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Confidential

**(DRAFT) Payment Arrangements for Property Transactions (the “PAPT”) -
Sale & Purchase Scenario (~~“PAPT for S&P”~~)**

1. INTRODUCTION

- 1.1 Following the implementation of PAPT for Refinancing involving property refinancing, the roll-out of PAPT for S&P aims to cover wholly cash-based transactions for the sale and purchase of residential properties in Hong Kong's secondary market, including car parking spaces in residential building whether independently or together with residential units. ~~Buyers~~Purchasers and ~~sellers~~Vendors proposed to be covered by PAPT for S&P will be either individuals or entities incorporated for the sole purpose of property-holding.
- 1.2 Both the PAPT for Refinancing and PAPT for S&P mechanisms are made possible by the convenience, accessibility and clarity brought by electronic transfer of funds. As a further development of the conceptual framework of PAPT and an enhancement of the PAPT for Refinancing mechanism, the PAPT for S&P mechanism is designed to facilitate the completion of a sale and purchase transaction on a secure and safe platform by enabling funds to flow directly from bank to bank. A more detailed comparison between PAPT for Refinancing and PAPT for S&P is set out below.
- 1.3 Under PAPT for S&P, the bulk / part of the purchase monies will be settled via HKD CHATS from a ~~Buyer~~Purchaser Mortgage Institution (~~“PMI”~~) to a ~~Seller~~Vendor Mortgage Institution (~~“VMI”~~) (or a ~~Seller's~~Vendor Account Maintainer (~~“VAM”~~) if there is no existing ~~Seller's~~Vendor Mortgage) by way of mortgage loan proceeds. CHATS, as operated by Hong Kong Interbank Clearing Limited (~~“HKICL”~~), has a proven record of providing prompt and secure settlement of inter-bank transfers. CHATS settlements are irrevocable and enjoy immediate finality with the statutory backing of the Payment Systems and Stored Value Facilities Ordinance (Cap. 584). Any completion money not covered by the mortgage loan proceeds will be provided by the ~~Buyer's~~Purchaser's own funds and primarily settled by cashier's order(s) from the ~~Buyer~~Purchaser. The apportionment account will continue to be handled by the ~~seller's~~solicitor's firms involved in the sale and purchase transaction and can be settled by solicitor's cheques.
- 1.4 A definitive feature of PAPT for S&P is the usage of a CHATS Advice as evidence of settlement for an inter-bank transfer of funds. A CHATS Advice is issued automatically by HKICL on the CHATS interface immediately after the ~~Seller Mortgage Institution VMI~~ (or a ~~Seller's Account Maintainer VAM~~) receives payment from the ~~Buyer Mortgage Institution PMI~~ via CHATS. It is envisaged that the CHATS Advice, being payment evidence automatically issued by HKICL as an established third party, will bring confidence to potential PAPT users.
- 1.5 For transactions where there is an intra-bank transfer of funds instead of an inter-bank transfer of funds through CHATS, a Bank Advice will be used to evidence successful settlement of funds instead of a CHATS Advice.

INTERNAL

2. DEFINITIONS FOR THE CONVEYANCING SCENARIO

2.1 Definitions

"Account Details" means account holder's name and account number.

"Appointee Bank-Seller/Sell-side Contract" means an agreement in respect of a property sale and purchase transaction adopting PAPT for S&P as signed by the ~~Seller~~Vendor (and the VMI Borrower, if different from the Vendor) and addressed to the SMHVMI /the ~~Seller's Account Maintainer~~VAM, which incorporates the terms of the T&C.¹

"Authorized Institution" or **"AI"** means a Bank, a restricted licence bank or a deposit-taking company as defined in the Banking Ordinance (Cap. 155).

"Balance" means the balance of the purchase price after deducting the Initial Deposit and Further Deposit.

"Bank(s)" means a company which holds a valid banking licence, as defined in the Banking Ordinance (Cap. 155).

"Bank Advice" means a document issued by a Bank in respect of the completion of an internal fund transfer, a ~~sample~~template of which is appended as Appendix 3.

~~"Balance" means the balance of the purchase price after deducting the Initial Deposit and Further Deposit.~~

"Borrower" means the borrower under the bank facilities.

~~"BMI Borrower" means the Borrower under the bank facilities granted by the Buyer Mortgage Institution, which are secured by the Buyer's Mortgage, provided that if the BMI Borrower is the Buyer, references to "BMI Borrower" shall be construed to refer to the Buyer.~~

"BMI Buyer Contract" means an agreement in respect of a property sale and purchase transaction adopting PAPT for S&P as signed by the Buyer and addressed to the BMI, which incorporates the terms of the T&C.²

~~"Buyer(s)" means a natural person or a Property Holding Company, which is the buyer(s) of the property in a sale and purchase transaction.~~

¹ A document to be used for the Appointee Bank-Seller/Sell-side Contract is the letter of authorisation signed by the ~~Seller~~Vendor and delivered to the SMHVMI in respect of the loan of title deeds pending discharge of the existing mortgage.

² A document to be used for the BMI Buyer Contract is the facility offer letter as one of the bank documents to be signed by the Buyer and returned to the BMI.

~~"Buyer's CO" means CO issued by a Bank as arranged by the Buyer or any third party (other than Buyer's Solicitor) paying on Buyer's behalf.³~~

~~"Buyer's Loan Amount" means the loan amount drawn down by the BMI Borrower under the Buyer's Mortgage.⁴~~

~~"Buyer's Mortgage" means the mortgage over a property for securing the bank facilities granted to a Borrower by the Buyer Mortgage Institution, with such property being the subject matter of the PSPA and/or FSPA and it is either (i) a mortgage-free property or (ii) a property originally charged under the Seller's Mortgage (which will be fully discharged from the Seller's Mortgage on completion of the sale and purchase transaction).~~

~~"Buyer Mortgage Institution" or "BMI" means the Mortgage Institution that has granted bank facilities to a Borrower, which is a participating institution of "CHATS", with such bank facilities being (i) applied towards financing the purchase of a property by the Buyer and (ii) secured by the Buyer's Mortgage.~~

~~"Buyer Mortgage Institution's Solicitor" or "BMI'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.~~

~~"Buyer's Top-Up Portion" has the meaning set out in paragraph 7.15.~~

~~"CHATS" means Hong Kong Dollar Clearing House Automated Transfer System.~~

~~"CHATS Advice" means a document issued automatically and provided in printable-by-BMHPMI-only format by HKICL to BMHthe PMI on the CHATS interface immediately after a SMI or a Seller's Account Maintainerthe VMI or the VAM receives payment from a-BMthe PMI via CHATS, a sampletemplate of which is appended as Appendix 1. Only the BMHPMI can generate the CHATS Advice from its terminal system connected to the computer system of HKICL. -The SMHVMI or the Seller's Account MaintainerVAM on the receiving end cannot print such CHATS Advice even though the transfer of funds has completed.~~

~~"CHATS Advice Correction Notice" has the meaning set out in paragraph 40.610.6, a sampletemplate of which is appended as Appendix 2.~~

~~"CO" means cashier's order.~~

~~"Completion Deck" has the meaning set out in paragraph 7.28.~~

³-The use of CO should be adopted as the means of payment where applicable, and in particular the Further Deposit and the Buyer's Top-up Portion, while reserving the use of solicitors' cheque primarily for settlement of the apportionment account and the other Fees and Expenses is acceptable.

⁴-If the BMI Borrower takes out a mortgage insurance product in respect of the Buyer's Mortgage, the mortgage insurance premium amount may form part of the Buyer's Loan Amount. Such mortgage insurance premium will not however be remitted to the SMI or the Seller's Bank on Dday and hence is excluded from the "Remittance Amount".

"Dday" means the completion date of the sale by the ~~Seller~~Vendor and the purchase by the ~~Buyer~~Purchaser of the Property (which falls on a business day); all references to Dday plus or minus any number of days means Dday plus or minus such number of business days i.e. Monday to Friday excluding Saturdays, Sundays ~~and~~, general holidays as defined in the General Holidays Ordinance (Cap. 149).

"Dday Cut-off Time" means 5:30 pm on ~~Dday~~the Payment Date.⁵

"DTC" means a deposit-taking company as defined in the Banking Ordinance (Cap. 155).

"End of Dday" means 11:59 pm on Dday, which is the latest time by which the ~~SMT~~VMI must have distributed the Remittance Amount.

"Exclusion" has the meaning set out in paragraph 44.

"Fees and Expenses" means the amount of fees and any other expenses payable by the ~~Buyer~~Purchaser, such as the apportionment account.⁶

"FSPA" means Formal Sale and Purchase Agreement.

"Further Deposit" means the deposit and part payment of the purchase price payable by the ~~Buyer~~Purchaser upon the signing of the FSPA or on a specified date.

"Initial Deposit" means the deposit and part payment of the purchase price payable by the ~~Buyer~~Purchaser upon the signing of the PSPA or on a specified date.

"Key Information" means the following information in a CHATS Advice:

- (a) names of the sender's bank and the receiver's bank;
- (b) Remittance Amount and currency; and
- (c) settlement date and time.

"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 ~~an~~ HKD Clearing Member of the CHATS or not.

"Original Mortgage Institution" or **"OMI"** has the meaning set out in paragraph ~~11.2(a)~~11.2(a).

⁵ Dday Cut-off Time refers to the latest time for the ~~SMT's Solicitors~~VMI Solicitor to receive the CHATS Advice from the ~~SMT's Solicitors~~VMI Solicitor. It should be distinguished from the Transaction Closing Time, which is the latest time by which the CHATS Advice must be delivered to the ~~SMT's Solicitors~~VMI Solicitor. See the final bullet point in paragraph 6.2(d). Please also see further definition of "Payment Date" and its footnote.

⁶ **"Fees and Expenses"** include those fees and expenses agreed to be settled between the ~~Buyer~~Purchaser and the ~~Seller~~Vendor such as the rental deposit, utilities deposit, management fee, or stakeholders' money involving renovation money. Legal fees and agency commission are Fees and Expenses. These fees should be settled directly by the ~~Buyer~~Purchaser with the relevant parties. -See paragraphs ~~7.4&19~~ and ~~9.4315~~.

"PAPT Dedicated Account" means the account of the ~~SMI~~VMI, the ~~Seller's Account Maintainer~~VAM or the ~~BMIPMI~~ (as the case may be) dedicated for PAPT for S&P participation.

"Payment Confirmation Letter" means a letter addressed to the ~~Buyer~~Purchaser and the ~~Seller~~Vendor by the ~~Seller's Account Maintainer~~VAM, which confirms the CHATS information (or internal bank transfer details) applicable to a property sale and purchase transaction adopting PAPT for S&P.

"Payment Date" means the date on which payment for the purpose of completion is effected by PMI to the VMI or VAM (as the case may be) via CHATS or internal fund transfer (as the case may be).⁷

"PMI Borrower" means the Borrower under the bank facilities granted by the PMI, which are secured by the Purchaser Mortgage, **provided that** if the PMI Borrower is the Purchaser, any references to "PMI Borrower" shall be construed to refer to the Purchaser.

"PMI/Buy-side Contract" means an agreement in respect of a property sale and purchase transaction adopting PAPT for S&P as signed by the Purchaser (and the PMI Borrower, if different from the Purchaser) and addressed to the PMI, which incorporates the terms of the T&C.⁸

"Property" means the property which is the subject matter of a PSPA and FSPA.

