# Countercyclical macroprudential measures for property mortgage loans

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) today (February 28) issued guidelines to banks adjusting the countercyclical macroprudential measures for property mortgage loans and other related supervisory requirements.

Property prices continue to adjust recently. Official residential property prices decreased by 7 per cent in 2023, and further declined by 1.6 per cent in January 2024, with a cumulative correction of more than 20 per cent from their peak in 2021. Residential property transaction volume stayed low with an average number of transactions of 3,584 per month in 2023, representing an annual decline of 4.5 per cent. The situation in the non-residential property market is similar. The average prices of offices fell by approximately 7 per cent in 2023, while market data showed that the vacancy rate of Grade A offices rose to about 16 per cent at the end of last year. Meanwhile, the external and domestic economic outlooks are still subject to many uncertainties.

After detailed analyses, the HKMA considers that there is room to adjust the countercyclical macroprudential measures for property mortgage loans and to suitably adjust other related supervisory requirements on property loans, while continuing to maintain banking stability and ensuring the proper risk management of property lending by banks:

1. For residential properties for self-occupation, the maximum loan-to-value (LTV) ratios will be adjusted to 70 per cent for properties valued at HK$30 million or below; and 60 per cent for properties valued at HK$35 million or above. To avoid a sudden drop in applicable LTV ratios, ratios for properties valued between HK$30 million and HK$35 million will be adjusted downward gradually. For non-self-use residential properties, the maximum LTV ratio will be adjusted from 50 per cent to 60 per cent.
2. The maximum LTV ratio for non-residential properties (including offices, retail shops and industrial buildings) will be adjusted from 60 per cent to 70 per cent.
3. For mortgage loans assessed based on the net worth of mortgage applicants, the maximum LTV ratio will be adjusted from 50 per cent to 60 per cent. This adjustment is applicable to both residential properties and non-residential properties.
4. With the United States (US) Federal Reserve recently expressing that the US rate hike cycle might be approaching an end, the probability of a further increase in mortgage interest rates in Hong Kong in the near future is relatively low. The HKMA therefore considers it appropriate to suspend the interest rate stress testing requirement for property

mortgage lending that assumes a 200-basis-point rise in the mortgage rate.

5. The HKMA tightened the financing caps for property development projects in June 2017. In view of the current property market situation, the HKMA considers it appropriate to raise the relevant financing caps back to the pre-2017 levels – in other words, the overall financing cap will be increased from 50 per cent of the expected value of the completed properties to 60 per cent, within which the financing cap for the value of the property site will be increased from 40 per cent to 50 per cent and the financing cap for the construction cost will be increased from 80 per cent to 100 per cent. In addition, the existing requirement for banks to set aside additional capital for exposures to property developers which offer mortgage financing with high LTV ratios will be lifted.

These adjustments will take effect from today and apply to property transactions with provisional sale and purchase agreements signed today or subsequently.

The HKMA will continue to monitor market developments closely and introduce measures to safeguard banking stability as conditions in the property market evolve.

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# Budget Speech by the Financial Secretary (8)

Nurturing Local Talent

177. "Talent as the prime resource" is the fundamental driving force that underpins the development of our economy and various sectors. While proactively attracting talent from around the world, we must continue our efforts in nurturing local talent. Apart from supporting post-secondary institutions to enhance their quality and expand their capacity, we will continue to take forward a number of sector-specific talent training programmes to enrich the local talent pool.

I&T Talent

178. Apart from supporting various talent training programmes under new industrialisation development, we have also implemented the STEM Internship Scheme to encourage university students to participate in I&T-related work. Besides, to better prepare for integration into the knowledge-based economy and development of a digital society, the Government has launched a "Knowing More About IT" Programme to enhance primary school students' interests in information technology and its applications. In this connection, I propose to allocate an additional funding of $134 million for the provision of subsidies

of up to $300,000 for each publicly-funded primary school in the next two academic years.

