

Our Ref: B1/15C and B9/25C

28 July 1998

The Chief Executive
All authorized institutions

Dear Sir / Madam,

Withdrawal of the HKMA's 40% guideline

This is to inform you that the "40% guideline" on the property exposure of authorized institutions in Hong Kong has been withdrawn with effect from today. The reasons for this are set out in the attached press release.

Despite the withdrawal of the guideline, the HKMA believes that authorized institutions should continue to be cautious on property lending, particularly on lending for property development and investment. The supervisory approach towards property lending will remain substantially unchanged. Institutions are still expected to maintain up-to-date internal policies on property lending and to place their own limit on the size of exposure they are prepared to accept. They should also apply prudent lending criteria, including the maximum 70% loan to value ratio on residential mortgage loans. As at present, the HKMA will also continue to monitor the property exposure of individual institutions and to discuss with them at the start of each year the growth in property lending which they are planning to make in the year ahead. The HKMA will expect banks to adhere to the budgeted rates of growth in property lending already notified to the HKMA.

Yours faithfully,

D T R Carse
Deputy Chief Executive

c.c. Chairman, HKAB
Chairman, DTCA

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