



## **The Hong Kong Association of Banks**

### **Circular on Payment Arrangements for Property Transactions**

**Date: 29 December 2021**

29 December 2021

All Member Banks  
The Hong Kong Association of Banks

Dear Members

## **Payment Arrangements for Property Transactions ("PAPT")**

### **I. Background**

Conveyancing in Hong Kong is underscored by a robust system of professional undertakings exchanged among solicitors. Under the current system, the bulk of or all of the purchase monies are paid through solicitors' accounts. In the event that the practices of law firms are intervened, the firms' funds are frozen and the property transactions handled by such firms are seriously interrupted. As a result, significant numbers of mortgage settlements have been adversely affected due to the fact that, under current arrangements, all major payments of funds for the completion of property sale and purchase transactions are made through the accounts of the law firms handling those transactions, with these firms issuing solicitor's cheques or solicitor's cashier order to settle the necessary payments.

To minimise the potentially significant impact to both buyers and sellers in residential property transactions that may be caused by suspension of the operations of conveyancing law firms and thereby to better protect the parties to the transactions and at the recommendation of the HKMA, a dedicated taskforce was set up by The Hong Kong Association of Banks (HKAB), The DTC Association (DTCA), and The Hong Kong S.A.R. Licensed Money Lenders Association in early 2021 to consider and develop a proposal for payment arrangements for property transactions (the "**PAPT Proposal**"). This PAPT Proposal has the strong support of the Hong Kong Monetary Authority (HKMA). The initiative is focused on the payment arrangements used in property and mortgage transactions. The PAPT Proposal is not intended to change the respective rights of the buyer and the seller under the existing regime; the existing practice for completing a property transaction is to be preserved as far as possible.

### **II. The Proposal for Payment Arrangements for Property Transactions**

It is currently intended that the PAPT Proposal will be implemented by phases, so as to provide the parties involved and the general public abundant time to get used to this new mode of payment. In general, Phase 1 will cover the relatively straightforward transactions in the secondary market. The experiences learnt from Phase 1 could inform any adjustment or modification that may be required for Phase 2 (and subsequent phase(s), if applicable). After the banks, the solicitors and real estate agents have got used to the application of the PAPT Proposal in Phase 1, the

industry would be better equipped to implement the application of the PAPT Proposal in more complicated scenarios in Phase 2 (and subsequent phase(s), if applicable).

Under the proposed PAPT, the aim is to minimize the amount of funds to be deposited into a law firm's account to reduce any potential risk caused by any intervening disruption to the operation of the law firm. The proposed PAPT is to be used for payment of the balance of purchase price on completion and where the buyer has to pay such balance (partly or fully) with a loan obtained from a buyer's mortgage institution. The key proposed features of the PAPT are:

1. If the seller has an outstanding mortgage on the property being sold, the buyer's mortgage loan proceeds will be transferred from the buyer's mortgage institution directly through CHATS (or bank transfer, if the same bank) to the seller's mortgage institution for the settlement of any outstanding mortgage loan. In the case of any surplus not required for repayment of the seller's outstanding mortgage, the seller's mortgage institution will onward-transfer the surplus funds to the seller's bank account through CHATS (or bank transfer, if the same bank).
2. If the seller does not have an outstanding mortgage on the property being sold, the buyer's mortgage institution will transfer the buyer's mortgage loan proceeds directly to the seller's bank via CHATS (or bank transfer, if the same bank).
3. In relation to the buyer's own funds used to settle the remaining balance of the purchase price on completion date, the buyer will obtain and make available cashier's order(s) payable to the seller and, where relevant, to the seller's mortgage institution where the buyer's mortgage advance is insufficient to settle the seller's outstanding mortgage.

Details of the proposed PAPT and related recommended operational arrangements are set out in the following documents attached to this letter:

Annex 1 - The preliminary proposal which may be subject to change in light of the ongoing discussions with relevant stakeholders.

Annex 2 - Guide to set up a new SWIFT BIC code for transferring the buyer's mortgage loan proceeds from the buyer's mortgage institution to the seller's mortgage institution or (if the seller has no outstanding mortgage secured over the property) to the seller's bank via CHATS.

It is expected that all in-scope property transactions covered in Phase 1 as discussed in Annex 1 will adopt the PAPT after the implementation date (please refer to section III below).

### III. Tentative Timeline

Date	Key Actions	Action by
29 December 2021 - 17 January 2021	Consultation on the operational feasibility of the proposed PAPT with all members of HKAB and DTCA, soliciting their comments and early preparation	HKAB and DTCA
December 2021 – July 2022	Ongoing engagement with the Law Society	Industry associations
March 2022	Circulation of documentation templates, including forms of Buyer Mortgage Institution Confirmation, Interbank Agreement for refunds, recommended clauses for inclusion in Provisional Sale and Purchase Agreements, Formal Sale and Purchase Agreements and credit facilities letters  N.B. Any description in the Proposal at Annex 1 of clauses for inclusion into any of the above documents is solely intended to outline the required contents of the clauses and is not intended to represent finalized legal language. The final form language is still under consideration.	HKAB (for Phase 1 implementation)
December 2021 to May 2022	<ul style="list-style-type: none"> <li>• Set up operational procedures</li> <li>• Set up new SWIFT code, CHATS payment, General Ledger account for mortgage loan drawdown</li> <li>• System testing</li> <li>• UAT Preparation and UAT</li> <li>• Pilot tests</li> <li>• Internal training and Phase 1 launch preparation</li> </ul>	All Mortgage Institutions that are fully licensed banks (which should be HKAB members and have CHATS accounts)  (Remark: Restricted licensed banks and deposit taking companies will be covered in Phase 2)
3-6 months following finalization of the PAPT proposal (i.e. potentially as early as July 2022)	Implementation of the PAPT (Phase 1)	All Mortgage Institutions that are fully licensed banks

### IV. Next Steps

Members involved in residential mortgage loan business are invited to comment on the operational feasibility of the proposal by 17 January 2022 and are requested to begin early

preparation for the implementation of the PAPT, in accordance with the details set out in Annexes 1 and 2 and the timeline highlighted in section III above.

HKAB, with the support of the HKMA, will continue to engage with relevant stakeholders including The Law Society of Hong Kong, the Consumer Council and the Estate Agents Authority in finalizing the PAPT and its recommended operational procedures and template documentation which will be shared with members in due course, and in making preparations for informing the public of the benefits and features of the PAPT. The proposed date of implementation of the PAPT (Phase 1) will be determined and announced in due course.

For any questions, please contact the Secretariat (Ms Yvonne Yue or Mr Christopher Chan at [info@hkab.org.hk](mailto:info@hkab.org.hk)).

Best regards

Steve Choi  
Secretary

Enc.

c.c. Hong Kong Monetary Authority  
The Law Society of Hong Kong

**(DRAFT) Industry Proposal for Payment Arrangements for Property Transactions (the "PAPT Proposal")**

**I. Introduction**

1. Conveyancing in Hong Kong is underscored by a robust system of professional undertakings exchanged among solicitors. Under the current system, the bulk of or all of the purchase monies are paid through solicitors' accounts. In the event that the practices of law firms are intervened, the firms' funds are frozen and the property transactions handled by such firms are seriously interrupted. Clients of such firms are significantly prejudiced in the circumstances, as they had to seek court approval before they could retrieve their funds and may risk failing to complete the transaction.
2. The PAPT Proposal is intended to allow parties to property transactions to settle sizable funds without routing through the accounts of law firms, thereby minimising any impact on banks and clients in the event of serious disruption in the operation of a law firm. The bulk of the purchase monies are to be paid with (i) electronic funds transfer via CHATS from the Buyer Mortgage Institution to the Seller Mortgage Institution and/or the Seller; and/or (ii) the Buyer's CO (as defined below).
3. A key feature of the PAPT Proposal is to substitute the solicitors' cheque or solicitor's CO payable on completion with a document issued by the Buyer Mortgage Institution, i.e. the Buyer Mortgage Institution Confirmation, confirming that the Buyer's Loan Amount borrowed by the Buyer under the Buyer's Mortgage will be transferred by Buyer Mortgage Institution via CHATS according to the payment details set out therein by a specific time on the completion date. The PAPT Proposal is not intended to change the respective rights of the Buyer and the Seller under the existing regime; the existing practice for completing a property transaction is to be preserved as far as possible.
4. In support of the PAPT Proposal, the following draft documents and sample clauses will be prepared:
  - (1) sample clauses for provisional sale and purchase agreement;
  - (2) sample clauses for formal sale and purchase agreement;
  - (3) Buyer Mortgage Institution Confirmation;
  - (4) sample clauses for facility agreement to be entered into between the Buyer Mortgage Institution and the Buyer/Borrower; and
  - (5) inter-bank agreement.
5. It is intended that the PAPT Proposal will be implemented by phases, so as to provide the parties involved and the general public abundant time to get used to this new mode of payment. In general, Phase 1 will cover the relatively straightforward transactions in the secondary market. The experiences learnt from Phase 1 could inform any adjustment or

modification that may be required for Phase 2 (and subsequent phase(s), if applicable). After the banks, the solicitors and real estate agents have got used to the application of the PAPT Proposal in Phase 1, the industry would be better equipped to implement the application of the PAPT Proposal in more complicated scenarios in Phase 2 (and subsequent phase(s), if applicable).