## Healthcare Professionals

179. The Government attaches importance to training local healthcare professionals. The Health Bureau will continue to enhance healthcare-related teaching facilities, while increasing the number of local training places as appropriate. Since last April, we have also started to subsidise the relevant institutions in respect of the clinical practicum training fees for their specified healthcare-related programmes. On another front, since the announcement of an additional injection of $500 million into the Chinese Medicine Development Fund in last year's Budget, a number of capacity building initiatives for the industry have been taken forward under the fund, such as the Hong Kong Chinese Medicine Talent Short-term Training Programme co-organised with the National Administration of Traditional Chinese Medicine in support of building an excellent pool of Chinese medicine (CM) talent.

## Maritime and Aviation Talent

180. The Government introduced the Professional Training on Smart and Green Logistics Scheme and the Logistics Promotion Funding Scheme under the Maritime and Aviation Training Fund (MATF) in January this year. These schemes aim to enhance promotion and talent development in the logistics sector in line with new developments in smart and green logistics. We also launched the Aviation Promotion Project Funding Scheme to fund activities organised by local aviation-related organisations and academic institutions, while promoting to different sectors of the community the development of our aviation industry and the opportunities available. The TLB will conduct a comprehensive review of the MATF this year, to gauge its effectiveness in attracting talent and promoting manpower development in the maritime and aviation sectors.

## Patent Talent

181. The Government will allocate an additional funding of about $12 million in total to the IPD over the next three years, to prepare for the introduction of regulatory arrangements for local patent agent services. Our aim is to enhance the professionalism and support the development of the original grant patent system. The Government will also continue to strengthen and enlarge its patent examiner team and enhance its substantive examination capability, with a view to acquiring institutional autonomy in conducting substantive patent examination in 2030.

## International Legal Talent

182. In order to nurture legal talent with an international perspective and good knowledge of different legal systems, the DoJ will set up a dedicated office and an expert group this year to take forward the establishment of the Hong Kong International Legal Talents Training Academy.

## Land and Housing Supply

## Land Supply

183. The 2024-25 Land Sale Programme will cover a total of eight residential sites. There will also be railway property developments, private development and redevelopment projects as well as projects undertaken by the Urban Renewal Authority. Taken together, the potential land supply for the whole year is expected to have a capacity for providing about 15 000 units, exceeding the annual demand of 13 200 units projected in the Long Term Housing Strategy by about 14 per cent. The Land Sale Programme will also include two commercial sites and one industrial site, capable of providing about 120 000 square metres of commercial floor area and 540 000 square metres of industrial floor area respectively. We will take into account the market situation when deciding on the quantity and types of land to be put up for sale as well as the pace of sale.

184. We will make available land for the production of no less than 80 000 private housing units in the coming five years. Such land will be put to the market in a timely manner. Among them, about 60 per cent comes from New Development Areas/New Town Extensions, with another 40 per cent from government land sale and railway property development projects in other districts.

## Housing Supply

185. On public housing supply, the Government has identified sufficient land for meeting the supply target of 308 000 public housing units over the next ten years (from 2024-25 to 2033-34). Among which, as at the end of last year, construction of about 105 000 units under the Hong Kong Housing Authority has commenced with satisfactory progress. In view of the fact that the Cash Allowance Trial Scheme is due to expire by mid-2024, the Government has decided to extend the scheme for one year until June 2025, to help grassroots families on the waiting list for public rental housing. The scheme will be subject to further review in due course.

186. On private housing supply, we estimate that the completion of private residential units will average over 19 000 units annually in the five years from 2024, representing an increase of about 15 per cent over the annual average of the past five years. The potential supply of first hand private residential units for the next three to four years will be around 109 000 units.

## Transport Infrastructure

187. It is the Government's vision to build a liveable, competitive and sustainable Hong Kong by adopting the planning principles of "infrastructure led" and "capacity creating". We are taking forward in an orderly manner the railway and major road projects set out in the Hong Kong Major Transport Infrastructure Development Blueprint, to bolster connectivity between districts and unleash their development potential. At the same time, the Government plans to put in place smart and green mass transit systems in East Kowloon, Kai Tak and Hung Shui Kiu/Ha Tsuen. We will invite within the year the relevant suppliers and operators to submit expressions of interest.

