



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 presumed 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: dtng@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)