an interim step of achieving a 10% risk-weight floor by the end of June 2015.

7. Lastly, the maximum LTV ratio under the Mortgage Insurance Programme offered by the Hong Kong Mortgage Corporation Limited (HKMC) will correspondingly be lowered by 10 percentage points to 80% from 90% unless the applicants are genuine first-time buyers for self-use who can meet enhanced income requirements. The HKMC will announce the details of the new arrangements shortly.