188. To further promote the connectivity of infrastructure within the GBA, the Government will continue to work with the Shenzhen authorities through the Task Force for Hong Kong-Shenzhen Co-operation on Cross-Boundary Railway Infrastructure. We will take forward two cross-boundary projects, namely the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu – Qianhai) and the Northern Link Spur Line, to jointly develop the concept of "GBA on the Rail".

189. Meanwhile, to raise productivity of the construction industry, a cross-departmental steering committee under the DEVB will soon formulate various measures to enhance the application of Modular Integrated Construction (MiC). We will strengthen collaboration with the Guangdong Provincial Government to enhance the manufacturing, import/export facilitation, and exportability of MiC modules, with a view to developing MiC as one of the industries in the GBA that enjoy clear advantages. The Government of the HKSAR will also examine the feasibility of investing in the MiC supply chain. Moreover, the DEVB will set up the Building Testing and Research Institute within this year to promote innovative application in the industry.

Healthcare

190. The Government attaches great importance to the well-being of members of the public, and is committed to maintaining Hong Kong's high-quality healthcare profession and its efficient healthcare system. We devote significant resources to the healthcare portfolio. The 2024-25 estimated recurrent expenditure for healthcare is $109.5 billion, accounting for about 19 per cent of government recurrent expenditure. The Government will continue to pursue transformation with innovation, with a view to protecting the health of all citizens, further developing primary healthcare, enhancing the quality of medical services and promoting the development of the healthcare industry.

191. The Government has been improving public healthcare services and enhancing the patient experience on various fronts with specific performance indicators. These include shortening the waiting time for specialist out-patient services and making wider use of telehealth services. The performance indicators of certain services, including medication delivery and electronic medical certificates, were met early last year.

Development of Chinese Medicine

192. The Government provides resources and implements a variety of measures to promote CM. These include increasing the quota of government-subsidised CM out-patient services, extending integrated Chinese-Western medicine services, promoting scientific research on CM and setting relevant standards. We are pressing ahead with the construction of the Chinese Medicine Hospital and the Government Chinese Medicines Testing Institute. The two institutions are expected to begin service, in phases, starting from end of 2025.

Tobacco Control Policies

193. Increasing the tobacco duty is recognised internationally as the most effective means of reducing tobacco use. The Government now proposes to

increase the duty on cigarettes by 80 cents per stick, with immediate effect. Duties on other tobacco products will be increased by the same proportion. The rate of increase is similar to that of last year. We expect that the proportion of tobacco duty in the retail price of cigarettes will rise to about 70 per cent, gradually approaching the 75 per cent level recommended by the World Health Organization. This will provide a greater incentive for the public to quit smoking, safeguarding public health. We will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education.

(To be continued.)

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# LCQ11: Job-hopping acts of foreign domestic helpers

Following is a question by the Hon Doreen Kong and a written reply by the Secretary for Labour and Welfare, Mr Chris Sun, in the Legislative Council today (February 28):

Question:

It has been reported that the supply of foreign domestic helpers (FDHs) in Hong Kong falls short of demand, and the trend of FDHs job-hopping (i.e. premature termination of employment contracts for change of employers) has not abated. On the other hand, the Labour Department reviewed the Code of Practice for Employment Agencies (CoP) in March last year and put forth three proposals to combat job-hopping of FDHs. In this connection, will the Government inform this Council:

(1) of the progress of work on revising the CoP, and whether there is a specific timetable;

(2) how it ensures that once the CoP has been revised, employment agencies (EAs) will be able to clearly explain to FDH jobseekers the application criteria and possible consequences of changing employers under the prevailing policy; whether it will consider requiring EAs to make audio or video recordings of the entire explanation process; if so, of the details; if not, the reasons for that;

(3) whether it has considered including in the sample service agreement in the CoP a provision on refund arrangements when FDHs leave employment early, such as specifying the refund ratio and arrangements for departing Hong Kong, in order to strengthen the protection for the rights and interests of FDHs and employers; if so, of the details; if not, the reasons for that;

(4) whether it will consider stipulating in the CoP that EAs should not

provide monetary incentives to FDHs to induce them to terminate their contract prematurely, nor should they provide monetary incentives to the families of FDHs; of the investigation approach and disciplinary mechanism put in place by the Government to address the aforesaid acts allegedly committed by EAs through overseas agents or recruiters;

(5) in order to further protect the rights and interests of employers in Hong Kong, whether the authorities will consider strengthening cooperation with governments of the source countries of FDHs to prevent immoral EAs and FDHs, respectively, from seeking to obtain by deception intermediary fees and leaving service benefits (such as free return passage to FDHs' place of origin); if so, of the details; if not, the reasons for that; and

(6) as the 2023 Policy Address proposed to relax the visa policy for Laotian talents for employment in Hong Kong, whether the authorities have at the same time explored expanding the source countries of FDHs to Laos; if so, of the details; if not, the reasons for that?