## II. Definition

- "**Account details**" means account holder's name and account number.
- "**Authorized Institution(s)**" or "**AI(s)**" means a Bank, a restricted licence bank or a deposit-taking company as defined in the Banking Ordinance (Cap. 155).
- "**Bank(s)**" means a company which holds a valid banking licence, as defined in the Banking Ordinance (Cap. 155).
- "**Balance**" means the balance of the purchase price after deducting the Initial Deposit and Further Deposit.
- "**Borrower**" means a natural person or a body corporate which, borrowed the loan under the facility agreement with the Buyer Mortgage Institution or under the facility agreement with the Seller Mortgage Institution.
- "**Buyer(s)**" means a natural person or a body corporate, which is the buyer(s) of the property in a transaction.
- "**Buyer's CO**" means CO issued by a Bank as arranged by the Buyer or any third party (other than the Buyer's Solicitor) paying on Buyer's behalf.
- "**Buyer's Loan Amount**" means the loan amount drawn down by the Borrower under the Buyer's Mortgage.
- "**Buyer's Mortgage**" means the mortgage entered into between the Buyer/Borrower and the Buyer Mortgage Institution, pursuant to which the Buyer's property is charged as security.
- "**Buyer Mortgage Institution**" means a Mortgage Institution that has granted bank facility to the Buyer/Borrower (with the Buyer's property being charged as security) to finance the purchase of the property by the Buyer; all references to Buyer Mortgage Institution include 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> etc mortgagees, unless otherwise indicated.
- "**Buyer Mortgage Institution Confirmation**" or "**BMIC**" means a document issued by the Buyer Mortgage Institution confirming that the Buyer's Loan Amount will be transferred by Buyer Mortgage Institution via CHATS according to the payment details set out therein on Dday.
- "**Buyer Mortgage Institution's Solicitor**" means the solicitor engaged by the Buyer Mortgage Institution
- "**Buyer's Solicitor**" means the solicitor engaged by the Buyer in the property transaction.
- "**CHATS**" means Hong Kong dollar Clearing House Automated Transfer System.
- "**CO**" means cashier order.
- "**Dday**" means completion date (which falls on a business day); all references to Dday plus or minus any number of days means business day i.e. Monday to Friday excluding Saturday, Sunday and public holiday.
- "**DTC**" means deposit-taking company.

- "**Fees and Expenses**" means the amount of fees and any other expenses payable by the Buyer to the Seller's Solicitor such as the apportionment account.
- "**FSPA**" means formal sale and purchase agreement.
- "**Further Deposit**" means the deposit and part payment of the purchase price payable by the Buyer upon the signing of the FSPA or on a specific date.
- "**Initial Deposit**" means the deposit and part payment of the purchase price payable by the Buyer upon the signing of the PSPA.
- "**Mortgage Institution**" refers to an AI, a money lender as defined in the Money Lenders Ordinance (Cap. 163) or other companies offering property mortgage lending, regardless of whether it is a HKD Clearing Member of the CHATS or not; all references to Buyer Mortgage Institution/Seller Mortgage Institution below include 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> etc mortgagees, unless otherwise indicated.
- "**Property Holding Company**" means a body corporate which is established for the sole purpose of property holding and investment in the property in question.
- "**PSPA**" means Provisional Sale and Purchase Agreement.
- "**Redemption Amount**" the amount of loan outstanding under the Seller's Mortgage as of Dday;
- "**RLB**" means restricted licence bank.
- "**Seller(s)**" means a natural person or a body corporate, which is the seller(s) of the property in the transaction.
- "**Seller's Account**" means Seller's bank account in Hong Kong or Seller's designated bank account in Hong Kong for receiving the Surplus.
- "**Seller's Bank**" means a Bank (other than the Seller Mortgage Institution) in which the Seller's Account is held.
- "**Seller's Mortgage**" means the mortgage entered into between the Seller/Borrower and the Seller Mortgage Institution, pursuant to which the Seller's property is charged as security.
- "**Seller Mortgage Institution**" means a Mortgage Institution that has granted bank facilities to the Seller/Borrower (with the Seller's property being charged as security); all references to Seller Mortgage Institution below include 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> etc mortgagees, unless otherwise indicated.
- "**Buyer Mortgage Institution's Solicitor**" means the solicitor engaged by the Seller Mortgage Institution
- "**Seller's 1<sup>st</sup> Mortgagee**" means the Seller's Mortgage Institution which holds the 1<sup>st</sup> mortgage over the Seller's property.
- "**Split Payment Letter**" means the letter to be sent by Seller's Solicitor to the Buyer's Solicitor on Dday-2 as referred to in paragraph 9 of scenario 1a below.
- "**Seller's Solicitor**" means the solicitor engaged by the Seller in the property transaction.
- "**Surplus**" means the sum that equals to the Buyer's Loan Amount minus the Redemption Amount.



### III. Scope

#### Phase 1

1. The CHATS payment method only applies to
  - (a) property transactions in secondary market where:
    - (i) there is a transfer of residential property (including transfer of car parking space in a residential building whether independently or together with a residential unit) in Hong Kong by way of (1) an asset sale of the property in question between natural persons and/or Property Holding Companies or (2) a share sale of all the shares in a Property Holding Company;
    - (ii) the Buyer(s) has a mortgage with a Bank in Hong Kong;
    - (iii) the Seller(s) has a bank account in Hong Kong or designated bank account in Hong Kong;
    - (iv) if there is any existing Seller's Mortgage over the property, there is only one Seller's Mortgage with the Seller's 1<sup>st</sup> Mortgagee (which is a Bank in Hong Kong); and
    - (v) the completion of the transfer is by way of solicitors' undertakings.
  - (b) refinancing transaction of residential property (including car parking space in a residential building whether independently or together with a residential unit) where there is one existing mortgage and both the existing Mortgage Institution and the Mortgage Institution providing refinancing are Banks in Hong Kong.

(Note: Scenario 1a is applicable to refinancing transaction *mutatis mutandis*. An additional scenario specifically dealing with refinancing transaction will be set out in due course for more clarity.)

2. For the avoidance of doubt, transactions are covered by Phase 1 regardless of whether:
  - (i) there is a single Buyer/Seller or multiple Buyers/Sellers (such as joint tenants or tenants in common);
  - (ii) there exists a two-party Buyer's Mortgage/Seller's Mortgage or a three-party Buyer's Mortgage/Seller's Mortgage (where either (i) Buyer is different from Borrower in a Buyer's Mortgage or (ii) Seller is different from Borrower in a Seller's Mortgage);
  - (iii) the Seller has a Seller's Mortgage over the property or not;
  - (iv) the Buyer Mortgage Institution's Solicitor is the same as or different from the Buyer's Solicitor; and
  - (v) the Seller Mortgage Institution's Solicitor is the same as or different from the Seller's Solicitor.

#### Phase 2

3. The workflow for Phase 2 will be further deliberated.
4. The following property transactions are intended to be covered under Phase 2:

- (i) where any of the Buyer's Mortgage or Seller's Mortgage is granted by a DTC, RLB or a non-AI;
- (ii) where there is more than one Seller's Mortgage;
- (iii) transactions in the primary market which are subject to the stakeholder account requirements (e.g. Seller's Solicitor's stakeholder account);
- (iv) transactions in the primary market which are not subject to stakeholder account requirements;
- (v) transactions involving mortgages under Housing Society subsidized housing schemes from the primary market; and
- (vi) transactions involving mortgages under Housing Authority / Housing Society subsidized housing schemes from the secondary market where the land premium of the property has not been fully paid to Housing Authority / Housing Society to uplift the restriction on alienation clause.

### **Exclusions**

5. The following property transactions are excluded:

- (i) primary market transactions involving mortgages under Housing Authority subsidized schemes, mortgage drawdown and settlement should follow prevailing procedure involving Buyer Mortgage Institution's CO payable to Housing Authority;
- (ii) collective sale, which refers to a sale of a number of property units by different Seller(s) to a single developer or its nominees;
- (iii) where the Seller Mortgage Institution is a foreign bank which is not in Hong Kong and does not have an account in Hong Kong to receive the fund;
- (iv) where the Seller does not have bank account in Hong Kong and has not designated a bank account in Hong Kong;
- (v) where the property transfer does not involve payment of any consideration in cash (including transfer pursuant to Court order, transfer among family members or related companies, transfer by gift, assent or donation, payment of purchase price by way of promissory notes);
- (vi) where there is a compulsory sale under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545);
- (vii) completion of transfer by way of formal completion;
- (viii) where the entire purchase price is paid with Buyer's own fund – Buyer is encouraged to use CO for the payment of the Balance to the Seller's Mortgage Institution or the Seller;
- (ix) where the lender is a natural person or private company (which is not an AI, or licensed or exempted to carry on the business as a money lender);
- (x) where the property is subject to any charging order.

