Box 3.1

HKMA's macro-prudential measures since 2009

To strengthen the banks' risk management and resilience and safeguard the stability of the banking and financial system, the HKMA has introduced seven rounds of macro-prudential measures on property mortgage since October 2009, and the latest round was introduced in late February 2015. The measures are summarised below :

First round (23 October 2009)

- Cap the LTV ratio at 60% for residential properties valued at $20 million or more.
- Cap the loan amount at $12 million for residential properties valued below $20 million.

Second round (13 August 2010)

- Cap the LTV ratio at 60% for residential properties valued at or above $12 million and non-owner occupied residential properties.
- Cap the loan amount at $7.2 million for residential properties valued below $12 million.
- Standardise the limit on DSR of mortgage applicants to 50%, from the previous range of 50% to 60%.
- Require banks to stress-test mortgage applicants' repayment ability with an assumed increase in mortgage rates of at least two percentage points, and cap the stressed DSR at 60%.

Third round (19 November 2010)

- Lower the maximum LTV ratio for residential properties with a value at $12 million or above from 60% to 50%.
- Lower the maximum LTV ratio for residential properties with a value at or above $8 million and below $12 million from 70% to 60%, with the loan amount capped at $6 million.
- Cap the loan amount at $4.8 million for residential properties valued below $8 million.
- Lower the maximum LTV ratio for all non-owner-occupied residential properties, properties held by a company, industrial and commercial properties, and properties under net worth-based mortgage to 50%.

Fourth round (10 June 2011)

- Lower the maximum LTV ratio for residential properties with a value at or above $10 million and below $12 million to 50%.
- Lower the maximum LTV ratio for residential properties with a value at or above $7 million and below $10 million to 60%, with the loan amount capped at $5 million.
- Cap the loan amount at $4.2 million for residential properties valued below $7 million.
- If the principal income of the mortgage loan applicants is not derived from Hong Kong, the applicable maximum LTV ratio would be lowered by at least 10 percentage points regardless of property types or values.
- Lower the maximum LTV ratio for properties under the net worth-based mortgage from 50% to 40%.

Box 3.1 (Cont'd)

Fifth round (14 September 2012)

For all mortgage loan applicants

- Standardise the maximum loan tenor for all new property mortgage loans to 30 years.

For mortgage loan applicants with outstanding mortgage loans

- Lower the maximum DSR from 50% to 40% and the maximum stressed DSR from 60% to 50%.
- Reduce the maximum LTV ratio from 40% to 30% for mortgage loans assessed based on applicants' net worth.
- Lower the applicable maximum LTV ratio by 20 percentage points, instead of the previous 10 percentage points, for applicants whose principal income is not derived from Hong Kong.

Sixth round (22 February 2013)

- Require banks to assume a mortgage rate increase of 300 basis points, instead of the previous 200 basis points, in stress-testing the repayment ability of mortgage loan applicants for both residential and non-residential properties.
- Lower the maximum LTV ratios of mortgage loans for all non-residential properties, whether or not for self-use, from the previous applicable levels by 10 percentage points.
- Set the maximum LTV ratio of mortgage loans for standalone car park spaces at 40% and the maximum loan tenor at 15 years. Other requirements on maximum LTV ratio and DSR applicable to non-residential property mortgage loans also apply to standalone car park space mortgage loans.
- Introduce a risk-weight floor of 15% for all new residential mortgages granted by banks using the internal ratings-based approach.

Seventh round (27 February 2015 and further guidance on 2 March 2015)

- Lower the maximum LTV ratio for self-use residential properties with value below $7 million by a maximum of 10 percentage points to 60%.
- Lower the maximum DSR for borrowers who buy a second residential property for self-use from 50% to 40%, and the stressed-DSR cap from 60% to 50%.
- Lower the maximum DSR of mortgage loans for all non-self use properties, including residential properties, commercial and industrial properties and car park spaces, from 50% to 40%, and the stressed-DSR cap from 60% to 50%.
- Require banks adopting the internal ratings-based approach to extend the 15% risk-weight floor to their entire residential mortgage portfolios before end-June 2016, with an interim step of achieving a 10% risk-weight floor by end-June 2015.
- Require banks to apply a 5-percentage-point knock down on the applicable DSR caps if the total amount of mortgage loans, through any mortgage co-financing or insurance schemes, is 20 percentage points over the normal permissible LTV caps set by the HKMA.