Hong Kong Mortgage Corporation and American Express Bank

HK$ 4 Billion Mortgage Purchase and HOME Programme
Signing Ceremony
24 June 2002

SPEECH

By

Mr. Peter Pang, JP
Chief Executive Officer
The Hong Kong Mortgage Corporation Limited

Mr. Tsang, ladies and gentlemen,

I am delighted to enter into these two very important transactions with the American Express Bank today.

As Mr. Tsang has mentioned, the HK$4 billion mortgage sale and purchase transaction is by far the largest the Hong Kong Mortgage Corporation has entered into with a commercial bank. With this purchase, the HKMC has already secured the acquisition of HK$13 billion of mortgage portfolio, close to the target of HK$13.5 billion we have set for ourselves this year.

An active Mortgage Purchase Programme is of utmost importance to the continuous growth and development of the HKMC. It provides the means for the Corporation to achieve its core mission of acting as a liquidity provider to the banking system and helping the banks to manage the concentration and liquidity risks of their mortgage portfolios. Equally important, a steady stream of in-take of mortgage portfolios provides the necessary asset backing for us to expand our mortgage securitization and retail bond business.

The American Express Bank has been a staunch supporter of the HKMC's various programme since the inception of the Corporation in 1997. Our partnership has been sealed and reinforced by the substantial transactions made in the last four years. These include 7 mortgage purchases of HK$2 billion and 2 MBS transactions of HK$1.26 billion. We both pride ourselves as product innovators, and adopt an innovative and proactive approach in promoting new products in the Hong Kong mortgage market, offering wider choices to consumers.

The American Express Bank has been one of the first foreign banks to join our Mortgage Purchase Programme, the Fixed Rate Mortgage Programme and the MBS Programme. It is therefore most fitting that it is also the first bank to commit to joining the Home Owner Mortgage Enhancement Programme. The HOME Programme will provide an effective solution to reduce the financial burden of homeowners in negative equity. This is made possible by the HKMC making use of its intermediary role to provide mortgage insurance cover to the banks and to disperse the risk in the international market through a combination of reinsurance arrangements and credit derivative products.

I am confident that the lead set by the American Express Bank will soon be followed by other major mortgage banks in Hong Kong. The HKMC is conducting a series of briefing for banks on the HOME Programme and is actively preparing the related legal documents. We are aiming to launch the Programme in mid July.

Thank you.