#### IV. Standard Clauses in Provisional and Formal Sale and Purchase Agreement (Phase 1)

##### Standard clauses in Provisional Sale and Purchase Agreement:

1. For the protection of the Buyer and the Seller, the purchase price shall be paid by the Buyer to the Seller in the following manner:
  - (i) Initial Deposit in the sum of [\*] shall be paid upon signing of this provisional agreement;
  - (ii) Further Deposit in the sum of [\*] shall be paid on or before [date];
  - (iii) Balance in the sum of [\*] shall be paid on completion
    - a. *(if the Buyer is paying the entirety with his own funds)* by way of Buyer's CO in favour of the Seller *(if there is no Seller's Mortgage over the Property)* or the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)*; or  
  
(Note: In respect of the Buyer's own funds, the Buyer is encouraged, but not necessarily required, to pay with the Buyer's CO.)
    - b. *(If the Buyer is paying the Balance with Buyer's Loan Amount)* by way of Buyer Mortgage Institution Confirmation (in respect of that part of the Balance to be financed by the Buyer's Loan Amount) and Buyer's CO (in respect of that part of the Balance to be paid with the Buyer's own funds) in favour of [the Seller *(if there is no Seller's Mortgage over the Property)*] or the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)*.
2. It is agreed between the Buyer and Seller that in the circumstances where:
  - (i) all or any part of the Purchase Price is financed by the Buyer's Loan Amount; and
  - (ii) there is no Seller's Mortgage over the Property or all Seller's Mortgage over the Property are entered into with Banks,

CHATS shall be used for settlement of that part of the Balance financed by the Buyer's Loan Amount by the Buyer Mortgage Institution transferring to the Seller *(if there is no Seller's Mortgage over the Property)* or the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)* PROVIDED that direct transfer may be used between the Buyer Mortgage Institution and the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)* or the Seller's Bank *(if there is no Seller's Mortgage)* if the two are the same institution. In the event that all or part the Balance is paid into the Seller's Account, there should be no more than one Seller's Account for each Seller.

3. Notwithstanding anything herein contained, it is further agreed that the Buyer may elect to pay such part of the Balance in place of the Buyer's CO by way of a solicitor's cheque or solicitor's CO if he informs the Seller in writing before the relevant payment is due setting out one or more of the following significant practical difficulties:

- (i) where there exists any law or regulation, any instructions, directives or orders of any regulator or law enforcement agent in any jurisdiction preventing the Buyer from taking any step necessary for issuance of the CO sufficiently in advance of the due date of the payment;
  - (ii) the Buyer is unable to go to a Bank in person by reason of debilitating health condition;
  - (iii) the Buyer is residing or travelling outside of Hong Kong; or
  - (iv) other circumstances (with particulars to be elaborated by the Buyer) that are beyond the control of Buyer which prevents the Buyer from taking any step necessary for the issuance of the CO sufficiently in advance of the due date of the payment.
4. In the event that the Buyer Mortgage Institution informs the Buyer in writing that it is impossible to arrange for the payment of the Buyer's Loan Amount by CHATS due to unavailability of the CHATS payment system or otherwise, the Buyer Mortgage Institution may elect to make the payment of the Buyer's Loan Amount by CO in favour of the Seller Mortgage Institution (*if there is Seller's Mortgage over the Property*) or the Seller's Bank (*if there is no Seller's Mortgage*).
  5. The Seller acknowledges and expressly agrees that the Surplus (if any) will be remitted by the Buyer Mortgage Institution to the Seller's 1<sup>st</sup> Mortgagee for further distribution to the Seller on Dday+1.
  6. The Seller acknowledges and expressly agrees that the Buyer shall be deemed to have complied with his obligations for payment of such part of the Balance upon the issue and delivery of the Buyer Mortgage Institution Confirmation to the Seller's Solicitors notwithstanding that the Purchase Price will only be available for his use one business day after completion. For the avoidance of doubt, the exact time that the Seller is to have access to the Purchase Price will be subject to the terms and conditions of the services provided by the Seller's Bank.

**Standard clauses in Formal Sale and Purchase Agreement:**

1. It is agreed between the Buyer and the Seller that in the circumstances where:
  - (i) all or any part of the Purchase Price is financed by the Buyer's Loan Amount; and
  - (ii) there is no Seller's Mortgage over the Property or all Seller's Mortgage over the Property are entered into with Banks,

CHATS shall be used for settlement of that part of the Balance financed by the Buyer's Loan Amount by the Buyer Mortgage Institution transferring to the Seller (*if there is no Seller's Mortgage over the Property*) or the Seller Mortgage Institution (*if there is Seller's Mortgage over the Property*) PROVIDED that direct transfer may be used between the Buyer Mortgage Institution and the Seller Mortgage Institution (*if there is Seller's Mortgage over the Property*) or the Seller's Bank (*if there is no Seller's Mortgage*) if the two are the same institution. In the event that all or part the Balance is

paid into the Seller's Account, there should be no more than one Seller's Account for each Seller.

2. For the protection of the Buyer and the Seller, Balance in the sum of [\*] shall be paid on completion by the Buyer to the Seller

a. *(if the Buyer is paying the entirety with his own funds)* by way of Buyer's CO in favour of the Seller *(if there is no Seller's Mortgage over the Property)* or the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)*; or

(Note: In respect of the Buyer's own funds, the Buyer is encouraged, but not necessarily required, to pay with the Buyer's CO.)

b. *(If the Buyer is paying the Balance with Buyer's Loan Amount)* by way of Buyer Mortgage Institution Confirmation (in respect of that part of the Balance to be financed by the Buyer's Loan Amount) and Buyer's CO (in respect of that part of the Balance to be paid with the Buyer's own funds) in favour of the Seller *(if there is no Seller's Mortgage over the Property)* or the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)*.

3. Notwithstanding anything herein contained, it is further agreed that the Buyer may elect to pay such part of the Balance in place of the Buyer's CO by way of a solicitor's cheque or solicitor's CO if he informs the Seller in writing before the relevant payment is due setting out one or more of the following significant practical difficulties:

- (i) where there exist any law or regulation, any instructions, directives or orders of any regulator or law enforcement agent in any jurisdiction preventing the Buyer from taking any step necessary for issuance of the CO sufficiently in advance of the due date of the payment;
- (ii) the Buyer is unable to go to a Bank in person by reason of debilitating health condition;
- (iii) the Buyer is residing or travelling outside of Hong Kong; or
- (iv) other circumstances (with particulars to be elaborated by the Buyer) that are beyond the control of Buyer which prevents the Buyer from taking any step necessary for the issuance of the CO sufficiently in advance of the due date of the payment.

4. In the event that the Buyer Mortgage Institution informs the Buyer in writing that it is impossible to arrange for the payment of the Buyer's Loan Amount by CHATS due to unavailability of the CHATS payment system or otherwise, the Buyer Mortgage Institution may elect to make the payment of the Buyer's Loan Amount by CO in favour of the Seller Mortgage Institution *(if there is Seller's Mortgage over the Property)* or the Seller's Bank *(if there is no Seller's Mortgage)*.

5. The Seller's Solicitor shall provide to Buyer's Solicitor on Dday-6 in a written letter setting out the breakdown of Redemption Amount payable to the Seller Mortgage Institution and

the Account Details of the Seller Mortgage Institution, together with a copy of the letter or email from the Seller Mortgage Institution confirming such details. In the event that the names of the Seller or Borrower (if different from Seller) are different from the names shown on the Seller's Mortgage document(s) as registered at the Land Registry, the Seller's Solicitor shall also provide copies of the relevant document to evidence the change of name. The Buyer's Solicitor shall provide to the Buyer Mortgage Institution (*if there is a Buyer's Mortgage*) such information and document as set out in and under such letter as provided by the Seller's Solicitor, so as to enable the Buyer Mortgage Institution to prepare the Buyer Mortgage Institution Confirmation in accordance with such information and documents as provided by the Seller's Solicitor.

6. The Seller acknowledges and expressly agrees that the Surplus (if any) will be remitted by the Buyer Mortgage Institution to the Seller's 1<sup>st</sup> Mortgagee for further distribution to the Seller on Dday+1.
7. The Seller declares that Seller's 1<sup>st</sup> Mortgagee is the Seller's agent for the purposes of receiving the Surplus payable to the Seller pursuant to Buyer Mortgage Institution Confirmation.
8. The Seller acknowledges and expressly agrees that the Buyer shall be deemed to have complied with his obligations hereunder for payment of such part of the Balance upon the issue and delivery of the Buyer Mortgage Institution Confirmation to the Seller's Solicitors notwithstanding the Purchase Price will only be available for his use one business day after completion. For the avoidance of doubt, the exact time that the Seller is to have access to the Purchase Price will be subject to the terms and conditions of the services provided by the Seller's Bank.

