

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

12 November 1982

Dear John,

Future of Hong Kong

The Prime Minister may wish to be aware that the Hong Kong and Shanghai Banking Corporation, a Hong Kong registered bank owned predominantly by Hong Kong shareholders but with a significant proportion of the holding in the hands of UK institutions, announced this week that it will offer 20-year mortgages (ie, extending beyond 1997) for house purchases in Hong Kong. The maximum loan to be offered is HK\$1 million (eg, £90,000), or up to 80 per cent of the property price, and there will be no restriction on the geographical location of property within the Territory.

The announcement has received extensive coverage in the Hong Kong press, and has been welcomed by all local people invited by the press to comment, and in editorials in the Chinese press, as likely to boost public confidence in Hong Kong's future and to give the sluggish property market a shot in the arm.

X
At least two other local banks have indicated that they will provide similar mortgage loans and a number of others are considering doing so. The Chartered Bank will shortly announce a similar scheme. The Bank of China, on the other hand, which was previously rumoured to be considering 20-year mortgages, has been reputed as saying that no decision on extending loans beyond 1997 has yet been made. Foreign banks in Hong Kong have not ruled out the possibility that they would also offer 20-year mortgage loans, but stressed that the legal and other implications of the scheme needed to be studied before a decision is taken.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

HK - Future of Pt.