Reply:

President,

The Government is highly concerned about the suspected abuse of premature termination of employment contracts by foreign domestic helpers (FDHs) to change employers (commonly known as "job-hopping"). Apart from the Labour Department (LD)'s rigorous efforts in combating unscrupulous business practices of employment agencies (EAs), the Immigration Department (ImmD) has also been strictly scrutinising the employment visa applications from FDHs who change employers frequently. In 2023, a total of 502 employment visa applications from FDHs were rejected by the ImmD due to suspected "job-hopping", representing a substantial reduction of about 80 per cent when compared with the figure of 2 833 during the pandemic in 2021. The situation of "job-hopping" by FDHs has improved significantly.

In consultation with the Security Bureau and the ImmD, my reply to the Member's question is set out below:

(1) After concluding the consultation exercise on the preliminary proposals for revising the Code of Practice for Employment Agencies (CoP) in the first half of 2023, the LD has analysed and examined the feedback received. Currently, the LD is finalising the revised content of the CoP taking into account the suggestions and concerns raised by different stakeholders, as well as formulating the mechanism for enforcing the revised CoP. The LD will promulgate the revised CoP in the second quarter of this year.

(2) The CoP requires EAs to brief employers and FDHs on their obligations and rights under the Standard Employment Contract (SEC) and relevant legislation, such as the Employment Ordinance. EAs should request employers and FDHs to acknowledge in writing that they have been briefed on these matters, and should retain the written acknowledgement for inspection by the LD. The revised CoP will require EAs to further explain to FDHs the requirements for changing employers, and retain the written acknowledgement signed by FDHs.

(3) To enhance the protection of employers' interests as consumers, the revised CoP will require EAs to specify, in the written service agreements drawn up with employers, whether they will provide a refund or an alternative arrangement for replacement of FDHs in the event of premature termination of employment contracts initiated by FDHs. A new section will also be included in the sample service agreement appended to the CoP, requiring EAs to specify such arrangements.

Regarding the arrangements for FDHs to leave Hong Kong, according to the Government's prevailing policy, FDHs shall leave Hong Kong within two weeks from the date of employment contract termination or upon completion of employment contract, whichever is earlier. The SEC stipulates that employers have to provide their FDH with free return passage to his/her place of origin upon termination or expiry of the contract, so as to ensure the FDH's smooth return to his/her place of origin upon the completion or early termination of the contract, and to avoid the FDH being stranded in Hong Kong due to a lack of travel expenses.

(4) The revised CoP will further require that EAs should not adopt business practices such as providing monetary incentives to FDHs in employment to induce them to terminate their employment contracts prematurely. If an EA contravenes this requirement, the LD may impose sanctions. As mentioned above and based on the LD's enforcement experience, the implementation of relevant measures against EAs and FDHs can effectively combat the malpractice of "job-hopping" by FDHs.

(5) The Government has established a standing inter-departmental liaison mechanism with the consulates of major FDH source countries in Hong Kong to discuss FDH issues of mutual concern and exchange information on unscrupulous EAs, ensuring that the rights and benefits of both employers and FDHs are well protected. If any organisation located outside Hong Kong is found to have committed improper acts of arranging FDHs' employment in Hong Kong, the LD will relay them to the governments concerned through the liaison mechanism and request appropriate follow-up actions.