"Property Holding Company" means a body corporate:

- (a) which is established for the sole purpose of holding and investing in real properties, including but not limited to the Property;
- (b) whose ultimate shareholder(s) is/are natural person(s); and
- (c) whose direct and indirect corporate shareholder(s) (other than the ultimate shareholder(s)) do not have any operating business.⁹

⁷ In most situations, the Dday Cut-off Time would be 5:30 pm on the Dday. However, in the rare scenario where Dday is postponed (e.g. due to extreme weather situation or by agreement between the Vendor and the Purchaser) after payment is already effected by the PMI to the VMI/VAM, the relevant cut-off time should be the same day as the payment is effected (i.e. the Payment Date which is also the original Dday). The fund should be refunded to the PMI first on that day and a new transfer would need to be initiated afresh on the postponed Dday (in other words, the fund should not be staying overnight in the PAPT Dedicated Account).

⁸ A document to be used for the PMI/Buy-side Contract is the facility offer letter as one of the bank documents to be signed by the Purchaser and returned to the PMI.

⁹ All conditions (a) to (c) have to be satisfied for a company to qualify as a Property Holding Company. -If any of these conditions is not satisfied, a property sale and purchase transaction involving a non-qualifying company will fall outside the scope of the PAPT. For the sake of clarity, residential property held by a trading company is not covered by reason that a trading company may use the banking facility to support its other businesses and may, therefore, complicate the process. For the avoidance of doubt, it should be for the ~~BMH~~VMI to decide whether a party is a "Property Holding Company" which satisfies such conditions.

“PSPA” means Provisional Sale and Purchase Agreement.

“Purchaser(s)” means a natural person or a Property Holding Company, which is the Purchaser(s) of the property in a sale and purchase transaction.

“Purchaser CO” means the CO issued by a Bank as arranged by the Purchaser or any third party (other than Purchaser Solicitor) paying on Purchaser's behalf.¹⁰

“Purchaser Loan Amount” means the loan amount drawn down by the PMI Borrower under the Purchaser Mortgage.¹¹

“Purchaser Mortgage” means the mortgage over a property for securing the bank facilities granted to a Borrower by the PMI, with such property being the subject matter of the PSPA and/or FSPA and it is either (i) a mortgage-free property or (ii) a property originally charged under the Vendor Mortgage (which will be fully discharged from the Vendor Mortgage on completion of the sale and purchase transaction).

“Purchaser Mortgage Institution” or “PMI” means the Mortgage Institution that has granted bank facilities to a Borrower, which is a participating institution of CHATS, with such bank facilities being (i) applied towards financing the purchase of a property by the Purchaser and (ii) secured by the Purchaser Mortgage.

“Purchaser Mortgage Institution Solicitor” or “PMI Solicitor” means the solicitor engaged by the PMI.

“Purchaser Solicitor” means the solicitor engaged by the Purchaser in the property transaction.

“Purchaser Top-Up Portion” has the meaning set out in paragraph 7.16.

“Redemption Amount” means the outstanding amount of loan (including principal and interest) secured by the existing Seller's Vendor Mortgage as of the intended date of redemption.

“Redemption Quotation Letter” means a letter addressed to the Buyer and the Seller Vendor by the SMH VMI, which confirms the Redemption Reference Amount and Redemption Amount Reference applicable to a property sale and purchase transaction adopting PAPT for S&P.

¹⁰ While the PAPT for S&P Proposal focuses on the use of CO as the means of payment where applicable, and in particular the Further Deposit and the Purchaser Top-up Portion (while reserving the use of solicitor's cheque primarily for settlement of the apportionment account and the other Fees and Expenses), the use of solicitor's cheque is acceptable if preferred.

¹¹ If the PMI Borrower takes out a mortgage insurance product in respect of the Purchaser Mortgage, the mortgage insurance premium amount may form part of the Purchaser Loan Amount. Such mortgage insurance premium will not however be remitted to the VMI or the Vendor Bank on Dday and hence is excluded from the “Remittance Amount”.

"Redemption Reference" means the unique identifier assigned by the **SMFVMI** or the **Seller's Account Maintainer VAM** to a transaction which appears as part of the **"Payment Detail"** code on a CHATS ~~advice~~ Advice.

"Refinancing Mortgage Institution" or **"RMI"** has the meaning set out in paragraph ~~4.2(a)~~ 11.2(a).

"Refinancing Mortgage Institution Confirmation" or **"RMIC"** has the meaning set out in paragraph ~~4.3~~ 11.3.

"Relevant Checks" means all customary screening in compliance with the internal policy of the **SMFVMI** (or the **Seller's Account Maintainer VAM**, as the case may be) and all applicable laws and regulations.

"Remittance Amount" means:

- (a) the **Buyer's Purchaser** Loan Amount; minus
- (b) any fees in connection with the **Buyer's Purchaser** Mortgage funded by the proceeds of the **Buyer's Purchaser** Loan Amount, including any mortgage insurance premium or fire insurance premium payable by the **BMHPMI** Borrower (if applicable).

"RLB" means restricted licence bank as defined in the Banking Ordinance (Cap. 155).

~~"Seller(s)" means the seller(s) of the Property in a sale and purchase transaction.~~

~~"Seller's Account" means a bank account in Hong Kong in the name of the Seller.~~

~~"Seller's Account Maintainer" has the meaning set out in paragraph 6.3.~~

~~"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 over the Property securing the bank facilities granted to the SMI Borrower by the Seller Mortgage Institution with such property being the subject matter of the PSPA and FSPA; such mortgage is to be discharged in full¹² by (i) the Remittance Amount and (ii) (if applicable) the Buyer's and/or Seller's own funds.~~

~~"Seller Mortgage Institution" or "SMI" means a Mortgage Institution that has granted bank facilities to a Borrower, such bank facilities being secured by the Seller's Mortgage, which is a participating institution of CHATS.~~

~~"Seller Mortgage Institution's Solicitor" or "SMI's Solicitor" means the solicitor engaged by the Seller Mortgage Institution.~~

¹² PAPT for S&P is not applicable where an existing mortgage is not discharged in full upon completion of the relevant S&P transaction.

~~"Seller's Solicitor" means the solicitor engaged by the Seller in the property sale and purchase transaction.~~

~~"SMI Borrower" means the Borrower under the bank facilities granted by the Seller Mortgage Institution, which are secured by the Seller's Mortgage, provided that if the SMI Borrower is the Seller, references to "SMI Borrower" shall be construed to refer to the Seller.~~

~~"Split Payment Letter" means the letter to be sent by Seller's Vendor Solicitor to Buyer's Purchaser Solicitor as referred to in paragraph 7.187.19 or paragraph 9.139.15 below.~~

~~"Surplus" means the amount by which the Remittance Amount exceeds the Redemption Amount.~~

~~"T&C" means the ["Terms and Conditions in relation to the operation of PAPT"] as published on the website of the Hong Kong Association of Banks ([insert link]) as amended and supplemented from time to time.~~

~~"Transaction Closing Time" means 5:00 pm on Dday or such other agreed time between the Seller Vendor and the Buyer Purchaser which is earlier than 5:00 pm on Dday, whereby completion of the property sale and purchase transaction will take place by solicitors' undertaking.~~

~~"Vendor(s)" means the Vendor(s) of the Property in a sale and purchase transaction.~~

~~"Vendor Account" means a bank account in Hong Kong in the name of the Vendor.~~

~~"Vendor Account Maintainer" or "VAM" has the meaning set out in paragraph 6.3.~~

~~"Vendor Bank" means a Bank (other than the VMI) in which the Vendor Account is held.~~

~~"Vendor Mortgage" means the mortgage over the Property securing the bank facilities granted to the VMI Borrower by the VMI with such property being the subject matter of the PSPA and FSPA; such mortgage is to be discharged in full¹³ by (i) the Remittance Amount and (ii) (if applicable) the Purchaser's and/or Vendor's own funds.~~

~~"Vendor Mortgage Institution" or "VMI" means a Mortgage Institution that has granted bank facilities to a Borrower, such bank facilities being secured by the Vendor Mortgage, which is a participating institution of CHATS.~~

~~"Vendor Mortgage Institution Solicitor" or "VMI Solicitor" means the solicitor engaged by the VMI.~~

¹³ PAPT for S&P is not applicable where an existing mortgage is not discharged in full upon completion of the relevant sale and purchase transaction.

“Vendor Solicitor” means the solicitor engaged by the Vendor in the property sale and purchase transaction.

“VMI Borrower” means the Borrower under the bank facilities granted by the Vendor Mortgage Institution, which are secured by the Vendor Mortgage, provided that if the VMI Borrower is the Vendor, references to “VMI Borrower” shall be construed to refer to the Vendor.

2.2 Construction

- (a) Any reference to the singular form of “Borrower”, “BMT”, “PMI Borrower”, “Buyer”, “Seller”, “Purchaser”, “Vendor” and “SMI/VMI Borrower” shall include its plural form and vice versa.
- (b) If, in relation to a property sale and purchase transaction, the SMI’s VMI Solicitor is not the same law firm as the Seller’s Vendor Solicitor, all the steps and communications which are to take place between the Seller’s Vendor Solicitor and the SMI/VMI under Conveyancing Scenario 1A (as described in paragraph 77 below) and Conveyancing Scenario 1B (as described and incorporated by reference in paragraph 88 below) shall be construed as steps and communications which are to take place between the Seller’s Vendor Solicitors and the SMI’s VMI (via the VMI Solicitors (for and on behalf of the SMI).
- (c) If, in relation to a property sale and purchase transaction, the BMT’s PMI Solicitor is not the same law firm as the Buyer’s Purchaser Solicitor, all the steps and communications which are to take place between the Buyer’s Purchaser Solicitor and the BMT/PMI under Conveyancing Scenario 1A (as described in paragraph 77 below), Conveyancing Scenario 1B (as described and incorporated by reference in paragraph 88 below) and Conveyancing Scenario 2 (as described in paragraph 9 below) shall be construed as steps and communications which are to take place between the Buyer’s Purchaser Solicitors and the BMT’s PMI (via the PMI Solicitors (for and on behalf of the BMT).

3. SCOPE OF THE CONVEYANCING SCENARIO

- 3.1 As a starting point, it is envisaged that PAPT for S&P will cover conveyancing scenarios involving the following situations:
 - (a) Completion of the conveyancing by way of solicitors’ undertaking;
 - (b) The Buyer/Purchaser has obtained a mortgage loan with a Bank in Hong Kong;¹⁴

¹⁴ Virtual/Digital banks are classified as licensed banks and are technically included within the scope of PAPT for S&P.

- (c) The ~~Seller~~Vendor either has or does not have an existing mortgage over the Property. If yes, there is only one existing mortgage over the Property; and
- (d) The ~~Seller~~Vendor has a HKD bank account in Hong Kong, as proof of the ~~Seller's~~Vendor's fulfilment of customer due diligence or KYC requirements; For the avoidance of doubt, the Vendor's HKD bank account should be a personal account in his/her own name if the Vendor is a single individual. In the case of joint-Vendors, the HKD bank account should be maintained in the name of at least one of the joint-Vendors, in his sole name or joint-name with others (please see further paragraph 7.22 below on the requirement of relevant authorisation instructions).¹⁵

3.2 For the sake of clarity, the following situations are covered by PAPT as well:

- (a) The ~~Buyer~~Purchaser or ~~Seller~~Vendor can be a single ~~Buyer~~Purchaser or ~~Seller~~Vendor or multiple ~~Buyers~~Purchasers or ~~Sellers~~Vendors (such as joint tenants or tenants in common);
- (b) The ~~Buyer's~~Purchaser Mortgage and/or existing ~~Seller's~~Vendor Mortgage can be a two-party mortgage or a three-party mortgage;
- (c) Conveyancing of property under the Housing Authority, Housing Society, Urban Renewal Authority or similar subsidised housing schemes where any restriction on alienation is lifted by the relevant authority at the time of signing the facility letter; and
- (d) Conveyancing involving mortgage insurance arrangements.