## Scenario 1a Both Buyer and Seller with mortgage (different Mortgage Institutions)

### Facility letter Signing

- Buyer (via Buyer Mortgage Institution staff / Buyer's Solicitor) indicates the drawdown date when signing the facility letter.

### 10 days before Drawdown (Dday-10)

1. Seller's Solicitor to ask the Seller Mortgage Institution for the respective Redemption Amount.

### 10 days to 7 days before Drawdown (Dday-10 to Dday-7)

2. Seller Mortgage Institution (or Seller Mortgage Institution's Solicitor, if different from the Seller's Solicitor) to provide the Seller's Solicitor by letter/email/fax with its Redemption Amount and Account Details.
3. If the Redemption Amount is subsequently varied, see the workflow on Dday-2 below.

### 6 days before Drawdown (Dday-6)

4. Seller's Solicitor provides to Buyer's Solicitor in a written letter the breakdown of Redemption Amount payable to the Seller Mortgage Institution and the Account Details of the Seller Mortgage Institution, together with a copy of the letter or email from the Seller Mortgage Institution confirming such information. In the event that the names of the Seller or Borrower (*if different from Seller*) are different from the names shown on the Seller's Mortgage document(s) as registered at the Land Registry, the Seller's solicitor shall also provide copies of the relevant document to evidence the change of name (e.g. deed poll or certificate of change of name).

### 5 days before Drawdown (Dday-5)

5. Buyer's Solicitor sends physical book loan letter to Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) with:
  - (i) drawdown details (drawdown date, loan amount, etc.);
  - (ii) Seller's name (and Borrower's name in case the Borrower is different from the Seller), together with relevant documentary evidence provided by the Seller's Solicitor to evidence the change of name (if any);
  - (iii) name of Seller Mortgage Institution;
  - (iv) the Account Details of the Seller Mortgage Institution;
  - (v) the Redemption Amount payable to the Seller Mortgage Institution;
  - (vi) title confirmation by Buyer's Solicitor (*if no separate solicitors' firm is engaged by the Buyer Mortgage Institution*); and

- (vii) other documents or information as may be required by Buyer Mortgage Institution under the relevant facility letter, such as confirmation that the Buyer's Mortgage has been executed in escrow.
- 6. Buyer's Solicitor should ensure the names of Seller, Borrower (*if different from Seller*), and Seller Mortgage Institution match the names shown on the Seller's Mortgage document(s) as registered at the Land Registry or the documents provided by the Seller's Solicitor to evidence the change of name of the Seller or the Borrower.
- 7. Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) checks the names of Seller (*and Borrower's name in case the Borrower is different from the Seller*) and Seller Mortgage Institution information against the land search (optional) and all related documents are in order for drawdown preparation.

2 days before Drawdown (Dday-2)

- 8. In the event the Seller's Solicitors confirms the Dday with the Seller Mortgage Institution and request that the Seller Mortgage Institution provides an updated Redemption Amount, the relevant Seller Mortgage Institution shall inform the Seller's Solicitor any increase in the revised Redemption Amount [by 10am] on Dday-2 and has the discretion to decide whether to inform the Seller's Solicitor of any decrease in the Redemption Amount; if the relevant Seller Mortgage Institution elects to inform the Seller's Solicitor of such decrease, it shall do so [by 10am] on Dday-2.
- 9. The Seller's Solicitor shall send the Buyer's Solicitor the Split Payment Letter [before 12 noon] setting out:
  - (i) the amount of Fees and Expenses (if applicable) to be paid via the Seller's Solicitor;
  - (ii) the amount to be paid to each Seller (*if there is more than one Seller*); and
  - (iii) in the event that the Redemption Amount has been varied, the revised Redemption Amount payable to the Seller Mortgage Institution.
- 10. The Buyer's Solicitor shall inform the Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) in writing by 5pm on Dday-2 the total sum to be remitted to the Seller Mortgage Institution with the breakdown between the Redemption Amount and Surplus (if any).

1 day before Drawdown (Dday-1)

- 11. In the event that the Balance is paid partly with the Buyer's Loan Amount and partly with the Buyer's own fund, the Buyer shall prepare Buyer's CO payable to Seller/Seller Mortgage Institution and make the same available to the Buyer's Solicitor by Dday-1 (or any other time on or before Dday as may be agreed between the Buyer and the Buyer's Solicitor).



12. As for the Fees and Expenses (if applicable), the Buyer shall make such payment using his/her own fund and make the payment available to the Buyer's Solicitor by Dday-1 (or any other time on or before Dday as may be agreed between the Buyer and the Buyer's Solicitor) by way of (i) Buyer's CO; or (ii) payment to the Buyer's Solicitor's client account for the Buyer's Solicitor to issue corresponding solicitor's cheque on Dday.
13. Buyer Mortgage Institution starts preparing the Buyer Mortgage Institution Confirmation to be sent by encrypted email (or other channels as agreed with the solicitors) to Buyer's Solicitor on Dday.
14. Buyer Mortgage Institution starts preparing inputs for the payment details in payment system (CHATS) with narrative but the payment will not be sent until Dday.
15. Seller's Solicitor shall send to Seller's 1<sup>st</sup> Mortgagee or the solicitor of the Seller's 1<sup>st</sup> Mortgagee (*if the Seller Mortgage Institution appoints a separate law firm*) by encrypted email (or other channels as agreed with the Seller Mortgage Institution) the following documents/information:
  - (i) the payment instruction for distributing the Surplus into the Seller's Account; there should be no more than one bank account for each Seller; and
  - (ii) the authorization instructions (*if the bank account designated by the Seller is not under the Seller's name*).

#### Drawdown (Dday)

16. Buyer Mortgage Institution issues the Buyer Mortgage Institution Confirmation by sending by encrypted email (or other channels as agreed with the solicitors) the Buyer Mortgage Institution Confirmation to Buyer's Solicitor before 12 noon. The Buyer Mortgage Institution Confirmation shall contain the following information:
  - (i) the Seller's name (and *Borrower's name in case the Borrower is different from the Seller*);
  - (ii) the Seller Mortgage Institution name;
  - (iii) the Account Details of the Seller Mortgage Institution; and
  - (iv) the respective Redemption Amount to be remitted to the Seller Mortgage Institution; and
  - (v) the Surplus (if any) to be remitted to Seller's 1<sup>st</sup> Mortgagee.
17. For exceptional cases, Buyer Mortgage Institution should inform and agree with the Buyer's Solicitor on the time to have the Buyer Mortgage Institution Confirmation issued. If Buyer Mortgage Institution has engaged its own solicitor that is different from the Buyer's Solicitor, it shall provide the Buyer Mortgage Institution Confirmation to its own solicitor, who would send by encrypted email (or other channels as agreed with the solicitors) the Buyer Mortgage Institution Confirmation to the Buyer's Solicitor before 12 noon.

18. After the issuance of the Buyer Mortgage Institution Confirmation but before the delivery of the same to Seller's Solicitor by the Buyer's Solicitor, should any of the following take place:
- (i) the Buyer Mortgage Institution notices (as may be informed by the Buyer's Solicitor or otherwise) that any of the information in the issued Buyer Mortgage Institution Confirmation is incorrect;
  - (ii) the Buyer's Solicitor informs the Buyer Mortgage Institution in writing that the Buyer would not complete the transaction by the completion time or that the completion time has been extended,

the Buyer Mortgage Institution is not obliged to effect the payment via CHATS and in the event that the Buyer Mortgage Institution has already effected the payment via CHATS, it is entitled to receive a refund from the Seller Mortgage Institution under the inter-bank agreement to be prepared.

19. Apart from stopping the CHATS payment or arranging for refund as set out above, the Buyer Mortgage Institution is not obliged to implement any changes received from the Buyer's Solicitor after issuance of the Buyer Mortgage Institution Confirmation, e.g. to correct the information in the Buyer Mortgage Institution Confirmation or reissue a new Buyer Mortgage Institution Confirmation before the completion time.
20. Subject to paragraph 26 below, once the Buyer Mortgage Institution Confirmation is delivered to the Seller's Solicitor by the Buyer's Solicitor, it is irrevocable (i.e. the payment shall be transferred to the Seller Mortgage Institution), except in the circumstances where:
- (i) the Buyer Mortgage Institution notices (as may be informed by the Buyer's Solicitor or otherwise) that the Account Details of the payee in the Buyer Mortgage Institution Confirmation is incorrect;
  - (ii) there is a mutual agreement between the Buyer and Seller to cancel, not to proceed with or to defer the transaction and that the Buyer's Solicitor and Seller's Solicitor jointly inform the Buyer Mortgage Institution and the Seller Mortgage Institution such mutual agreement in writing

in which case the Buyer Mortgage Institution is not obliged to effect the payment via CHATS and in the event that the Buyer Mortgage Institution has already effected the payment via CHATS, it shall notify the Seller Mortgage Institution by 9am on Dday+1 and provided that such notification is made it is entitled to receive a refund from the Seller Mortgage Institution under the interbank agreement to be prepared.

