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# Newsletter

## Banking and Finance

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**What's inside?**



## Anti-Scam Consumer Protection Charter 2.0

Simon Deane and Phyllis Leung

To combat credit card scams, digital fraud and phishing messages purportedly sent by financial institutions and merchants, the Hong Kong Monetary Authority ("**HKMA**") in collaboration with the Hong Kong Association of Banks introduced the Anti-Scam Consumer Protection Charter 2.0 ("**Charter 2.0**") on 10 April 2024.

More than 230 financial institutions and merchants participate in the Charter 2.0 and are expected to adhere to the following four key principles:

1. Commit not to send any instant electronic messages (e.g. SMS, WhatsApp, WeChat, etc) to customers with embedded hyperlinks to acquire bank, credit card, investment, insurance and MPF accounts or other key personal information online, unless arising from requests by the customers
2. Work together in raising public awareness of credit card scams and other digital fraud. This will include sending through suitable channels (such as corporate websites, mobile apps, etc), publicity and promotional material, a key message of "Beware of scams! Do not provide bank, credit card, investment, insurance and MPF account or other key personal information via hyperlinks embedded in suspicious messages purported to be coming from our institution!" to their customers and the public to facilitate awareness of such scams and fraud
3. Provide contact information on suitable channels (such as corporate websites, mobile apps, etc) to facilitate customers' ability to make enquiries (e.g. on verifying the identities of the message senders or authenticity of the messages)
4. Provide relevant training to their frontline staff (including sales and customer service staff) on Charter 2.0 so that they will be able to handle customer enquiries and convey anti-scam education messages as appropriate.

For the press release, please see here. To access a copy of the Charter 2.0, please see here.

# Deposit Protection Scheme (Amendment) Bill 2024 gazetted on 3 May 2024

## Simon Deane and Natalie Chan

On 3 May 2024, the Government gazetted the Deposit Protection Scheme (Amendment) Bill 2024 ("**Bill**"), which seeks to enhance the Deposit Protection Scheme ("**DPS**") to strengthen the protection for depositors, maintain banking stability and keep up with international standards and the latest developments of Hong Kong.

One of the key highlights of the Bill is to raise the protection limit under the DPS from the current HK$500,000 to HK$800,000 per depositor per bank.

The Bill was introduced into the Legislative Council for its first reading on 8 May 2024, and was sent to the Bills Committee of the Legislative Council for consideration on 11 June 2024. According to the current legislative timeline, the Bill will resume for second and third readings on 3 July 2024, with a target to implement the new protection limit in the fourth quarter of 2024.

Please click here for a copy of the Bill.

# Refinements to property mortgage lending requirements

## Simon Deane and Kelly Poon

On 14 June 2024, the HKMA announced a set of technical adjustments to the countercyclical macroprudential measures for property mortgage loans that were previously announced on 28 February 2024.

The refinements are in response to recent market observations and aim to provide support for homebuyers facing challenges, which cover the following aspects: -

(i) Expansion of countercyclical macroprudential measures for residential properties under construction\

The HKMA's countercyclical macroprudential measures will now apply to mortgage applications for residential properties under construction for self-occupation. This includes (a) properties where the provisional sale and purchase agreements were signed before 28 February 2024 and (b) properties which are scheduled for completion on or after that date. When processing the newly-eligible mortgage applications, authorized institutions ("**AIs**") must obtain a declaration from the applicant that the property is for self-occupation. The refinement is effective as of 14 June 2024 and will permit eligible homebuyers to obtain mortgage loans with a maximum loan-to-value ratio of up to 70%.

(ii) Simplification of net worth-based mortgage loans calculations

The HKMA is also refining the net worth-based approach used by AIs to assess mortgage applicants' repayment ability. Previously, AIs could either opt for the Net Asset Value ("**NAV**") approach or the Asset-to-Total Debt ("**ATD**") approach. As the NAV approach is more commonly used now, the HKMA has withdrawn the ATD formula and standardised the definitions of "eligible assets" and "total debt obligations" for the refined NAV formula. AIs may continue to use the ATD approach if appropriate, while applying the refined NAV formula and definitions.

(iii) Adjustment of the haircuts on rental income of investment properties

Considering recent market conditions, the HKMA is also revising the discount rate applied to the gross rental income of investment properties when computing the Debt Servicing Ratio (DSR). The indicative discount rate is now being reduced from at least 30% (or at least 40% without rental income proof) back to at least 20%. This indicative level is a reference point for AIs, and they are still allowed to apply a different discount rate based on their own assessment of the circumstances of individual borrowers and properties.

For the press release, please see here. To access a copy of the circular, please see here.

# Enhancements to the Code of Practice on Person-to-Person Marketing Calls

## Simon Deane and Kelly Poon

On 21 June 2024, the HKMA welcomed the launch of the revised Code of Practice on Person-to-Person Marketing Calls ("**Code**") issued jointly by the Hong Kong Association of Banks (HKAB) and the DTC Association (DTCA) to provide guidance to AIs.

The latest enhancement imposes a limit on the frequency of person-to-person marketing calls to the same telephone number to no more than three calls per calendar week. Other key revisions to the Code include guidance on (i) confining call hours to 9:00 am to 10:00 pm; (ii) providing clear caller identity and call purpose to called parties; (iii) handling requests to unsubscribe from marketing calls; (iv) controls over collection of information from called parties and arrangements for any subsequent meetings; and (v) mechanisms for handling complaints. On 21 June 2024, the HKMA welcomed the launch of the revised Code of Practice on Person-to-Person Marketing Calls ("**Code**") issued jointly by the Hong Kong Association of Banks (HKAB) and the DTC Association (DTCA) to provide guidance to AIs.

For the press release, please see here. To access a full copy of the Code, please see here.

## Want to know more?

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