4. EXCLUSIONS OF THE CONVEYANCING SCENARIO

PAPT for S&P aims to address the most common conveyancing scenarios in order to ensure simplicity and ease of usage. As such, the following scenarios are excluded from the initial stage of PAPT for S&P (each an "~~Exclusion~~"): Exclusion:

- (a) Completion of conveyancing by way of formal completion;
- (b) Conveyancing of a property that is subject to charging order(s);
- (c) Conveyancing involving a mortgagee sale, a sale in liquidation or in receivership or a sale in bankruptcy;
- (d) Conveyancing where a recovery notice is issued by the Inland Revenue Department before Dday notifying the Purchaser (and/or the Purchaser Solicitor) that the Vendor is in default of tax

¹⁵ In respect of a conveyancing where a personal representative is involved, provided that the transaction does not fall into one of the Exclusions (see further paragraphs 4(i) and (j) below), PMI/VMI (as the case may be) will further consider how this requirement applies to the particular scenario in accordance with its own policies and procedures.

payment and requiring the Purchaser to pay the amount of tax in default to the Government;

(e) Conveyancing of a property with more than one existing charge/mortgage. For the avoidance of doubt, where additional banking facilities from the same VMI have been obtained and are secured by a first legal charge/mortgage over the same property, PAPT for S&P is still applicable;

(d)(f) Conveyancing where the Purchaser (or an PMI Borrower) and/or the Vendor (or a VMI Borrower) is a body corporate incorporated outside Hong Kong;

(e)(g) Conveyancing involving any element of non-cash consideration, including but not limited to transfer pursuant to court order, transfer among family members or related companies¹⁶, transfer by gift, assent or donation, payment of purchase price by way of promissory notes, transfer by property exchange, and mortgage involving share charge or other forms of securities with the exception of personal guarantee(s);

(f)(h) Confirmor sale involving sub-sale and sub-purchase of a property;

(g)(i) Purchase of a property by the personal representative of the estate of the deceased, save and except where such purchase was entered into by the ~~Buyer~~Purchaser prior to him becoming incapacitated or passing away in the interim period pending completion, in which case PAPT for S&P may still apply if all other conditions still allow for completion ~~(for the avoidance of doubt, sale of a property by the personal representative of the estate of the deceased or by a personal representative of a Seller who became incapacitated is covered by PAPT for S&P provided that all other criteria are satisfied);~~

(j) Sale of a property by the personal representative of the estate of the deceased where such sale was entered into by the Vendor prior to him becoming incapacitated or passing away and the personal representative steps in during the interim period pending completion (for the avoidance of doubt, sale of a property by the personal representative of the estate of the deceased or by a personal representative of a Vendor who became incapacitated where the sale was initiated by the personal representative is covered by PAPT for S&P provided that all other criteria are satisfied);

(h)(k) Conveyancing where the ~~BMH~~PMI and/or the ~~SMH~~VMI is a RLB, a DTC, a money lender as defined in the Money Lenders Ordinance or other companies offering property mortgage lending;

(i)(l) Conveyancing where the ~~SMH~~VMI is a foreign bank without a local branch in Hong Kong;¹⁷

¹⁶ Intra-group transfer which involves cash consideration only will not be excluded by way of ~~4(e)-4(g)~~.

¹⁷ A foreign bank which has a branch office in Hong Kong and is able to set up a PAPT Dedicated Account will not be excluded by way of ~~4(i)~~.

~~(j)(m)~~ Collective sale by various ~~seHers~~Vendors of properties within the same building or development to a single developer or its nominee(s);

~~(k)(n)~~ Conditional sale whether subject to conditions precedent or conditions subsequent and sale involving deferred payment arrangements;

~~(l)(o)~~ All primary market sale and purchase transactions involving Housing Authority subsidised schemes and primary market sale and purchase transactions involving uncompleted development or uncompleted phase of a development, regardless of whether the transaction is under the consent scheme or non-consent scheme¹⁸;

~~(m)(p)~~ Sale under a compulsory sale order pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545); and

~~(n)(q)~~ Conveyancing of a property that is under the Housing Authority, Housing Society or Urban Renewal Authority, or similar subsidised housing schemes, where the restriction on alienation has not been lifted by the relevant authority.

Without prejudice to the above, it should be noted that the BMPMI and the SMHVM will have ultimate discretion to determine whether a transaction will be excluded from PAPT for S&P.

5. DOCUMENTS AND SAMPLE CLAUSES PREPARED IN RESPECT OF THE CONVEYANCING SCENARIO

As part of the PAPT for S&P Proposal, the following document templates and sample clauses will be provided:

- (a) CHATS Advice;
- (b) Bank Advice;
- (c) CHATS Advice Correction Notice;
- (d) sample clauses for PSPA and FSPA;
- (e) sample clauses for the facility letter to be entered into between the BMPMI and the BMPMI Borrower;
- (f) inter-bank protocol;
- (g) solicitors' undertakings;

¹⁸ For the sake of clarity, primary market sale and purchase transactions involving Housing Authority subsidised schemes mortgage loan, drawdown and settlement should follow the prevailing procedure whereby a BMPMI CO is made payable to the Housing Authority and will not be covered by PAPT.

(h) mandatory clauses for incorporation of the T&C into the ~~BMI-BuyerPMI~~/Buy-side Contract and the Appointee Bank-~~Seller~~/Sell-side Contract; and

(i) T&C.

6. GENERAL PRINCIPLES

6.1 The following principles will apply to each of the following conveyancing scenarios¹⁹:

- ❖ **Conveyancing Scenario 1A** – Where the ~~Buyer~~Purchaser will obtain a mortgage and the ~~Seller~~Vendor has an existing mortgage over the Property, with ~~Buyer's~~Purchaser Mortgage and ~~Seller's~~Vendor Mortgage at **different** Mortgage Institutions;
 - ❖ **Conveyancing Scenario 1B** – Where the ~~Buyer~~Purchaser will obtain a mortgage and the ~~Seller~~Vendor has an existing mortgage over the Property, with both ~~Buyer's~~Purchaser Mortgage and ~~Seller's~~Vendor Mortgage at the **same** Mortgage Institution; and
 - ❖ **Conveyancing Scenario 2** – Where the ~~Buyer~~Purchaser will obtain a mortgage and the ~~Seller~~Vendor does not have an existing ~~Seller's~~Vendor Mortgage over the Property.
- (a) **Indicative timeline:** The timeline set out in each of the scenarios is designed to enable the parties and their legal advisors to have reasonably sufficient time to perform the relevant steps and proceed smoothly to completion. Accordingly, the anticipation is that the timeline should be followed to the extent possible (except for the mandatory time limits in respect of Transaction Closing Time, Dday Cut-off Time and End of Dday and any time limits stipulated in the T&C). However, in practice, if exceptional circumstances arise or if parties have different transaction-specific requirements on timing (which deviate from the indicative timeline), parties will communicate with one another in advance with a view to agreeing a suitable timeline which is to be adopted for specific transactions. It is not the intention that the timelines set out are to be followed rigidly with no exception.
- (b) **Exceptional circumstances:** Where exceptional circumstances or last-minute issues arise, these are to be resolved on a case-by-case basis between the parties (as the parties do under the current practice) taking into account parties' respective commercial and business needs. The ~~Buyer~~Purchaser, the ~~Seller~~Vendor, the ~~BMI~~PMI and the ~~SMI~~VMI may agree to effect payment and process settlement by means other than CHATS, and the parties may also agree on bespoke modifications to the PAPT ~~payments~~payment mechanics, to address such circumstances or issues.
- (c) **Becoming out of scope:** Where an in-scope property transaction becomes an out-of-scope property transaction on or before Dday because any one of the Exclusions

¹⁹ PAPT does not cover the scenario where the ~~Buyer~~Purchaser of the Property does not require a ~~Buyer's~~Purchaser Mortgage for completion of a sale and purchase transaction.

becomes applicable (e.g. a charging order being entered into against the Property), the parties may dis-apply the PAPT and agree an alternative payment method if they wish, taking into account the then circumstances. The parties may also agree on bespoke modifications to the PAPT ~~payments~~payment and process settlement mechanics to suit their needs. -The ~~BuyerPurchaser~~, the ~~SellerVendor~~, the ~~BMI~~PMI and the ~~SMI~~VMI may agree to effect payment by means other than CHATS.

- (d) ***Other means of payment permissible:*** PAPT through CHATS only applies subject to assessment by the ~~BMI~~PMI and the ~~SMI~~VMI, and is not intended to be the only payment mechanism permitted under the PSPA or FSPA. As an additional requirement for PAPT through CHATS to apply, the ~~BuyerPurchaser~~ and the ~~SellerVendor~~ will need to agree to the adoption of PAPT by signing a ~~BMI-BuyerPMI/Buy-side~~ Contract and an Appointee Bank-~~Seller/Sell-side~~ Contract respectively, through which each of the ~~BuyerPurchaser~~ and ~~SellerVendor~~ agrees to the appointment and authorisation of the ~~SMI~~VMI or the ~~Seller's Account Maintainer~~VAM (as applicable) for the purpose of holding and operating the funds to be transferred by the ~~BMI~~PMI to the ~~SMI~~VMI or the ~~Seller's Account Maintainer~~VAM in relation to the completion of the transaction in accordance with the T&C. If either of the ~~BMI-BuyerPMI/Buy-side~~ Contract or the Appointee Bank-~~Seller/Sell-side~~ Contract has not been signed, or if either of the ~~BuyerPurchaser~~ or the ~~SellerVendor~~ has withdrawn its agreement to the adoption of PAPT pursuant to the ~~BMI-BuyerPMI/Buy-side~~ Contract or the Appointee Bank-~~Seller/Sell-side~~ Contract (as applicable) on or before Dday-58, PAPT for S&P will not apply to the property sale and purchase transaction and the conventional approach for completion of the transaction will be followed.
- (e) ***Role of ~~Solicitors~~solicitors:*** If, in relation to a property sale and purchase transaction, the same law firm acts for each of the ~~BMI~~PMI and the ~~SMI~~VMI, the law firm shall act in separate capacities as the ~~BMI's~~PMI Solicitor and the ~~SMI's~~VMI Solicitor.

