



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

26 Mar 2004

Taxi Financing

Our Ref: B1/15C
B9/53C

26 March 2004

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Taxi Financing

The HKMA consulted the industry associations in July and September 2003 on the proposed way forward regarding the Guidance Note on Taxi Financing ("GN"). We have since given further consideration to the matter, in the light, in particular, of recent developments in the taxi financing market. It is our experience that the risk management culture and systems of authorized institutions ("Als") in respect of this line of business have developed substantially since the promulgation of the GN in December 2000. In the light of the foregoing, we have decided to adopt a new set of arrangements with effect from 1 April 2004.

Under the new arrangements, we will monitor the taxi and public light bus financing business of individual Als through our ongoing supervisory process. Individual Als engaging in taxi and public light bus financing are expected to put in place internal policies for such businesses which should cover, at a minimum, the following areas :

- a. the maximum permissible loan-to-value ratio - as a general principle, we would expect the ratio not to exceed 85% normally;
- b. maximum loan tenor;
- c. limit on the portfolio size of this line of business;
- d. the maximum permissible debt servicing ratio of potential borrowers, having regard to their income level and on-going expenses;
- e. interest rates to be charged; and
- f. cash rebates arrangements as well as amortisation period and methodology - as a general principle, we would expect cash rebates to be amortised over a period of no longer than three years from the day of loan draw-down normally.

Als engaging in taxi and public light bus financing are requested to provide a copy of their lending policies to the HKMA by 30 April 2004 or such other date as agreed with the HKMA.

Any enquiries in relation to the content of this letter should be referred to Mr Arthur Yuen (Tel : 2878-1982) or Mr Henry Cheng (Tel : 2878-1594).

Yours faithfully,

Nelson Man
Acting Executive Director (Banking Supervision)

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