21. Buyer Mortgage Institution checks payment details against the related documents (including Buyer Mortgage Institution Confirmation) and effect the payment via CHATS. It is noted that depending on the internal arrangement of the Buyer Mortgage Institution, the CHATS may be sent before or after the delivery of the Buyer Mortgage Institution Confirmation to the Seller's Solicitor by the Buyer's Solicitor.
22. Buyer's Solicitor performs the usual steps to prepare for the completion.

23. Buyer's Solicitor sends to Seller's Solicitor by 5pm the Buyer Mortgage Institution Confirmation, the signed assignment and other related document and Buyer's CO or Buyer's Solicitor's cheque for Fees and Expenses (if applicable); in the event that part of Balance is paid with the Buyer's own fund, Buyer's Solicitor also sends to Seller's Solicitor Buyer's CO in respect of the Buyer's own fund payable to the Seller/Seller Mortgage Institution.
24. Seller's Solicitor performs completion with the Seller.
25. Seller's Solicitor shall send to Seller Mortgage Institution(s) or the solicitors of the Seller Mortgage Institution(s) (*if the Seller Mortgage Institution appoints a separate law firm*) by encrypted email (or other channels as agreed with the Seller Mortgage Institution) by 7pm (or such time as agreed between the Seller's Solicitor and the Seller Mortgage Institution) a copy of the Buyer Mortgage Institution Confirmation.
26. In the event that the Seller's Solicitor does not receive the Buyer Mortgage Institution Confirmation by the completion time on Dday, it shall notify the Seller Mortgage Institution(s) or the solicitor of the Seller Mortgage Institution(s) in writing. After receiving such notification, the Seller Mortgage Institution(s) shall arrange for any payment received via CHATS to be refunded to the Buyer Mortgage Institution. In the event that the Seller Mortgage Institution(s) or the solicitor of the Seller Mortgage Institution(s) does not receive a copy of the Buyer Mortgage Institution Confirmation by 7pm on Dday (or such time as agreed between the Seller's Solicitor and the Seller Mortgage Institution), it is deemed that Seller's Solicitor does not receive the Buyer Mortgage Institution Confirmation by the completion time on Dday and a refund to the Buyer Mortgage Institution shall be arranged under the interbank agreement to be prepared.
27. Buyer Mortgage Institution to notify the Buyer and the Borrower under the Buyer's Mortgage (*if the Buyer and the Borrower are not the same person*) on the completion of payment via suitable channels (SMS, e-mail or letter). It is expected that Buyer Mortgage Institution will explore the possibility of same day electronic notification.

By 1 day after Drawdown (By Dday + 1)

28. Seller Mortgage Institution(s) checks the General Ledger account (being a suspense account) on Dday or before 9am on Dday+1 to ensure the fund has arrived.
29. After confirming that a copy of the Buyer Mortgage Institution Confirmation has been received, Seller Mortgage Institution settles the Seller's Mortgage. The Seller's 1<sup>st</sup> Mortgagee distributes any Surplus payable to each Seller's Account.
30. The Seller's 1<sup>st</sup> Mortgagee shall arrange for payment of the Surplus to the Seller by crediting the Seller's Account (*in the event that the Seller's Account is held with the Seller's 1<sup>st</sup> Mortgagee*) or by same day transfer to the Seller's Bank (*in the event that the Seller's Account is not held with the Seller's 1<sup>st</sup> Mortgagee*).

31. Seller's Solicitor is to use the Buyer's CO or Buyer's Solicitor's cheque to settle any Fees and Expenses (if applicable).
32. In the event that any of Redemption Amount outstanding under the Seller's Mortgage is paid with the Buyer's own fund, Seller's Solicitor passes to the Seller Mortgage Institution the Buyer's CO for settling any outstanding Redemption Amount.
33. Seller Mortgage Institution to notify the Seller's Solicitor and the Borrower (*if the Seller and the Borrower are not the same person*) on the repayment of loan and discharge of Seller's Mortgage via suitable channels (SMS, e-mail or letter). It is expected that the Seller Mortgage Institution will explore the possibility of same day electronic notification.
34. On or before Dday+1, the Seller's Solicitor send the release document to the Seller Mortgage Institution or to the Seller Mortgage Institution's Solicitor (*if the Seller Mortgage Institution appoints a separate law firm*).

**Scenario 1b Both Buyer and Seller with mortgage (the use of direct transfer for payment is applicable to the scenario where one of the Seller Mortgage Institution is the same as the Buyer's Mortgage Institution)**

Facility letter Signing

- Buyer (via Buyer Mortgage Institution staff / Buyer's Solicitor) indicates the drawdown date when signing the facility letter.

10 days before Drawdown (Dday-10)

1. Seller's Solicitor to ask the Seller Mortgage Institution for the respective Redemption Amount.

10 days to 7 days before Drawdown (Dday-10 to Dday-7)

2. Seller Mortgage Institution (or Seller Mortgage Institution's Solicitor, if different from the Seller's Solicitor) to provide the Seller's Solicitor by letter/email/fax with its Redemption Amount and Account Details.
3. If the Redemption Amount is subsequently varied, see the workflow on Dday-2 below.

6 days before Drawdown (Dday-6)

4. Seller's Solicitor provides to Buyer's Solicitor in a written letter the breakdown of Redemption Amount payable to the Seller Mortgage Institution and the Account Details of the Seller Mortgage Institution, together with a copy of the letter or email from the Seller Mortgage Institution confirming such information. In the event that the names of the Seller or Borrower (*if different from Seller*) are different from the names shown on the Seller's Mortgage document(s) as registered at the Land Registry, the Seller's solicitor shall also provide copies of the relevant document to evidence the change of name (e.g. deed poll or certificate of change of name).

5 days before Drawdown (Dday-5)

5. Buyer's Solicitor sends physical book loan letter to Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) with:
  - (i) drawdown details (drawdown date, loan amount, etc.);
  - (ii) Seller's name (and Borrower's name in case the Borrower is different from the Seller), together with relevant documentary evidence provided by the Seller's Solicitor to evidence the change of name (if any);
  - (iii) name of Seller Mortgage Institution(s);
  - (iv) the Account Details of the Seller Mortgage Institution;
  - (v) the Redemption Amount payable to the Seller Mortgage Institution;
  - (vi) title confirmation by Buyer's Solicitor (*if no separate solicitors' firm is engaged by the Buyer Mortgage Institution*); and

- (vii) other documents or information as may be required by Buyer Mortgage Institution under the relevant facility letter, such as confirmation that the Buyer's Mortgage has been executed in escrow.
- 6. Buyer's Solicitor should ensure the names of Seller, Borrower (*if different from Seller*), and Seller Mortgage Institution match the names shown on the Seller's Mortgage document(s) as registered at the Land Registry or the documents provided by the Seller's Solicitor to evidence the change of name of the Seller or the Borrower.
- 7. Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) checks the names of Seller (*and Borrower's name in case the Borrower is different from the Seller*) and Seller Mortgage Institution information against the land search (optional) and all related documents are in order for drawdown preparation.

2 days before Drawdown (Dday-2)

- 8. In the event that the Seller's Solicitors confirms the Dday with the Seller Mortgage Institution and request that the Seller Mortgage Institution provides an updated Redemption Amount, the relevant Seller Mortgage Institution shall inform the Seller's Solicitor any increase in the revised Redemption Amount [by 10am] on Dday-2 and has the discretion to decide whether to inform the Seller's Solicitor of any decrease in the Redemption Amount; if the relevant Seller Mortgage Institution elects to inform the Seller's Solicitor of such decrease, it shall do so [by 10am] on Dday-2.
- 9. The Seller's Solicitor shall send the Buyer's Solicitor the Split Payment Letter [before 12 noon] setting out:
  - (i) the amount of Fees and Expenses (if applicable), to be paid via the Seller's Solicitor;
  - (ii) the amount to be paid to each Seller (*if there is more than one Seller*); and
  - (iii) in the event that the Redemption Amount has been varied, the revised Redemption Amount payable to the Seller Mortgage Institution.
- 10. The Buyer's Solicitor shall inform the Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) in writing by 5pm on Dday-2 the total sum to be remitted to the Seller Mortgage Institution with the breakdown between the Redemption Amount and Surplus (if any).