6.2 As touched upon in the above, the usage of CHATS Advice plays an important role in PAPT for S&P under which only inter-bank payments will be made. Some features of a CHATS Advice are set out as follows:

- (a) A CHATS Advice is issued by and in the name of HKICL, and is automatically sent to the ~~BMI~~PMI after funds have been successfully credited to ~~SMI's~~VMI's settlement account in accordance with the transfer instruction issued by the ~~BMI~~PMI. The funds will then be transferred from the ~~SMI's~~VMI's settlement account to the ~~SMI's~~VMI's PAPT Dedicated Account.
- (b) A CHATS Advice provides sufficient information for easy tracing, including a "Payment Detail" code in the format of "PAPT + Redemption Reference", which is a unique and key identifier to enable the ~~BMI~~, ~~SMI~~PMI, ~~VMI~~ and their respective solicitors to identify the payment. (A Bank Advice in the case where there is no existing ~~Seller's~~Vendor Mortgage will similarly provide a "Payment

Detail” code²⁰ to enable the ~~BMIPMI~~, the ~~Seller’s Account Maintainer~~VAM and the solicitors to identify the payment.)

(c) A ~~sample~~template CHATS Advice is appended as Appendix 1 of this Proposal for reference. All figures and identification details are for illustration purposes only.

(d) The contemplated procedure concerning a CHATS Advice is as follows, as would also be discussed in the workflows for the different scenarios below:

- ❖ On or before Dday-7, if there is an existing ~~Seller’s Vendor~~ Mortgage, the ~~SMFVMI~~ will issue a Redemption Quotation Letter to the ~~SMF’s VMI~~ Solicitor; if there is no existing ~~Seller’s Vendor~~ Mortgage, the ~~Seller’s Account Maintainer~~VAM will issue a Payment Confirmation Letter to the ~~Seller’s Vendor~~ Solicitor.
- ❖ On or before Dday-6, the ~~BMF’s PMI~~ Solicitor will receive the Redemption Reference and Redemption Amount (if there is an existing ~~Seller’s Vendor~~ Mortgage) from the ~~SMF’s VMI~~ Solicitor, for the purpose of preparing the “Payment Detail” code which will appear on the CHATS Advice.
- ❖ On Dday before 12 noon, the ~~BMIPMI~~ will circulate the CHATS Advice to the ~~BMF’s PMI~~ Solicitor. The CHATS Advice ~~would~~will be automatically sent to the ~~BMIPMI~~ after funds have been successfully credited to the ~~SMF’s VMI’s~~ settlement account in accordance with the transfer instruction issued by the ~~BMIPMI~~.²¹
- ❖ After the ~~BMF’s PMI~~ Solicitor (or, if the ~~BMIPMI~~ engages a separate law firm, the ~~Buyer’s Purchaser~~ Solicitor) receives the CHATS Advice, ~~they would~~he will pass the same and also other legal documents to the ~~SMF’s VMI~~ Solicitor by Transaction Closing Time. If the ~~SMF’s VMI~~ engages a different law firm, the ~~BMF’s PMI~~ Solicitor (or, if the ~~BMIPMI~~ engages a separate law firm, the ~~Buyer’s Purchaser~~ Solicitor) shall pass these deliverables by such time as agreed with the ~~Seller’s Vendor~~ Solicitor to enable the ~~Seller’s Vendor~~ Solicitors to deliver relevant deliverables to the ~~SMF’s VMI~~ Solicitor by Transaction Closing Time. Upon the passing of the CHATS Advice and other deliverables from the ~~BMF’s PMI~~ Solicitor/the ~~Buyer’s Purchaser~~ Solicitor (as the case may be) to the ~~SMF’s VMI~~ Solicitor/the ~~Seller’s Vendor~~ Solicitor (as the case may be), the ~~Buyer’s Purchaser’s~~ payment obligation of the purchase price is fulfilled, unless the contrary is proved.

²⁰ The format of “Payment Detail” in the case of a Bank Advice is the same as in a CHATS Advice.

²¹ One important feature proposed for PAPT for S&P is that the ~~SMFVMI~~ would not be able to print out the CHATS Advice, as it is ~~an~~-evidence that the ~~BMIPMI~~ has fulfilled its end of the transaction.- It has been agreed with HKICL that generation of the CHATS Advice will be restricted and will only be available to the ~~BMIPMI~~.

The ~~SMI's~~VMI Solicitor then proceeds to send the CHATS Advice received to the ~~SMI~~VMI by Dday Cut-off Time together with other ~~business item(s)~~ as ~~usual legal documents and followed~~may be requested by ~~their originals~~.

~~The Seller's Solicitor should have in its possession the transaction documents~~the VMI (e.g. ~~the assignment deed~~) ~~duly executed (and held in escrow pending completion) by the Seller (and, if applicable, CO(s) making to make up the full Redemption Amount) before it proceeds to pass on the CHATS Advice where the Remittance Amount is smaller than the Redemption Amount) to the SMI (or the SMI's Solicitor if the SMI engages a separate law firm), thereby notifying the SMI (or the SMI's Solicitor) confirm that completion of the sale and purchase transaction has taken place, and to facilitate mortgage redemption and distribution of Surplus (where applicable).~~

- ❖ Upon receiving the CHATS Advice and other ~~legal documents~~items (where applicable) from its solicitor by Dday Cut-off Time, the ~~SMI~~VMI will proceed with loan redemption using the funds transferred to its PAPT Dedicated Account and hold the Surplus. Any surplus funds remaining after loan redemption will be credited to the ~~Seller's~~Vendor account by End of Dday (but the actual date of the ~~Seller~~Vendor receiving cleared funds will be subject always to the completion of the Relevant Checks-~~→~~).

6.3 In respect of Conveyancing Scenario 2, the workflow will be as set out in further details below. As there is no existing ~~Seller's~~Vendor Mortgage, the main feature is that the ~~Seller~~Vendor may designate a HKD ~~Seller's~~Vendor Account with a Bank which provides mortgage services for the purpose of receiving the funds and is a participating institution of CHATS (the "~~Seller's~~Vendor Account Maintainer");" or "VAM").

- (a) The rationale behind this requirement is that a Bank which provides mortgage services has a PAPT Dedicated Account and therefore has a sub-BIC code for mortgage services.
- (b) Where the ~~Seller's Account Maintainer~~VAM is not the same institution as the ~~BMIPMI~~, the Remittance Amount will be transferred from the ~~BMIPMI~~ to the ~~Seller's Account Maintainer~~VAM via CHATS. The ~~Seller~~Vendor should provide information of the conveyancing transaction to its designated ~~Seller's Account Maintainer~~VAM in order to facilitate CHATS payment to and receipt by the ~~Seller's Account Maintainer~~VAM.
- (c) Where the ~~Seller's Account Maintainer~~VAM is the same institution as the ~~BMIPMI~~, the Remittance Amount will be effected via internal fund transfer from the ~~BMIPMI~~ to the separate account, to be held by the ~~BMIPMI~~ as the ~~Seller's Account Maintainer~~VAM.
- (d) The ~~Seller's Account Maintainer~~VAM should nonetheless hold the Remittance Amount received from the ~~BMIPMI~~ in its PAPT Dedicated Account. Upon

notification by the Seller's Vendor Solicitor of the successful completion of the sale and purchase transaction by Dday Cut-off Time, the ~~Seller's Account Maintainer VAM~~ will credit the Remittance Amount to the Seller's Vendor Account by End of Dday (but the actual date of the Seller Vendor receiving cleared funds will be subject always to the Relevant Checks). ~~Similar to the operation as described in paragraph 6.2(d) above, the Seller's Solicitor should have in its possession the transaction documents (e.g. the assignment deed) duly executed (and held in escrow pending completion) by the Seller before it proceeds to pass on the CHATS Advice to the Seller's Account Maintainer, thereby notifying the Seller's Account Maintainer that completion of the sale and purchase transaction has taken place. This is to prevent the situation where the Seller receives the Remittance Amount without fully executing the legal documents relating to the sale and purchase transaction.~~

7. CONVEYANCING SCENARIO 1A

- 7.1 This is the scenario where the BuyerPurchaser takes out a mortgage with a Mortgage Institution and the Seller Vendor has an existing mortgage with a different Mortgage Institution.

Preliminary process

- 7.2 The decision as to whether the PAPT applies to a particular property sale and purchase transaction ~~is needs~~ to be ~~made firstly mutually agreed~~ by the ~~BMI, subject to written agreements of the BuyerPurchaser and the Seller to implement the PAPT. Vendor, then to be further assessed by the PMI and VMI respectively.~~
- 7.3 When the BuyerPurchaser (and if applicable, the BMIPMI Borrower) applies for the mortgage loan, the BMIPMI will further assess and confirm whether the PAPT is applicable to the property sale and purchase transaction. The BMIPMI will ~~(through the BMI's Solicitor, if the BMI engages a separate law firm)~~ provide its assessment result to Buyer's the Purchaser Solicitor, who will communicate such assessment result to the Seller's Vendor Solicitor. ~~(On the flip side, if the Vendor Solicitor has received assessment result from the VMI first before the Vendor Solicitor is contacted by the Purchaser Solicitor as to the PMI's assessment result, the Vendor Solicitor should communicate the VMI's assessment result to the Purchaser Solicitor.)~~
- (a) If ~~the BMI's either~~ assessment result is that the PAPT will not apply, such assessment result will be conclusive and the PAPT will not apply to the property sale and purchase transaction.²²
- (b) If ~~the BMI's both~~ assessment ~~result is results are~~ that the PAPT may apply, the Seller's Solicitor VMI will ~~(after consultation with the SMI and the Seller and the SMI Borrower, if necessary to ascertain whether there exists any Exclusion which precludes the application of the PAPT) notify Buyer's Solicitor of the result of the~~

²² There may be cases where the parties elected to use the PAPT and signed a PAPT-applicable PSPA, but the BMIPMI/VMI later is of the view that the PAPT is not applicable.

~~SMT's assessment. The SMT will assess whether PAPT is applicable to the sale and purchase transaction and~~ give its consent by ~~its~~the provision of the items in paragraph ~~7.47.4~~ to hold the Surplus in a separate account.

- 7.4 The ~~SMT's~~VMI will ~~confirm~~provide the applicable form of the Appointee Bank ~~Seller/Sell-side~~ Contract to the ~~Seller's~~Vendor, which the ~~Seller's~~Vendor will sign and deliver to the ~~SMT's~~VMI. The ~~SMT's~~Vendor Solicitor will seek to obtain from the ~~SMT's~~VMI (i) a quotation of the Redemption Amount and (ii) the CHATS information of the ~~SMT's~~VMI including the Redemption Reference as available then. The ~~SMT's~~Vendor Solicitor will in turn provide to the ~~BMT's~~PMI Solicitor ~~(through the Purchaser Solicitor, if applicable)~~ a written confirmation of the aforementioned information.
- 7.5 The ~~BMT's~~PMI will arrange with the ~~Buyer's~~Purchaser (and/or the ~~BMT's~~PMI Borrower as the case may be) for the signing of the facility letter and other relevant bank documents, either at the ~~BMT's~~PMI branch or through the ~~BMT's~~PMI Solicitor and/or the ~~Buyer's~~Purchaser Solicitor (as the case may be). The ~~BMT's~~PMI will confirm/provide the applicable form of the ~~BMT's~~Buyer'sPMI/Buy-side Contract to the ~~Buyer's~~Purchaser, which the ~~Buyer's~~Purchaser will sign and return to the ~~BMT's~~PMI together with other bank documents. ~~The PMI will also make known to the Purchaser Solicitor the Remittance Amount.~~

By 10 days before Drawdown (Dday-10)

- 7.6 The ~~Seller's~~Vendor Solicitor will ask the ~~SMT's~~VMI for an update of the Redemption Amount and Redemption Reference.

