



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

29 Dec 2000

Guidance Note on Taxi Financing

Our Ref: POL/B9/53C

29 December 2000

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Guidance Note on Taxi Financing

Following consultations with the Hong Kong Association of Banks, the DTC Association and the Finance Houses Association of Hong Kong Limited ("FHA"), the HKMA has recently revised the Taxi Financing Guideline (enclosed in my letter of 19 September 2000) to take into account the improved cashflow position of taxi operators after changing to LPG taxis. The revised guideline is now issued as a "Guidance Note on Taxi Financing" (the "[Guidance Note](#)") for all authorized institutions. A copy of the Guidance Note is enclosed with this letter. Whilst the recommendations in the Guidance Note are not statutory, they nonetheless represent best practices for the taxi financing business. We therefore expect all authorized institutions engaging in such business to follow the Guidance Note. Any institution which wishes to depart from the Guidance Note is also expected to have prior consultation with the HKMA.

The Guidance Note retains the concept of a loan cap for each taxi licence but the loan cap has been increased from \$2 million (as previously stipulated in the FHA guideline) to \$2.125 million to take account of the improved cashflow position of taxi operators. Also, the Guidance Note has introduced a maximum top-up loan limit of \$200,000 against additional tangible security (such as in the form of cash deposits put up by a taxi dealer). However, such tangible security must be retained by the lending institution at least until the full amount of the top-up loan has been repaid. Furthermore, before releasing the tangible security, lending institutions should re-assess whether they are comfortable with the loan-to-value ratio at the time of release as supported by the remaining collateral (i.e. the taxi licence and car body).

To ensure that the recommendations in the Guidance Note reflect the latest repayment ability of taxi operators, the Guidance Note will be reviewed on a quarterly basis. To facilitate such a review, a panel comprising 10 institutions that are active in taxi financing and the two taxi dealers associations (the Hong Kong Taxi and Public Light Bus Association and the Taxi Dealers and Owners Association) will be established to provide data on the cashflow position of taxi operators and value of taxi licence to the HKMA on a quarterly basis. Based

on the data provided, the HKMA will calculate the average cashflow positions of taxi operators and revise the Guidance Note if appropriate. As far as the taxi licence is concerned, the loan cap will be set in the light of the latest cashflow data provided by the panel but it will be subject to the limit of not exceeding 85% of the value of the taxi licence.

The loan cap set out in the Guidance Note will be applicable to all loans granted in the first quarter of 2001 and the next review of the Guidance Note will be made at the end of the first quarter. Authorized institutions will be notified in writing of any changes to the Guidance Note arising from the review in due course.

Yours faithfully,

Y.K. Choi

Executive Director

(Banking Supervision)

c.c. Encl.

c.c. The Hong Kong Association of Banks
The DTC Association
The Finance Houses Association of Hong Kong Limited

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