1 day before Drawdown (Dday – 1)

- 11. In the event that the Balance is paid partly with the Buyer's Loan Amount and partly with the Buyer's own fund, the Buyer shall prepare Buyer's CO payable to Seller/Seller Mortgage Institution and make the same available to the Buyer's Solicitor by Dday-1 (or any other time on or before Dday as may be agreed between the Buyer and the Buyer's Solicitor).

12. As for the Fees and Expenses (if applicable), the Buyer shall make such payment using his/her own fund and make the payment available to the Buyer's Solicitor by Dday-1 (or any other time on or before Dday as may be agreed between the Buyer and the Buyer's Solicitor) by way of (i) Buyer's CO; or (ii) payment to the Buyer's Solicitor's client account for the Buyer's Solicitor to issue corresponding solicitor's cheque on Dday.
13. Buyer Mortgage Institution starts preparing the Buyer Mortgage Institution Confirmation to be sent by encrypted email (or other channels as agreed with the solicitors) to Buyer's Solicitor on Dday.
14. Buyer Mortgage Institution inputs the transaction details in the core banking system with narrative but the payment will not be sent until Dday.
15. Seller's Solicitor shall send to Seller's 1<sup>st</sup> Mortgagee or the solicitor of the Seller's 1<sup>st</sup> Mortgagee (*if the Seller Mortgage Institution appoints a separate law firm*) by encrypted email (or other channels as agreed with the Seller Mortgage Institution) the following documents/information:
  - (i) the payment instruction for distributing the Surplus into the Seller's Account; there should be no more than one bank account for each Seller; and
  - (ii) the authorization instructions (*if the bank account designated by the Seller is not under the Seller's name*).

#### Drawdown (Dday)

16. Buyer Mortgage Institution issues the Buyer Mortgage Institution Confirmation by sending by encrypted email (or other channels as agreed with the solicitors) the Buyer Mortgage Institution Confirmation to Buyer's Solicitor before 12 noon. The Buyer Mortgage Institution Confirmation shall contain the following information;
  - (i) the Seller's name (*and Borrower's name in case the Borrower is different from the Seller*);
  - (ii) the Seller Mortgage Institution name;
  - (iii) the Account Details of the Seller Mortgage Institution; and
  - (iv) the Redemption Amount to be remitted to the Seller Mortgage Institution; and
  - (v) the Surplus (if any) to be remitted to Seller's 1<sup>st</sup> Mortgagee.
17. For exceptional cases, Buyer Mortgage Institution should inform and agree with the Buyer's Solicitor on the time to have the Buyer Mortgage Institution Confirmation issued. If Buyer Mortgage Institution has engaged its own solicitor that is different from the Buyer's Solicitor, it shall provide the Buyer Mortgage Institution Confirmation to its own solicitor, who would send by encrypted email (or other channels as agreed with the solicitors) the Buyer Mortgage Institution Confirmation to the Buyer's Solicitor before 12 noon.

18. After the issuance of the Buyer Mortgage Institution Confirmation but before the delivery of the same to Seller's Solicitor by the Buyer's Solicitor, should any of the following take place:
- (i) the Buyer Mortgage Institution notices (as may be informed by the Buyer's Solicitor or otherwise) that any of the information in the issued Buyer Mortgage Institution Confirmation is incorrect;
  - (ii) the Buyer's Solicitor informs the Buyer Mortgage Institution in writing that the Buyer would not complete the transaction by the completion time or that the completion time has been extended,

the Buyer Mortgage Institution is not obliged to effect the payment via direct transfer and in the event that the Buyer Mortgage Institution has already effected the payment via direct transfer, it is entitled to receive a refund from the Seller Mortgage Institution.

19. Apart from stopping the direct transfer payment or arranging for refund as set out above, the Buyer Mortgage Institution is not obliged to implement any changes received from the Buyer's Solicitor after issuance of the Buyer Mortgage Institution Confirmation, e.g. to correct the information in the Buyer Mortgage Institution Confirmation or reissue a new Buyer Mortgage Institution Confirmation before the completion time.
20. Subject to paragraph 26 below, once the Buyer Mortgage Institution Confirmation is delivered to the Seller's Solicitor by the Buyer's Solicitor, it is irrevocable (i.e. the payment shall be transferred to the Seller Mortgage Institution), except in the circumstances where:
- (i) the Buyer Mortgage Institution notices (as may be informed by the Buyer's Solicitor or otherwise) that the Account Details of the payee in the Buyer Mortgage Institution Confirmation is incorrect;
  - (ii) there is a mutual agreement between the Buyer and Seller to cancel, not to proceed with or to defer the transaction and that the Buyer's Solicitor and Seller's Solicitor jointly inform the Buyer Mortgage Institution and the Seller Mortgage Institution such mutual agreement in writing

in which case the Buyer Mortgage Institution is not obliged to effect the payment via direct transfer and in the event that the Buyer Mortgage Institution has already effected the payment via direct transfer, it is entitled to receive a refund from the Seller Mortgage Institution.

21. Buyer Mortgage Institution checks payment details against the related documents (including Buyer Mortgage Institution Confirmation) and effect the payment via direct transfer. It is noted that depending on the internal arrangement of the Buyer Mortgage Institution, the direct transfer may be sent before or after the delivery of the Buyer Mortgage Institution Confirmation to the Seller's Solicitor by the Buyer's Solicitor.
22. Buyer's Solicitor performs the usual steps to prepare for the completion.



23. Buyer's Solicitor sends to Seller's Solicitor by 5pm the Buyer Mortgage Institution Confirmation, the signed assignment and other related document and Buyer's CO or Buyer's Solicitor's cheque for Fees and Expenses (if applicable); in the event that part of Balance is paid with the Buyer's own fund, Buyer's Solicitor also sends to Seller's Solicitor Buyer's CO in respect of the Buyer's own fund payable to the Seller/Seller Mortgage Institution.
24. Seller's Solicitor performs completion with the Seller.
25. Seller's Solicitor shall send to Seller Mortgage Institution(s) or the solicitors of the Seller Mortgage Institution(s) (*if the Seller Mortgage Institution appoints a separate law firm*) by encrypted email (or other channels as agreed with the Seller Mortgage Institution) by 7pm (or such time as agreed between the Seller's Solicitor and the Seller Mortgage Institution) a copy of the Buyer Mortgage Institution Confirmation.
26. In the event that the Seller's Solicitor does not receive the Buyer Mortgage Institution Confirmation by the completion time on Dday, it shall notify the Seller Mortgage Institution(s) or the solicitor of the Seller Mortgage Institution(s) in writing. After receiving such notification, the Seller Mortgage Institution(s) shall arrange for any payment received via direct transfer to be refunded to the Buyer Mortgage Institution. In the event that the Seller Mortgage Institution(s) or the solicitor of the Seller Mortgage Institution(s) does not receive a copy of the Buyer Mortgage Institution Confirmation by 7pm on Dday (or such time as agreed between the Seller's Solicitor and the Seller Mortgage Institution), it is deemed that Seller's Solicitor does not receive the Buyer Mortgage Institution Confirmation by the completion time on Dday and a refund to the Buyer Mortgage Institution shall be arranged.
27. Buyer Mortgage Institution to notify the Buyer and the Borrower under the Buyer's Mortgage (*if the Buyer and the Borrower are not the same person*) on the completion of payment via suitable channels (SMS, e-mail or letter). It is expected that Buyer Mortgage Institution will explore the possibility of same day electronic notification.

By 1 day after Drawdown (By Dday + 1)

28. Seller Mortgage Institution(s) checks the General Ledger account (being a suspense account) on Dday or before 9am on Dday+1 to ensure the fund has arrived.
29. After confirming that a copy of the Buyer Mortgage Institution Confirmation has been received, Seller Mortgage Institution settles the Seller's Mortgage. The Seller's 1<sup>st</sup> Mortgagee distributes any Surplus payable to each Seller's Account.
30. The Seller's 1<sup>st</sup> Mortgagee shall arrange for payment of the Surplus to the Seller by crediting the Seller's Account (*in the event that the Seller's Account is held with the Seller's 1<sup>st</sup> Mortgagee*) or by same day transfer to the Seller's Bank (*in the event that the Seller's Account is not held with the Seller's 1<sup>st</sup> Mortgagee*).

31. Seller's Solicitor is to use the Buyer's CO or Buyer's Solicitor's cheque to settle any Fees and Expenses (if applicable).
32. In the event that any of Redemption Amount outstanding under the Seller's Mortgage is paid with the Buyer's own fund, Seller's Solicitor passes to the Seller Mortgage Institution the Buyer's CO for settling any outstanding Redemption Amount.
33. Seller Mortgage Institution to notify the Seller's Solicitor and the Borrower (*if the Seller and the Borrower are not the same person*) on the repayment of loan and discharge of Seller's Mortgage via suitable channels (SMS, e-mail or letter). It is expected that the Seller Mortgage Institution will explore the possibility of same day electronic notification.
34. On or before Dday+1, the Seller's Solicitor send the release document to the Seller Mortgage Institution or to the Seller Mortgage Institution's Solicitor (*if the Seller Mortgage Institution appoints a separate law firm*) for execution.