By 8 days before Drawdown (Dday-8)

- 7.7 This is the last day for the Vendor (or the VMI Borrower) or the Purchaser (or the PMI Borrower) to voluntarily withdraw its agreement to the adoption of PAPT.

By 7 days before Drawdown (Dday-7)

- ~~7.7.8~~ The ~~SMT's~~VMI will issue a Redemption Quotation Letter to the ~~SMT's~~Vendor Solicitor. ~~If the Seller has engaged a separate law firm from the SMT, the SMT's, as well as confirm to the Vendor Solicitor will forward the name of the Vendor (or the Redemption Quotation Letter to the Seller's Solicitor~~VMI Borrower, if applicable) shown on the Vendor Mortgage document(s) as registered in the Land Registry.

- ~~7.8~~7.9 If the Redemption Amount so notified under paragraph ~~7.7.8~~ above is subsequently varied, see the workflow on Dday-2 in paragraph ~~7.17.18~~ below.

By 6 days before Drawdown (Dday-6)

- ~~7.9~~7.10 The ~~SMT's~~VMI will ~~(through the Vendor Solicitor will)~~ notify the ~~BMT's~~PMI ~~(through the Purchaser Solicitor)~~ in a written letter of the updated Redemption Amount and the Redemption Reference, together with a copy of the Redemption Quotation Letter.

~~7.10~~7.11 If the name of the ~~Seller~~Vendor (or the ~~SMI~~VMI Borrower, if applicable) is different from the name(s) shown on the ~~Seller's~~Vendor Mortgage document(s) as registered at the Land Registry, the ~~Seller's~~Vendor Solicitor will also provide satisfactory documentary evidence to evidence the change of name (e.g. deed poll or certificate of change of name) to the ~~SMI~~VMI and ~~Buyer's~~Purchaser Solicitor.

By 5 days before Drawdown (Dday-5)

~~7.11~~7.12 The ~~Buyer's~~PMI Solicitor ~~will~~should, and the ~~Purchaser~~ Solicitor should enable the ~~BMI's~~PMI Solicitor to ~~send~~send a book loan letter to the ~~BMI~~PMI which includes:

- (a) the facility letter signed by the ~~Buyer~~Purchaser (if not already provided at an earlier stage);
- (b) drawdown details (drawdown date, loan amount, etc.);
- (c) the Remittance Amount;
- (d) the ~~Buyer's~~Purchaser name and the ~~BMI~~PMI Borrower's name;
- (e) the ~~Seller's~~Vendor's name and the ~~SMI~~VMI Borrower's name, together with relevant documentary evidence provided by ~~Seller's~~Vendor Solicitor to evidence the change of name (if any);
- (f) the ~~SMI's~~VMI's name;
- (g) the Redemption Reference;
- (h) title confirmation by ~~BMI's~~the PMI Solicitor together with the updated land searches;
- ~~(i) the BMI-Buyer~~PMI/Buy-side Contract signed by the ~~Buyer~~Purchaser and the ~~PMI Borrower (if different from the Purchaser)~~ (if not already provided at an earlier stage); ~~and~~
- ~~(j) confirmation that FSPA has been signed with FSPA sample clauses incorporated; and~~
- ~~(k) other documents or information as may be required by the BMI~~PMI under the relevant facility letter and instructions letter to ~~BMI's~~Purchaser Solicitor, such as confirmation that the ~~Buyer's~~Purchaser Mortgage has been executed in escrow.

It is noted that, ~~even if the Buyer's Solicitor is the same person as the BMI's Solicitor~~, the book loan letter and title confirmation should ~~be clearly stated to be~~state that they are issued by the ~~BMI's solicitor, not the Buyer's~~Purchaser Solicitor in his capacity as the ~~PMI~~ Solicitor.

7.127.13 The ~~Buyer's~~Purchaser Solicitor and the ~~BMI's~~PMI Solicitor (if ~~BMI's~~PMI engages a separate law firm) should ensure the names of the ~~Seller's~~Vendor, the ~~SMI's~~VMI Borrower and ~~SMI's~~VMI as shown on the book loan letter match the names shown on the ~~Seller's~~Vendor Mortgage document(s) as registered at the Land Registry or the documentary evidence provided by ~~Seller's~~Vendor Solicitor to evidence the change of name of the ~~Seller's~~Vendor or the ~~SMI's~~VMI Borrower.

7.137.14 The ~~BMI's~~PMI will validate the details of the instruction in the book loan letter and relevant documents, including checking the names of the ~~Seller's~~Vendor, the ~~SMI's~~VMI Borrower and the ~~SMI's~~VMI as shown on the physical book loan letter against the land search (optional) and all related documents for the purposes of drawdown preparation.

7.147.15 The ~~BMI's~~PMI starts drawdown preparation.

7.157.16 If the Remittance Amount is insufficient to cover the Balance, the ~~Buyer's~~Purchaser Solicitor will advise the ~~Buyer's~~Purchaser of such shortfall (the "~~Buyer's~~"Purchaser Top-Up Portion") and advise the ~~Buyer's~~Purchaser of the need to prepare CO(s) in respect of such shortfall²³. The ~~Buyer's~~Purchaser (and the ~~Buyer's~~Purchaser Solicitor) should note that there may be subsequent variation to the amount of Redemption Amount (see paragraphs 7.177.18 to 7.2021 below) and should aim to prepare the CO(s) as close to Dday as possible.

Field Code Changed

7.167.17 The ~~Buyer's~~Purchaser Solicitor will inform ~~Seller's~~Vendor Solicitor of the Remittance Amount²⁴ and the ~~Buyer's~~Purchaser Top-Up Portion.

2 days before Drawdown (Dday-2)

7.177.18 If the ~~SMI's~~VMI discovers that the Redemption Amount has increased since it last notified ~~Seller's~~Vendor Solicitor of the same, the ~~SMI's~~VMI will inform ~~Seller's~~Vendor Solicitor of such change [before 10:00 am] on Dday-2.

7.187.19 The ~~Seller's~~Vendor Solicitor will send to ~~Buyer's~~Purchaser Solicitor a Split Payment Letter [by 2:00 pm] on Dday-2 setting out:

- (a) the latest Redemption Amount; and
- (b) the split payments instruction in respect of the ~~Buyer's~~Purchaser Top-Up Portion, such as (i) the amount to be paid to the ~~Seller's~~Vendor, (ii) if the Remittance Amount is less than the Redemption Amount, the amount to be paid to the ~~SMI's~~VMI and (iii)

²³ It may be the case that the Remittance Amount may not be sufficient to discharge the existing mortgage. -If this is the case, the ~~Buyer's~~Purchaser may have to split payment of the ~~Buyer's~~Purchaser Top-Up Portion and pay the ~~SMI's~~VMI and ~~Seller's~~Vendor respectively.

²⁴ This is for the purposes of enabling the ~~Seller's~~Vendor Solicitor to give instructions to ~~SMI's~~VMI for distributing the Surplus into the ~~Seller's~~Vendor Account, as well as giving split payment instructions to the ~~Buyer's~~Purchaser Solicitor in respect of that part of the Balance to be paid with the ~~Buyer's~~Purchaser's own funds.

the amount of Fees and Expenses (if applicable) to be paid via the Seller's Vendor Solicitor²⁵.

~~7.19~~7.20 If the Redemption Amount is increased or any other payment arrangement is changed, the Buyer's Purchaser Solicitor will send ~~or enable the BMI's Solicitor (if BMI engages a separate law firm) to send~~ such updated information to the BMIPMI by 5:00 pm on Dday-2. The BMIPMI will acknowledge the receipt of such information.

~~7.20~~7.21 Where the Remittance Amount is less than the Redemption Amount, the Buyer's Solicitors Purchaser Solicitor will also advise the Buyer Purchaser to prepare CO(s) in respect of the Buyer's Purchaser Top-Up Portion in accordance with the Split Payment Letter. The Buyer Purchaser will prepare the following Buyer's Purchaser CO(s) payable to the Seller Vendor and the SMIVMI and make the same available to Buyer's Purchaser Solicitor by Dday-1:

- (a) one Buyer's Purchaser CO payable to the SMIVMI in the amount equal to the amount by which the Redemption Amount exceeds the Remittance Amount;²⁶ and
- (b) Buyer's Purchaser CO(s) payable to the Seller Vendor(s) according to the split payment instructions in the Split Payment Letter sent by Seller's Vendor Solicitor.

~~7.21~~7.22 The Seller's Vendor Solicitor will send to the SMIVMI by encrypted email (or other channels as agreed by the SMIVMI) the following information:

- (a) the payment instructions for distributing the Surplus to the Seller's Vendor Account including (i) the amount to be distributed to (or for the benefit of) the Seller Vendor and (ii) the Account Details of the Seller's Vendor Account²⁷, **provided that** there should be no more than one Seller's Vendor Account for the Seller Vendor; and
- (b) (in the case of joint Sellers Vendors, if the bank account designated by the Sellers Vendors is under the name of one of the Sellers Vendors only) the authorisation instructions (which may be original or copy depending on individual bank's protocol) to the SMIVMI from the Seller Vendor(s) who are not holders of the account and witnessed/attested by the solicitors of such Seller Vendor(s).

²⁵ Fees and Expenses will be paid by the Buyer Purchaser directly to the relevant parties and hence will not form part of the Buyer's Purchaser Top-Up Portion.

²⁶ If the Redemption Amount is varied last minute but ~~that~~ the Buyer Purchaser has already procured the Buyer's Purchaser CO payable to the SMIVMI prior to such variation, and such CO is no longer sufficient to cover the balance of the Redemption Amount / exceeds the balance of the Redemption Amount, the shortfall / surplus in the Redemption Amount will be settled between the SMIVMI and the SMIVMI Borrower without the Buyer Purchaser having to procure new CO(s) prior to completion.

²⁷ The Seller Vendor may choose to designate his repayment account with the SMIVMI or his personal bank account for receiving the Surplus.

1 day before Drawdown (Dday-1)

~~7.227.23~~ ~~Where applicable, the BMI's~~The Purchaser Solicitor will collect from the ~~Buyer~~
(~~or from the Buyer's Solicitor where applicable~~)~~the Buyer's~~Purchaser ~~the Purchaser~~ CO(s)
as described in paragraph ~~7.20~~ 7.21 above.

~~7.237.24~~ Where the Balance from the ~~BMHPMI~~ and/or the ~~Buyer~~Purchaser is insufficient to
discharge the ~~Seller's~~Vendor Mortgage, the ~~SMI's~~Vendor Solicitor will collect from the
~~Seller (through the Seller's Solicitor, where appropriate)~~Vendor a CO for the outstanding
loan balance for redemption of the ~~Seller's~~Vendor Mortgage.

~~7.247.25~~ The ~~BMHPMI~~ will start preparing inputs for effecting CHATS payment on Dday.

Drawdown (Dday)

~~7.257.26~~ The ~~BMI's~~Purchaser Solicitor and the PMI Solicitor will perform business as usual
~~buyer~~-process and promptly inform the ~~BMHPMI~~ of any adverse entries / encumbrances or
restrictions which may affect the ~~BMI's~~PMI's interest as first mortgagee under the
~~Buyer's~~Purchaser Mortgage as soon as practicable.

~~7.267.27~~ The ~~BMHPMI~~ will effect payment via CHATS before 12 noon. After effecting
payment, the ~~BMHPMI~~ will send drawdown confirmation to the ~~Buyer~~Purchaser and the
~~Buyer's~~Purchaser Solicitor via the usual mode of communication (e.g. SMS/e-mail/letter).