(6) To expand the sources of FDHs and increase the FDH supply to Hong Kong, the LD has been keeping in view the labour market conditions in different FDH source countries and maintaining communication with relevant stakeholders. As part of these efforts, the LD has engaged with the consulates of different source countries in Hong Kong, introducing our FDH importation policy and encouraging more of their nationals to come to Hong Kong to work as domestic helpers. The current entry arrangement for admission of FDHs does not apply to Chinese residents of the Mainland, the Macao Special Administrative Region and Taiwan, as well as nationals of Afghanistan, Cuba, Laos, the Democratic People's Republic of Korea, Nepal and Vietnam. Save from the above, the Government has not imposed any restriction on the employment of FDHs of any particular nationalities. Employers may, having regard to individual needs, decide to hire FDHs from any countries and regions other than those specified above.

The Chief Executive's 2023 Policy Address announced the relaxation of the policy in respect of employment for Vietnamese talent and the policy for

Laotian and Nepalese talent for employment, training and study in Hong Kong. The relaxations primarily serve to complement the Government's overall strategy for attracting talent, and do not cover the immigration arrangement for FDH importation. The Government will conduct assessments from time to time to ensure our FDH importation policy meets the actual needs and circumstances of Hong Kong, having regard to, among others, maintaining effective immigration control and security considerations.

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# LCQ1: Enhancing support for homeless women

Following is a question by the Hon Lam So-wai and a written reply by the Secretary for Labour and Welfare, Mr Chris Sun, in the Legislative Council today (February 28):

Question:

A study report has pointed out that society lacks support services which target the needs of homeless women, while homeless services are male user-oriented, and the number of accommodation places for homeless women is quite limited. In this connection, will the Government inform this Council:

(1) of the annual number of female street sleepers in the past five years; whether the authorities have studied the underlying causes for the change in the number of female street sleepers and formulated corresponding plans; if so, of the details; if not, the reasons for that;

(2) given that according to the aforesaid study report, homeless women have greater emotional needs when compared with homeless men, whether the authorities have reviewed the adequacy of emotional and mental health support services currently provided by the Social Welfare Department and other non-governmental organisations for homeless women; and

(3) whether it will, by drawing reference from the practices in overseas countries, provide doubleton accommodation for the homeless without limitations on gender and relationship, so as to cater for their interpersonal needs, assist them in building a mutual support network, and further facilitate follow-up and intervention by social workers, such that the homeless can more easily quit street sleeping for good; if so, of the details; if not, the reasons for that?

Reply:

President,

Street sleeping is a complex social problem, involving the policies and work of different bureaux and departments. Government departments and local service units concerned have been in close collaboration to assist street sleepers. Having consulted the Health Bureau, I provide a consolidated reply to the question as follows:

(1) According to the information submitted to the Computerised Street Sleeper Registry, owing to the pandemic and economic reasons, the number of female street sleepers increased from 139 (as at end-December 2019) to 179 (as at end-December 2021). With the epidemic situation easing, the number of female street sleepers decreased to 114 (as at end-December 2023) due to various reasons such as having been allocated accommodation arrangement and family reunion. The number of female street sleepers in the past five years is tabulated as follows:

| Year | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Number of female street sleepers (as at year end) | 139 | 162 | 179 | 158 | 114 |

(2) Regarding the welfare support for street sleepers, the Social Welfare Department (SWD) has been subventing non-governmental organisations (NGOs) to operate three Integrated Services Teams for Street Sleepers (ISTs) to conduct day and late-night outreach visits for proactively reaching out to street sleepers and understanding their reasons for street sleeping. The ISTs render integrated services according to the actual welfare needs of street sleepers and their willingness to receive services. These services, including counselling, service referral, short-term accommodation and application for financial assistance, etc, are provided to address the urgent welfare needs of street sleepers, thereby helping them live off the streets and reintegrate into the community.

Since 2020-21, the SWD has been allocating additional resources to the three ISTs and the Care and Support Networking Team to increase the manpower of social workers, psychiatric nurses and drivers as well as the funding of related items. The ISTs will provide appropriate services according to the needs of female street sleepers, including reaching out and supporting the female street sleepers through outreaching visits, arranging caseworkers of the same gender to handle cases to improve the effectiveness of relationship building, promptly handling the arrangement of short-term accommodation for female street sleepers, providing counselling services on female emotional management and referring them for appropriate welfare services, etc. In addition, to address the emotional need of some female street sleepers, the psychiatric nurses will provide mental health talks, group activities, personal counselling and referral services, etc. Additional psychiatric nurses can also more effectively identify and handle street sleepers (including female street sleepers) with physical and mental health problems, provide early intervention and refer them for appropriate medical services.