## Scenario 2 Buyer with mortgage and Seller without mortgage

### Facility Letter Signing

- Buyer (via Buyer Mortgage Institution staff / Buyer's Solicitor) indicates the drawdown date when signing the facility letter.

### 6 days before Drawdown (Dday-6)

1. Seller's Solicitor provides to Buyer's Solicitor in a written letter the breakdown of details of the Seller's Account (setting out no more than one bank account for each Seller) and Seller's Bank for receiving part or all of the Balance. In the event that the name of the Seller(s) is different from the name(s) shown on the document(s) as registered at the Land Registry, the Seller's solicitor shall also provide copies of the relevant document to evidence the change of name (e.g. deed poll or certificate of change of name).

### 5 days before Drawdown (Dday-5)

2. Buyer's Solicitor sends physical book loan letter to Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) with:
  - (i) drawdown details (drawdown date, loan amount, etc.);
  - (ii) Seller's name, together with relevant documentary evidence provided by the Seller's Solicitor to evidence the change of name (if any);
  - (iii) the amount to be paid to each Seller (*if there is more than one Seller*);
  - (iv) the Account Details of the Seller's Account for receiving the Buyer Loan Amount;
  - (v) the authorization instructions (*if the bank account designated by the Seller is not under the Seller's name*);
  - (vi) title confirmation by Buyer's Solicitor (*if no separate solicitors' firm is engaged by the Buyer Mortgage Institution*); and
  - (vii) other documents or information as may be required by Buyer Mortgage Institution under the relevant facility letter.
3. Buyer's Solicitor should ensure (a) the names of Seller match the names shown on the documents as registered at the Land Registry or the documents provided by the Seller's Solicitor to evidence the change of name of the Seller and (b) (*if the bank account designated by the Seller is not under the Seller's name*) the name(s) of third-party account holder match(es) the name(s) shown on the authorization instructions.
4. Buyer Mortgage Institution or Buyer Mortgage Institution's Solicitor (*if Buyer Mortgage Institution engages a separate solicitors' firm*) checks the names of Seller against the land search (optional) and all related documents are in order for drawdown preparation.

### 2 days before Drawdown (Dday-2)

5. The Seller's Solicitor shall send the Buyer's Solicitor the Split Payment Letter [before 12 noon] setting out the amount of Fees and Expenses (if applicable), to be paid via the Seller's Solicitor.

1 day before Drawdown (Dday – 1)

6. In the event that the Balance is paid partly with the Buyer's Loan Amount and partly with the Buyer's own fund, the Buyer shall prepare Buyer's CO payable to Seller and make the same available to the Buyer's Solicitor by Dday-1 (or any other time on or before Dday as may be agreed between the Buyer and the Buyer's Solicitor).
7. As for the Fees and Expenses (if applicable), the Buyer shall make such payment using his/her own fund and make the payment available to the Buyer's Solicitor by Dday-1 (or any other time on or before Dday as may be agreed between the Buyer and the Buyer's Solicitor) by way of (i) Buyer's CO; or (ii) payment to the Buyer's Solicitor's client account for the Buyer's Solicitor to issue corresponding solicitor's cheque on Dday.
8. Buyer Mortgage Institution starts preparing the Buyer Mortgage Institution Confirmation to be sent by encrypted email (or other channels as agreed with the solicitors) to Buyer's Solicitor on Dday.
9. Buyer Mortgage Institution inputs the transaction details in payment system (CHATS) or direct transfer (*in the event that the Seller's Bank and the Buyer Mortgage Institution is the same bank*) with narrative but the payment will not be sent until Dday.
10. Seller's Solicitor notifies the Seller's Bank that the Buyer Mortgage Institution will effect transfer of Buyer's Loan Amount to the Seller's Bank on Dday and that the Seller's Solicitor will send a copy of the Buyer Mortgage Institution Confirmation to the Seller's Bank on Dday.

Drawdown (Dday)

11. Buyer Mortgage Institution issues the Buyer Mortgage Institution Confirmation by sending by encrypted email (or other channels as agreed with the solicitors) the Buyer Mortgage Institution Confirmation to Buyer's Solicitor before 12 noon. The Buyer Mortgage Institution Confirmation shall contain the following information;
  - (i) the Seller's name;
  - (ii) Seller's Bank name;
  - (iii) the Account Details of each Seller's Account; and
  - (iv) the amount to be remitted to each Seller's Bank.
12. For exceptional cases, Buyer Mortgage Institution should inform and agree with the Buyer's Solicitor on the time to have the Buyer Mortgage Institution Confirmation issued. If Buyer Mortgage Institution has engaged its own solicitor that is different from the Buyer's Solicitor, it shall provide the Buyer Mortgage Institution Confirmation to its own solicitor, who would send by encrypted email (or other channels as agreed with the

solicitors) the Buyer Mortgage Institution Confirmation to the Buyer's Solicitor before 12 noon.

13. After the issuance of the Buyer Mortgage Institution Confirmation but before the delivery of the same to Seller's Solicitor by the Buyer's Solicitor, should any of the following take place:
  - (i) the Buyer Mortgage Institution notices (as may be informed by the Buyer's Solicitor or otherwise) that any of the information in the issued Buyer Mortgage Institution Confirmation is incorrect;
  - (ii) the Buyer's Solicitor informs the Buyer Mortgage Institution in writing that the Buyer would not complete the transaction by the completion time or that the completion time has been extended,

the Buyer Mortgage Institution is not obliged to effect the payment via CHATS or direct transfer (as the case may be) and in the event that the Buyer Mortgage Institution has already effected the payment via CHATS or direct transfer (as the case may be), it is entitled to receive a refund from the Seller's Bank under the interbank agreement to be prepared.

14. Apart from stopping the CHATS or direct transfer payment or arranging for refund as set out above, the Buyer Mortgage Institution is not obliged to implement any changes received from the Buyer's Solicitor after issuance of the Buyer Mortgage Institution Confirmation, e.g. to correct the information in the Buyer Mortgage Institution Confirmation or reissue a new Buyer Mortgage Institution Confirmation before the completion time.
15. Subject to paragraph 21 below, once the Buyer Mortgage Institution Confirmation is delivered to the Seller's Solicitor by the Buyer's Solicitor, it is irrevocable (i.e. the payment shall be transferred to the Seller's Bank), except in the circumstances where:
  - (i) the Buyer Mortgage Institution notices (as may be informed by the Buyer's Solicitor or otherwise) that the Account Details of the payee in the Buyer Mortgage Institution Confirmation is incorrect;
  - (ii) there is a mutual agreement between the Buyer and Seller to cancel, not to proceed with or to defer the transaction and that the Buyer's Solicitor and Seller's Solicitor jointly inform the Buyer Mortgage Institution and the Seller's Bank of such mutual agreement in writing

in which case the Buyer Mortgage Institution is not obliged to effect the payment via CHATS or direct transfer (as the case may be) and in the event that the Buyer Mortgage Institution has already effected the payment via CHATS or direct transfer (as the case may be), it is entitled to receive a refund from the Seller's Bank under the interbank agreement to be prepared.

16. Buyer Mortgage Institution checks payment details against the related documents (including Buyer Mortgage Institution Confirmation) and effect the payment via CHATS

or direct transfer. It is noted that depending on the internal arrangement of the Buyer Mortgage Institution, the direct transfer may be sent before or after the delivery of the Buyer Mortgage Institution Confirmation to the Seller's Solicitor by the Buyer's Solicitor.

17. Buyer's Solicitor performs the usual steps to prepare for the completion.
18. Buyer's Solicitor sends to Seller's Solicitor by 5pm the Buyer Mortgage Institution Confirmation, the signed assignment and other related document and Buyer's CO or Buyer's Solicitor's cheque for Fees and Expenses (if applicable); in the event that part of Balance is paid with the Buyer's own fund, Buyer's Solicitor also sends to Seller's Solicitor Buyer's CO in respect of the Buyer's own fund payable to the Seller.
19. Seller's Solicitor performs completion with the Seller.
20. Seller's Solicitor shall send to the Seller's Bank by encrypted email (or other channels as agreed with the Seller's Bank) by 7pm (or such time as agreed between the Seller's Solicitor and the Seller's Bank) a copy of the Buyer Mortgage Institution Confirmation.
21. In the event that the Seller's Solicitor does not receive the Buyer Mortgage Institution Confirmation by the completion time on Dday, it shall notify the Seller's Bank in writing. After receiving such notification, the Seller's Bank shall arrange for any payment received via direct transfer to be refunded to the Buyer Mortgage Institution. In the event that the Seller's Bank does not receive a copy of the Buyer Mortgage Institution Confirmation by 7pm on Dday (or such time as agreed between the Seller's Solicitor and the Seller's Bank), it is deemed that Seller's Solicitor does not receive the Buyer Mortgage Institution Confirmation by the completion time on Dday and a refund to the Buyer Mortgage Institution shall be arranged under the interbank agreement to be prepared.
22. Buyer Mortgage Institution to notify the Buyer and the Borrower under the Buyer's Mortgage (*if the Buyer and the Borrower are not the same person*) on the completion of payment via suitable channels (SMS, e-mail or letter). It is expected that Buyer Mortgage Institution will explore the possibility of same day electronic notification.