~~7.277.28~~ As soon as practicable upon receipt of the CHATS Advice on Dday, the ~~BMHPMI~~
will circulate it to the ~~BMI's~~Purchaser Solicitor.

~~7.287.29~~ ~~The BMI's Solicitor (or, if the BMI engages a separate law firm, the Buyer's~~
~~Solicitor)~~ ~~Provided that the Purchaser is willing and ready to complete the transaction, the~~
~~Purchaser Solicitor~~ will then deliver to the ~~Seller's~~Vendor Solicitor by Transaction Closing
Time (i) the CHATS Advice, (ii) the ~~Buyer's~~Purchaser CO(s) and ~~solicitors'~~solicitor's
cheque(s) (if any), (iii) a written confirmation of the ~~Buyer's~~Purchaser Solicitor for
reference by the ~~SMIVMI~~ that the ~~BMI~~Buyer~~PMI/Buy-side~~ Contract incorporating the
mandatory clauses of the T&C has been duly signed by the ~~Buyer~~Purchaser and sent to the
~~BMHPMI~~ and that a copy of the ~~BMI~~Buyer~~PMI/Buy-side~~ Contract (which may be redacted
as appropriate) showing that the mandatory terms of the T&C have been incorporated will
be available to the ~~SMIVMI~~ upon request and (iv) relevant legal documents ~~(the~~
~~"Completion Deck")~~ whereby completion of the property sale and purchase transaction
will take place by solicitors' undertakings, which include (among others) the
~~Seller's~~Vendor Solicitor's undertaking that it will provide a copy of the Appointee Bank-
~~Seller/Sell-side~~ Contract (or an extract thereof) to the ~~Buyer's~~Purchaser Solicitor upon its
demand. Provided that ~~it has in its possession~~the Vendor is ready and willing to complete
~~the transaction documents (e.g. the assignment deed) duly executed (and held in escrow~~
~~pending completion) by~~ the ~~Seller, the Seller's~~Vendor Solicitor will in turn confirm to the
~~SMIVMI~~ that completion of the property sale and purchase transaction has taken place and
deliver the ~~relevant deliverables of the Completion Deck (where applicable) to the~~
~~SMI~~CHATS Advice to the VMI by Dday Cut-off Time. If the ~~SMIVMI~~ engages a separate
law firm, the ~~BMI's~~Purchaser Solicitor ~~(or, if the BMI engages a separate law firm, the~~

~~Buyer's Solicitor~~ shall deliver the ~~Completion Deck~~ CHATS Advice to the ~~Seller's Vendor~~ Solicitor by such time as agreed with the ~~Seller's Vendor~~ Solicitor to enable the ~~Seller's Vendor~~ Solicitors to then ~~(provided that)~~ confirm to the ~~Seller's VMI~~ Solicitor ~~has in its possession the~~ that completion of the property sale and purchase transaction ~~documents duly executed (and held in escrow pending completion) by the Seller~~ has taken place and deliver the ~~relevant deliverables of the Completion Deck~~ CHATS Advice to the ~~SMP's VMI~~ Solicitor by Transaction Closing Time for onward transmission to the ~~SMH VMI~~ by Dday Cut-off Time.

7.30 Upon receiving the CHATS Advice by Dday Cut-off Time, the ~~SMH VMI~~ will (i) proceed to loan redemption of the ~~Seller's Vendor~~ Mortgage and (ii) where applicable, arrange for payment of the Surplus (if any) to the ~~Seller Vendor~~ by crediting the ~~Seller's Vendor~~ Account (if the ~~Seller's Vendor~~ Account is held with ~~SMH VMI~~) or by transfer to the ~~Seller's Vendor~~ Bank (if the ~~Seller's Vendor~~ Account is not held with ~~SMH VMI~~) by End of Dday (but the actual date of the ~~Seller Vendor~~ receiving cleared funds will be subject always to the Relevant Checks). -The ~~SMH VMI~~ will also send redemption confirmation to the ~~Seller Vendor~~ via the usual mode of communication (e.g. SMS/e-mail/letter).

8. CONVEYANCING SCENARIO 1B

~~7.291.1 SMS/e-mail/letter~~.

8.1. CONVEYANCING SCENARIO 1B

8.1 This is the scenario where the ~~Buyer Purchaser~~ takes out a mortgage with a Mortgage Institution and the ~~Seller Vendor~~ has an existing mortgage with the same Mortgage Institution.

8.2 The steps in Conveyancing Scenario 1A apply mutatis mutandis to Conveyancing Scenario 1B, except for the following.

~~8.21.1 The steps in Conveyancing Scenario 1A apply mutatis mutandis to Conveyancing Scenario 1B, except for the following:~~

- (a) Paragraph ~~7.47.4~~ will be replaced by the following under Conveyancing Scenario 1B:

"The ~~SMH VMI~~ will ~~confirm~~ provide the applicable form of the Appointee Bank-Seller/Sell-side Contract to the ~~Seller Vendor~~, which the ~~Seller Vendor~~ will sign and deliver to the ~~SMH VMI~~. The ~~SMP's Vendor~~ Solicitor will seek to obtain from the ~~SMH VMI~~ (i) a quotation of the Redemption Amount and (ii) the account details of the ~~SMH VMI~~. The ~~SMP's Vendor~~ Solicitor will in turn provide to the ~~BMI's PMI~~ Solicitor (through the Purchaser Solicitor, if applicable) a written confirmation of the aforementioned information".

- (b) Paragraph ~~7.77.8~~ will be replaced by the following under Conveyancing Scenario 1B:

"The SMIVMI will notify Seller's Vendor Solicitor in an original letter of the updated Redemption Amount and the account details of the SMIVMI for internal transfer of fund".

- (c) Paragraph ~~7.24~~7.25 will be replaced by the following under Conveyancing Scenario 1B:

"The BMIPMI will start preparing inputs for effecting loan drawdown via internal fund transfer".

- (d) References to "CHATS" in paragraph ~~77~~ will be replaced by "internal fund transfer".
- (e) References to "CHATS Advice" in paragraph ~~77~~ will be replaced by "Bank Advice".
- (f) References to "BMIPMI" and "SMIVMI" will be retained, despite the fact that the BMIPMI and SMIVMI will refer to the same Bank but ~~underin~~ different capacities.

9. CONVEYANCING SCENARIO 2

9.1. CONVEYANCING SCENARIO 2

- 9.1 This is the scenario where the BuyerPurchaser takes out a mortgage with a Mortgage Institution and the SellerVendor has no existing mortgage.

Preliminary process

- 9.2 The decision as to whether the PAPT applies to a particular property sale and purchase transaction needs to be firstly mutually agreed by the BuyerPurchaser and the SellerVendor, then to be further assessed by the BMIPMI and VAM respectively.
- 9.3 When the BuyerPurchaser (and if applicable, the BMIPMI Borrower) applies for the mortgage loan, the BMIPMI will further assess and confirm whether the PAPT is applicable to the property sale and purchase transaction. The BMIPMI will ~~(through the BMI's Solicitor, if the BMI engages a separate law firm)~~ provide its assessment result to Buyer's Purchaser Solicitor, who will communicate such assessment result to the Seller's Vendor Solicitor. (On the flip side, if the Vendor Solicitor—has received assessment result from the VAM first before the Vendor Solicitor is contacted by the Purchaser Solicitor as to the PMI's assessment result, the Vendor Solicitor should communicate the assessment result of the VAM to the Purchaser Solicitor.)
- (a) If ~~the BMI's either~~ assessment result is that the PAPT will not apply, such assessment result will be conclusive and the PAPT will not apply to the property sale and purchase transaction.
- (b) If ~~the BMI's both~~ assessment ~~result is~~results are that the PAPT may apply, the Seller's Solicitor will (after consultation with the Seller and the Seller's Account

~~Maintainer, if necessary to ascertain whether there exists any Exclusion which precludes the application of the PAPT) notify Buyer's Solicitor of the result of the assessment of the Seller's Account Maintainer. The Seller's Account Maintainer will assess whether PAPT is applicable to the sale and purchase transaction and VAM will give its consent to hold the Remittance Amount in a separate account by its provision of the CHATS information to the Seller's Vendor Solicitor.~~

- 9.4 The ~~BMIPMI~~ will arrange with the ~~BuyerPurchaser~~ (and/or the ~~BMIPMI~~ Borrower as the case may be) for the signing of the facility letter and other relevant bank documents, either at the ~~BMIPMI~~ branch or through the ~~BMIPMI~~ Solicitor and/or the ~~Buyer'sPurchaser~~ Solicitor (as the case may be). The ~~BMIPMI~~ will ~~confirm~~ provide the applicable form of the ~~BMIPMI/Buy-side~~ Contract to the ~~BuyerPurchaser~~, which the ~~BuyerPurchaser~~ will sign and return to the ~~BMIPMI~~ together with other bank documents.
- 9.5 The ~~Seller's Account Maintainer~~VAM will ~~confirm~~ provide the applicable form of the Appointee Bank-Seller/Sell-side Contract to the ~~SellerVendor~~, which the ~~SellerVendor~~ will sign and deliver to the ~~Seller's Account Maintainer~~VAM.

By 8 days before Drawdown (Dday-8)

9.6 This is the last day for the Vendor (or the VMI Borrower) or the Purchaser (or the PMI Borrower) to withdraw its agreement to the adoption of PAPT.

By 7 days before Drawdown (Dday-7)

9.69.7 On or before Dday-7, the ~~Seller's Account Maintainer~~VAM will issue a Payment Confirmation Letter to the ~~Seller's Vendor~~ Solicitor.

By 6 days before Drawdown (Dday-6)

9.79.8 The ~~Seller's Vendor~~ Solicitor will then notify the ~~Buyer'sPurchaser~~ Solicitor in a written letter of the CHATS information of the ~~Seller's Account Maintainer~~VAM, together with a copy of the Payment Confirmation Letter.