The Government spares no effort in mental health promotion and public education towards persons of different age groups (including female street sleepers). The Advisory Committee on Mental Health implemented the "Shall We Talk" mental health promotion and public education initiative, so as to enhance public knowledge about mental health and encourage members of the public in need to seek help and intervention in a timely manner. Besides, the Health Bureau launched the "18111 – Mental Health Support Hotline" in December 2023 to provide one-stop, round-the-clock support for people with mental health needs, rendering them immediate mental health support and referral services.

(3) The SWD-subvented short-term accommodation service provides transitional accommodation for street sleepers to tide them over to stable living arrangements. Among the existing 228 SWD-subvented places, a total of 203 places are provided in rooms that accommodate five to 14 people (some separated by partitions) depending on the floor area and layout. Taking into account the operational needs and views of other residents, street sleepers will be accommodated in single-sex rooms. The remaining 25 places are provided by NGOs through renting single and double rooms from licensed guesthouses to provide short-term accommodation service to street sleepers in need.

Regarding the accommodation needs of street sleepers and their partners, social workers will make appropriate accommodation arrangements with reference to their wish and individual welfare needs, such as using emergency fund to pay short-term rent or rental deposits for street sleepers to rent guesthouses or private flats, or referring them for transitional housing.

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# LCQ21: Corporate applications for loans secured by non-residential properties

Following is a question by the Hon Tang Fei and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 28):

Question:

It is learnt that amid geopolitical tensions and uncertainty in global economic outlook, some corporates face hindrance when making applications to banks for loans secured by non-residential properties for the purpose of financing their business operation. In this connection, will the Government inform this Council:

(1) in respect of the aforesaid applications made by corporates to banks, whether the Hong Kong Monetary Authority has formulated vetting and approval criteria and limitations; if so, of the details;

(2) for corporate loans secured by non-residential properties, of the current loan-to-value ratios offered by banks; and

(3) of the number of applications for corporate loans secured by non-residential properties which were approved by banks in the past year, together with a breakdown by quarter?

Reply:

President,

Regarding the various parts of the question, having consulted the Hong Kong Monetary Authority (HKMA), my reply is as follows:

(1) The HKMA requires banks to prudently manage their lending business and develop specific credit underwriting standards. Banks must comply with the HKMA's countercyclical macroprudential measures when approving property mortgage loans. In light of changes in the property market, the HKMA twice increased, in August 2020 and July 2023 respectively, the maximum loan-to-value (LTV) ratio for non-residential properties to the current 60 per cent.

For credit facilities secured by (residential or non-residential) properties for the purpose of financing corporates' business operations, such as overdrafts and trade lines, banks will develop a set of prudent credit underwriting standards based on their risk appetites. These include taking suitable measures to understand a corporate's background and the purpose of the credit, and to conduct a detailed assessment of the corporate's financial position and repayment ability.

(2) and (3) The HKMA at present mainly collects mortgage data relating to residential properties on a regular basis, and will actively consider collecting mortgage data on non-residential properties.

The HKMA has not prescribed a financing cap for credit facilities secured by properties for the purpose of financing corporates' business operations. Banks when assessing each loan application will conduct a comprehensive evaluation of a corporate's condition and make their credit decision based on their risk appetites and credit underwriting standards. In other words, depending on the credit risk level, some corporates may obtain from banks partially secured loans, or even unsecured loans, with a financing ratio that exceeds 100 per cent of the property value.

Based on the HKMA's understanding from banks, while the overall credit landscape is affected by the uncertain global and domestic economic outlooks and high interest rate environment, the banking industry continues to support corporates' financing needs without tightening the credit underwriting standards. According to the data provided by banks to the HKMA, the aggregate credit facility limits granted by banks to small and medium-sized enterprises (SMEs) declined slightly in the fourth quarter of 2023 due to weakened credit demand. Meanwhile, the proportion of SMEs with increased or unchanged credit facility limits remained stable at over 95 per cent consistently.