By 1 day after Drawdown (By Dday + 1)

23. Seller's Bank checks the General Ledger account (being a suspense account) on Dday or before 9am on Dday+1 to ensure the fund has arrived.
24. After confirming that a copy of the Buyer Mortgage Institution Confirmation has been received, the Seller's Bank credits the payment received into Seller's Account.
25. Seller's Solicitor is to use the Buyer's CO or Buyer's Solicitor's cheque to settle any Fees and Expenses (if applicable).

## SWIFT BIC Code Setup Guide

To facilitate implementation of alternative payment solutions for property transactions via CHATS, it is proposed that all AIs to set up a new BIC code ended “MTG”.

We recommend, for examples,

- HSBC HK to use HSBCHKHH**MTG**”
- Bank of China (Hong Kong) Ltd to use “BKCHHKHH**MTG**”
- Standard Chartered Bank (Hong Kong) Ltd to use “SCBLHKHH**MTG**”

Members are advised to take note of the following:

1. Work with your internal Payment team to set up this new code in your payment system. Map the code to a dedicated General Ledger (GL) account.
2. Construct the CHATS payment message in such a way that
  - F57 will be Hong Kong Interbank Clearing Ltd’s existing CHATS BIC (e.g. HSBCHKHH for HSBC) and the F59 will need to put in the new BIC code (e.g. HSBCHKHHMGT).
  - Standard code [Home Mortgage Loan Account No], [Borrower Name] and [Reference Number quoted on the Bank Confirmation] will be inputted in **F72** (the remark field), so it will be easy to identify which mortgage payment it pays for.
3. The corresponding Mortgage operation teams will need to monitor the GL account link to this new BIC for subsequent handling.

For instructions on how to set up SWIFT BIC11, please refer to the Appendix.

## Frequently Ask Questions

1. Question: Our Bank is now going to apply the new SWIFT BIC Code (“**XXXSHKHHMTG**”) for future CHATS settlement. Should we apply for “Published’ or “Non-published” BIC Code ?

Answer: The benefit of using unpublished BIC is to prevent unwanted traffic, however there will be additional EUR75/year for unpublished BIC.

2. Question: As per BIC Code Setup Guide provided by HKAB, we understand that F57 will be the existing BIC code while the “Beneficiary A/C No.” and “Beneficiary Name” are the new BIC code and bank name respectively. Please correct us if our understanding is wrong.

Answer: The understanding is correct. Each bank will need to ensure their payment system will map the new BIC to specific internal account for straight-through processing.

3. Question: For CHATS field 59, there are 3 options F59, F59A, F59F (as below). Please clarify which option should be used and what information should be input?

Answer: If SWIFT confirms that the unpublished BIC cannot be used in Field 59 option A, banks are suggested to use F59 no option as below, assuming the beneficiary bank would base on the information provided in name & address field to derive their internal General Ledger account for further processing.

Field 59 no option	Name & Address line: quote the BIC in NA line 1
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For reference, SWIFT has replied that F59A should NOT be used for non-published BIC input.



F59a Beneficiary Customer ?

F70 Remittance Information ?

▼

F59 - Account - Name and Address

F59A - Account - Identifier Code

F59F - Account - Number/Name and Address

**F59:**

F59a Beneficiary Customer ?

Account ?

NameAndAddress Name and Address ?

F59 - Account - Name and Address ▼

/

1

**F59A:**

F59a Beneficiary Customer ?

Account ?

IdentifierCode Identifier Code ?

F59A - Account - Identifier Code ▼

/

?

**F59F:**

F59a Beneficiary Customer ?

Account ?

NumberNameAndAddressDetails Number/Name and Address ?

Count: 1 MinOcc: 1 MaxOcc: 4

Number ?

Details ?

F70 Remittance Information ?

F59F - Account - Number/Name and Address ▼

/

▼

1 (Name of Beneficiary Customer)

2 (Address Line)

3 (Country and Town)

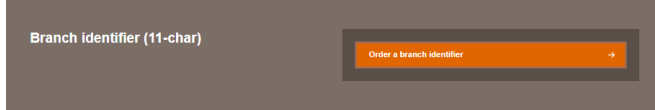
Field 59 Option (Select 1 Only)	Fields	Info to be Input (e.g. Non-published BIC, Bank Name...)
F59	Account	
	NameAndAddress	
F59A	Account	
	Identifier Code	
F59F	Account	
	Number	
	Details	

4. Question: For any handling fee for arranging CHATs (if any), all banks should collect from customer separately, and not deduct it from CHATs payment amount, otherwise, it will affect property transaction amount and timeline to meet. Please confirm.  
 Answer: Suggest to adopt charge option "OUR" for this kind of mortgage payment to ensure the seller (i.e. beneficiary) could receive the full amount while the beneficiary bank to generate MT191 to the sending bank for charge claim from the buyer (i.e. remitter).

# How to setup SWIFT BIC11 ?

## 1. SWIFT Admin from individual institute to place E-order via SWIFT.com

<https://www.swift.com/myswift/ordering/order-products-services/business-identifier-code-bic>



## 2. Details to be included as per E-order form

Unpublished BIC option can be opted under “publication” if needed.



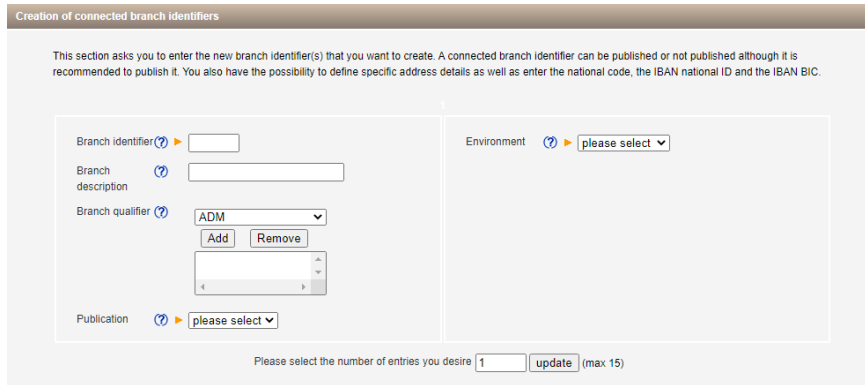
[Print](#) | [Price list](#) | [How e-ordering works](#)

### Order a Branch Identifier (11-char BIC)

Enter the requested information.

The orange arrow icon ▶ indicates mandatory fields

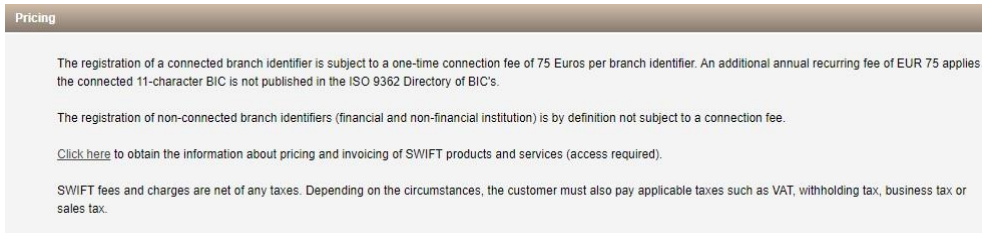
This form allows you to order connected as well as non-connected branch identifiers.  
A branch identifier is an optional element for all 8-char BIC, consisting of a 3-character Branch Identifier linked to the related SWIFT 8-char BIC.  
A new branch identifier must identify a branch, a department, a service or system belonging to the same legal institution.  
A 11-char BIC is published in the BIC Directory by default. While not recommended, a SWIFT User may decide to register a 11-char BIC as non-published.  
Note that non-published 11-char BICs must only be used if so agreed on a bilateral basis or within a group of users.



### Branch Qualifiers information

[https://www2.swift.com/knowledgecentre/publications/bic\\_dir\\_2018\\_bus\\_cod\\_bic\\_dir\\_2018\\_bic\\_pls\\_bk\\_dir\\_plus/6.0?topic=con\\_156803.htm](https://www2.swift.com/knowledgecentre/publications/bic_dir_2018_bus_cod_bic_dir_2018_bic_pls_bk_dir_plus/6.0?topic=con_156803.htm)

## 3. Pricing



## 4. Timeline

As per chosen under “Implementation date”. ~ approx. 2 weeks.