By 5 days before Drawdown (Dday-5)

9.89.9 The ~~Buyer'sPMI~~ Solicitor ~~will~~should, and the Purchaser Solicitor should enable the ~~BMIPMI~~ Solicitor to send a book loan letter to the ~~BMIPMI~~ which includes:

- (a) the facility letter signed by the ~~BuyerPurchaser~~ (if not already provided at an earlier stage);
- (b) drawdown details (drawdown date, loan amount, etc.);
- (c) the Remittance Amount;
- (d) the ~~Buyer'sPurchaser's~~ name and the ~~BMIPMI~~ Borrower's name;

- (e) the ~~Seller's Vendor's~~ name, together with relevant documentary evidence provided by ~~Seller's Vendor~~ Solicitor to evidence the change of name (if any);
- (f) the name of the ~~Seller's Account Maintainer VAM~~;
- (g) CHATS information of the ~~Seller's Account Maintainer VAM~~ or (in the event that the ~~Seller's Account Maintainer VAM~~ and the ~~BMI PMI~~ are the same) account details of the ~~Seller's Account Maintainer VAM~~ for internal transfer of funds;
- (h) title confirmation by ~~BMI's PMI~~ Solicitor together with the updated land searches;
- ~~(i) the BMI-Buyer PMI/Buy-side Contract signed by the Buyer Purchaser and the PMI Borrower (if different from the Purchaser) (if not already provided at an earlier stage); and~~
- ~~(j) confirmation that FSPA has been signed with FSPA sample clauses incorporated; and~~
- ~~(k) other documents or information as may be required by the BMI PMI under the relevant facility letter and instructions letter to BMI's Purchaser Solicitor, such as confirmation that the Buyer's Purchaser Mortgage has been executed in escrow.~~

It is noted that, ~~even if the Buyer's Solicitor is the same person as the BMI's Solicitor, the book loan letter and title confirmation should be clearly stated to bestate that they are issued by the BMI's solicitor, not the Buyer's Purchaser Solicitor in his capacity as the PMI Solicitor.~~

~~The Purchaser Solicitor-~~

~~9.99.10 Buyer's Solicitor and BMI's the PMI Solicitor (if BMI PMI engages a separate law firm) should ensure the name of the Seller Vendor as shown on the book loan letter matches the name shown on the documents as registered at the Land Registry or the documentary evidence provided by Seller's Vendor Solicitor to evidence the change of name of the Seller Vendor.~~

~~9.109.11 The BMI PMI will validate the details of the instruction in the book loan letter and relevant documents, including checking the name of the Seller Vendor as shown on the physical book loan letter against the land search (optional) and all related documents for the purposes of drawdown preparation.~~

~~9.119.12 The BMI PMI starts drawdown preparation.~~

~~9.129.13 The Buyer's Purchaser Solicitor will advise the Buyer Purchaser of the Buyer's Purchaser Top-Up Portion (if any) and the Buyer Purchaser will prepare the fund with a CO.~~

9.14 The Purchaser Solicitor will inform Vendor Solicitor of the Remittance Amount²⁸ and the Purchaser Top-Up Portion.

By 2 days before Drawdown (Dday-2)

9.139.15 The ~~Seller's Vendor~~ Solicitor will send to ~~Buyer's Purchaser~~ Solicitor a Split Payment Letter [by 2:00 pm] on Dday-2 setting out:

- (a) the split payments instruction in respect of (i) the ~~Buyer's Purchaser~~ Top-Up Portion for paying to the ~~Seller's Vendor~~ the Balance after deduction of the Remittance Amount and (ii) the amount of Fees and Expenses (if applicable) to be paid via the ~~Seller's Vendor~~ Solicitor; and
- (b) any change to the payment arrangements as last notified to the ~~Buyer's Purchaser~~ Solicitor.

9.149.16 If any payment arrangement is changed, the ~~Buyer's Purchaser~~ Solicitor will send ~~or enable the BMI's Solicitor (if BMI engages a separate law firm) to send~~ such updated information to the ~~BMI/PMI~~ by 5:00 pm on Dday-2.

9.159.17 Where applicable, the ~~Buyer's Purchaser~~ Solicitors will also advise the ~~Buyer's Purchaser~~ to prepare ~~Buyer's Purchaser~~ CO(s) in respect of the ~~Buyer's Purchaser~~ Top-Up Portion in accordance with the Split Payment Letter and to make the same available to ~~Buyer's Purchaser~~ Solicitor by Dday-1.

1 day before Drawdown (Dday-1)

9.169.18 Where applicable, the ~~BMI's PMI~~ Solicitor will collect from the ~~Buyer's Purchaser~~ (or from the ~~Buyer's Purchaser~~ Solicitor where applicable) the ~~Buyer's Purchaser~~ CO(s) as described in paragraph 9.159.17 above.

9.179.19 The ~~BMI/PMI~~ will start preparing inputs for (i) effecting CHATS payment on Dday (in the event that the ~~Seller's Account Maintainer VAM~~ and ~~BMI/PMI~~ are **not** the same bank), or (ii) effecting loan drawdown via internal fund transfer on Dday (in the event that the ~~Seller's Account Maintainer VAM~~ and ~~BMI/PMI~~ are the same bank).

Drawdown (Dday)

9.189.20 The ~~BMI's Purchaser Solicitor and the PMI~~ Solicitor will perform business as usual ~~buyer~~ process and promptly inform the ~~BMI/PMI~~ of any adverse entries/ encumbrances or restrictions which may affect the ~~BMI's PMI's~~ interest as first mortgagee under the ~~Buyer's Purchaser~~ Mortgage as soon as practicable.

9.199.21 The ~~BMI/PMI~~ will effect payment before 12 noon via (i) CHATS (in the event that the ~~Seller's Account Maintainer VAM~~ and ~~BMI/PMI~~ are **not** the same bank) or (ii) internal

²⁸ This is for purposes of enabling the Vendor Solicitor to give split payment instructions to the Purchaser Solicitor in respect of that part of the Balance to be paid with the Purchaser's own funds.

fund transfer (in the event that the Seller's Account Maintainer VAM and BMI PMI are the same bank). After effecting payment, the BMI PMI will send drawdown confirmation to the Buyer Purchaser via the usual mode of communication (e.g. SMS/e-mail/letter).

9.209.22 As soon as practicable upon receipt of the CHATS Advice or the Bank Advice (as the case may be) on Dday, the BMI PMI will circulate it to the BMI's Purchaser Solicitor.

9.219.23 ~~The BMI's~~ Provided that the Purchaser is willing and ready to complete the transaction, the Purchaser Solicitor (or, if the BMI engages a separate law firm, the Buyer's Solicitor) will then deliver to the Seller's Vendor Solicitor by Transaction Closing Time (i) the CHATS Advice or the Bank Advice (as the case may be), (ii) the Buyer's Purchaser CO(s) or ~~solicitors' solicitor's~~ cheque(s) (if any), (iii) a written confirmation of the Buyer's Purchaser Solicitor for reference by the Seller's Account Maintainer VAM that the BMI Buyer PMI/Buy-side Contract incorporating the mandatory clauses of the T&C has been duly signed by the Buyer Purchaser and sent to the BMI PMI and that a copy of the BMI Buyer PMI/Buy-side Contract (which may be redacted as appropriate) showing that the mandatory terms of the T&C have been incorporated will be available to the Seller's Account Maintainer VAM upon request and (iv) relevant legal documents whereby completion of the property sale and purchase transaction will take place by solicitors' undertakings, which include (among others) the Seller's Vendor Solicitor's undertaking that it will provide a copy of the Appointee Bank Seller/Sell-side Contract (or an extract thereof) to the Buyer's Purchaser Solicitor upon its demand. ~~Provided that it has in its possession the Vendor is ready and willing to complete the transaction documents (e.g. the assignment deed) duly executed (and held in escrow pending completion) by the Seller, the Seller's Vendor~~ Solicitor will in turn confirm to the Seller's Account Maintainer VAM that completion of the property sale and purchase transaction has taken place and provide the Seller's Account Maintainer VAM with the CHATS Advice or the Bank Advice (as the case may be).

9.229.24 Upon receiving the CHATS Advice or the Bank Advice (as the case may be) by Dday Cut-off Time, the Seller's Account Maintainer VAM will credit the Remittance Amount to the account of the Seller Vendor by End of Dday (but the actual date of the Seller Vendor receiving cleared funds will be subject always to the Relevant Checks). ~~The Seller's Account Maintainer VAM~~ will also send remittance confirmation to the Seller Vendor via the usual mode of communication (e.g. SMS/e-mail/letter).

10. SPECIAL HANDLING ON DDAY

10.1 This section relates to special situations that may arise in relation to the CHATS system on Dday and is applicable to Conveyancing Scenario 1A and Conveyancing Scenario 2 where CHATS payment is involved.

Transaction fallen through or no CHATS Advice received by Dday Cut-off Time

10.2 If the conveyancing transaction ~~had~~ has fallen through after CHATS payment settlement, the ~~Seller's Solicitor or the Seller's Vendor~~ Solicitor should notify the SMI VMI or the Seller's Account Maintainer VAM (whichever applicable) in writing that the property sale

and purchase transaction has not taken place as soon as possible, but in any case no later than Dday Cut-off Time, via email, mail or fax, in order to arrange for the return of funds. After receiving such notification from the ~~SMI's Vendor~~ Solicitor, ~~the VMI~~ or the ~~Seller's Solicitor, the SMI or the Seller's Account Maintainer~~VAM should arrange for refund to the ~~BMIPMI~~ via CHATS or internal fund transfer by ~~End of Dday~~ 11:59 pm on the Payment Date pursuant to the inter-bank protocol. For the avoidance of doubt, even if no such notification is received from the ~~SMI's Solicitor or the Seller's Vendor~~ Solicitor, if the ~~SMI/VMI~~ or the ~~Seller's Account Maintainer~~VAM does not receive the CHATS Advice or the Bank Advice by Dday Cut-off Time, it should also arrange for refund to the ~~BMI by End of Dday~~PMI by 11:59 pm on the Payment Date.

Missing CHATS Advice

- 10.3 If the ~~BMIPMI~~ does not receive the CHATS Advice after initiating payment to the ~~SMI/VMI~~ (or the ~~Seller's Account Maintainer~~VAM, whichever applicable), the ~~BMIPMI~~ should promptly contact the HKICL to check for any technical problems. If the CHATS settlement is in fact successful, the system can re-issue a CHATS Advice to the ~~BMIPMI~~ to evidence payment, such that no refund is required under the inter-bank protocol and re-initiating a new CHATS payment is not necessary.
- 10.4 In the event that the CHATS Advice cannot be issued to the ~~BMIPMI~~ in the manner described in paragraph ~~10.3~~10.3 above, the ~~BMIPMI~~ will promptly request the ~~SMI/VMI~~ or the ~~Seller's Account Maintainer~~VAM to confirm whether it has in fact received the relevant funds in its settlement account for receiving CHATS payment. Upon receipt of the ~~BMI's~~PMI's request, if the ~~SMI/VMI~~ or the ~~Seller's Account Maintainer~~VAM is able to identify such funds, the ~~SMI/VMI~~ or the ~~Seller's Account Maintainer~~VAM will promptly issue a certificate or receipt to the ~~BMIPMI~~ confirming receipt of such funds.²⁹ In such circumstances, CHATS Advice will be replaced by such certificate for completion of the sale and purchase transaction. If the ~~SMI/VMI~~ or the ~~Seller's Account Maintainer~~VAM is unable to identify such funds, the ~~SMI/VMI~~ or the ~~Seller's Account Maintainer~~VAM will promptly ~~issue a written notification~~notify the PMI that it is unable to ~~the BMI confirming~~identify such funds. In such case, the ~~same~~PMI should contact HKICL to look into the matter and locate the Remittance Amount.
- 10.5 As a general note, as all payments submitted to CHATS will go through a validation process, payment instructions with input errors will be automatically rejected.

Incorrect payment detail in CHATS Advice

- 10.6 The ~~BMIPMI~~ should check that all details contained in the CHATS Advice are correct upon receipt. If it discovers any errors in relation to any information in the CHATS Advice other than the Key Information,³⁰ the ~~BMIPMI~~ should contact the ~~BMI's~~Purchaser

²⁹ The obligations of ~~BMI, SMIPMI, VMI~~ and ~~Seller's Account Maintainer~~VAM under this paragraph 10.4 will be reflected in the inter-bank protocol.

³⁰ The paragraph only deals with incorrect details in respect of information in the CHATS Advice other than the Key Information since any incorrect input of Key Information would result in (i) a failure to effect the CHATS payment

Solicitor immediately, who will directly liaise with the SMIVMI (or the Seller's Account Maintainer VAM, whichever applicable) on the correct information required. To the extent that the Redemption Reference is incorrect, the BMIPMI will then issue a "CHATS Advice Correction Notice" to the SMI or the Seller's Account Maintainer with (a copy provided to the BMI's Solicitor and SMI's Solicitor (or the Seller's Solicitor, whichever applicable) (a sample template of which is appended to this Proposal at Appendix 2), stating the correct information. The CHATS Advice Correction Notice shall then be deemed to be and be used as a CHATS Advice.

Wrong amount of payment effected

- 10.7 If the BMIPMI wrongly effects a payment to the SMIVMI (or the Seller's Account Maintainer VAM) via CHATS for a wrong amount different from the Remittance Amount, upon discovering the issue, the BMIPMI shall promptly notify the SMIVMI (or the Seller's Account Maintainer VAM).
- 10.8 If the wrong amount is smaller than Remittance Amount, resulting in a shortfall, the BMIPMI shall effect a further payment in the amount of the shortfall to the SMIVMI (or the Seller's Account Maintainer VAM) via CHATS as promptly as possible. The BMIPMI shall circulate both the CHATS Advices in respect of the wrong amount and the shortfall to the BMI's solicitors Purchaser Solicitor. The CHATS Advice in respect of the wrong amount and the CHATS Advice in respect of the shortfall shall, collectively, function as the CHATS Advice for the Remittance Amount for the purpose of the BM arrangement under the Proposal. The PMI and SMIVMI (or the Seller's Account Maintainer VAM) shall proceed as usual in accordance with this Proposal.
- 10.9 If the wrong amount is larger than the Remittance Amount, resulting in an excess, the CHATS Advice in respect of the wrong amount shall function as the CHATS Advice for the Remittance Amount for the purpose of the arrangement under this Proposal. The BMIPMI and SMIVMI (or the Seller's Account Maintainer VAM) shall proceed as usual in accordance with this Proposal and the SMIVMI (or the Seller's Account Maintainer VAM) shall effect a payment in the amount of the excess to the PAPT Dedicated Account of the BMIPMI via CHATS by End of Dday (or such other time as agreed between the SMIVMI (or the Seller's Account Maintainer VAM) and the BMIPMI).

Failure of CHATS system

- 10.10 If there is a system failure of CHATS which prevents the BMIPMI from making remittance or transfer to the SMIVMI or the Seller's Account Maintainer VAM via CHATS (a "CHATS Failure") between 9:00 am and 11:00 am at any time before 12 noon on Dday,

(and so, no CHATS Advice will be issued), (ii) wrong recipient of the Remittance Amount, or (iii) wrong amount of Remittance Amount being paid via CHATS. For scenarios (i) and (ii), the BMIPMI shall re-effect payment of the Remittance Amount via CHATS as promptly as possible, instead of using a CHATS Advice Correction Notice as described in paragraph 10.6. Further, for scenario (ii), the inter-bank protocol contains provisions on the obligations of the unintended recipient bank. For scenario (iii), please refer to paragraphs 10.7 to 10.9 below.

completion shall automatically be postponed to the next business day on which no CHATS Failure has occurred ~~between 9:00 am and 11:00 am~~ before 12 noon.

- 10.11 On such next business day to which the completion has been postponed, the ~~BuyerPurchaser~~ and the ~~SellerVendor~~ shall continue to use PAPT for S&P as the method of settlement.

Others

- 10.12 For other exceptional circumstances not covered above, the parties should mutually agree on the applicable handling procedures.

11. COMPARISON WITH PAPT FOR REFINANCING

- 11.1 As mentioned in the ~~"Introduction"~~ section above, PAPT for Refinancing addresses PAPT for property refinancing transactions. While PAPT for Refinancing deals with financing scenarios and PAPT for S&P covers conveyancing scenarios, the two phases are largely similar in terms of their applicable scope. They both cover residential properties and car parking spaces in residential buildings, whether or not there is single or multiple Borrowers (in the case of PAPT for Refinancing) or ~~Sellers/BuyersVendors/Purchasers~~ (in the case of PAPT for S&P), whether or not there is an existing mortgage and whether or not the mortgage(s) involved is two-party or three-party.
- 11.2 Similar to this proposal for PAPT for S&P, a few scenarios are covered and discussed in PAPT for Refinancing and they are compared against the conveyancing scenarios of PAPT for S&P as follows.
- (a) Under Refinancing Scenario A of PAPT for Refinancing, a Borrower seeks a refinancing loan from a Mortgage Institution (the ~~"Refinancing Mortgage Institution"~~ or ~~"RMI"~~) which is **different** from the Mortgage Institution which has granted the Borrower the existing mortgage (the ~~"Original Mortgage Institution"~~ or ~~"OMI"~~), whether or not the Borrower under the existing mortgage is same as the borrower under the refinancing mortgage. This scenario is comparable to Conveyancing Scenario 1A of PAPT for S&P. Two different Mortgage Institutions are involved (the RMI and OMI in PAPT for Refinancing and the ~~SMIVMI~~ and ~~BMHPMI~~ in PAPT for S&P). The RMI Borrower's position corresponds to that of the ~~BuyerPurchaser~~ as they are both obtaining a fresh amount of monies under a new mortgage, whereas the OMI Borrower's position corresponds to that of the ~~SellerVendor~~ as they both have an existing mortgage to be discharged.
- (b) Under Refinancing Scenario B of PAPT for Refinancing, the refinancing loan is provided by the OMI (in other words, the OMI and the RMI are the same Mortgage Institution) but a new Borrower replaces the existing Borrower under the refinancing loan. This is analogous to Conveyancing Scenario 1B of PAPT for S&P, ~~where to the extent that~~ there is also only one Mortgage Institution (as the ~~SMIVMI~~ and ~~BMHPMI~~ are the same) but two different Borrowers (being the ~~SellerVendor~~ and the ~~BuyerPurchaser~~).

- (c) There are two different situations under Refinancing Scenario C of PAPT for Refinancing. The first one is where the refinancing loan is provided by the OMI (which is also the RMI) to the same Borrower but the existing mortgage deed needs to be discharged and a new mortgage deed needs to be executed. There is no apparent comparable scenario in PAPT for S&P. The second situation of Refinancing Scenario C of PAPT for Refinancing is where a loan is provided by a Mortgage Institution to a Borrower, which is secured by a mortgage-free property. This is arguably comparable to Scenario 2 of PAPT for S&P which also deals with a property with no existing mortgage. A difference however is that there are two parties, the ~~Seller~~Vendor and the ~~Buyer~~Purchaser, for Scenario 2 of PAPT for S&P whereas there is only one Borrower for Refinancing Scenario C of PAPT for Refinancing.

11.3 The biggest difference of the mechanisms of PAPT for Refinancing and PAPT for S&P is the usage of a "Refinancing Mortgage Institution Confirmation" or "RMIC" in PAPT for Refinancing as contrasted with the usage of a CHATS Advice in PAPT for S&P.

- (a) A "Refinancing Mortgage Institution Confirmation" or "RMIC" is a document issued by the RMI confirming that the Redemption Amount (or such part thereof) will be transferred by the RMI via CHATS according to the payment details set out therein on Dday.
- (b) Under PAPT for Refinancing, where there are two Mortgage Institutions involved (i.e. Refinancing Scenario A), an RMIC will be used on Dday and its passage is briefly summarised as follows: -
 - (i) The RMI issues the RMIC and sends it by encrypted email to its solicitors before 12 noon.
 - (ii) The RMI's solicitors will then verify the information stated in the RMIC. If in order, the RMI's solicitors will send the RMIC to the OMI's solicitors by 5:00 pm.
 - (iii) Upon the delivery of the RMIC by the RMI's solicitors to the OMI's solicitors, it is irrevocable and the Remittance Amount payable from the RMI to the OMI will be transferred by the RMI to the OMI save for exceptional circumstances.
- (c) Accordingly, the issuance of an RMIC is not an automated process but it needs to be actively generated by the RMI to kick-start the payment process and RMI will subsequently further effect payment after the RMIC is verified by the solicitors of OMI and RMI respectively, provided other conditions to completion of refinancing are satisfied.
- (d) By contrast, under PAPT for S&P, a CHATS Advice is generated and issued automatically in the name of HKICL as ~~a~~-third-party evidence that CHATS payment has been completed after the ~~BMPMI~~ effects payment on Dday.

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12. **DISCLAIMER**

- 12.1 This Proposal does not constitute legal advice and shall not be used, relied on or referred to in any manner by any party for such purpose. It is recommended that independent legal advice be obtained for the purpose of participation in a property sale and purchase transaction adopting PAPT for S&P.
- 12.2 The Hong Kong Association of Banks does not assume any duty or liability to any person to whom this Proposal has been disclosed or otherwise provided.

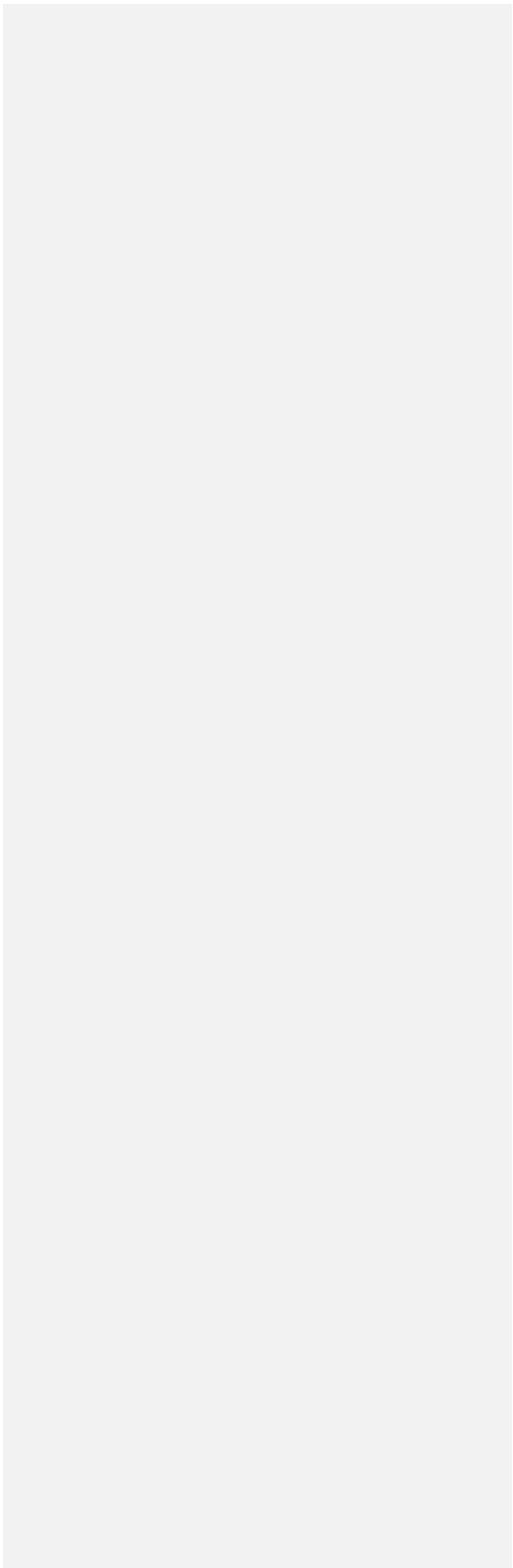
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Appendix 1 – Template CHATS Advice

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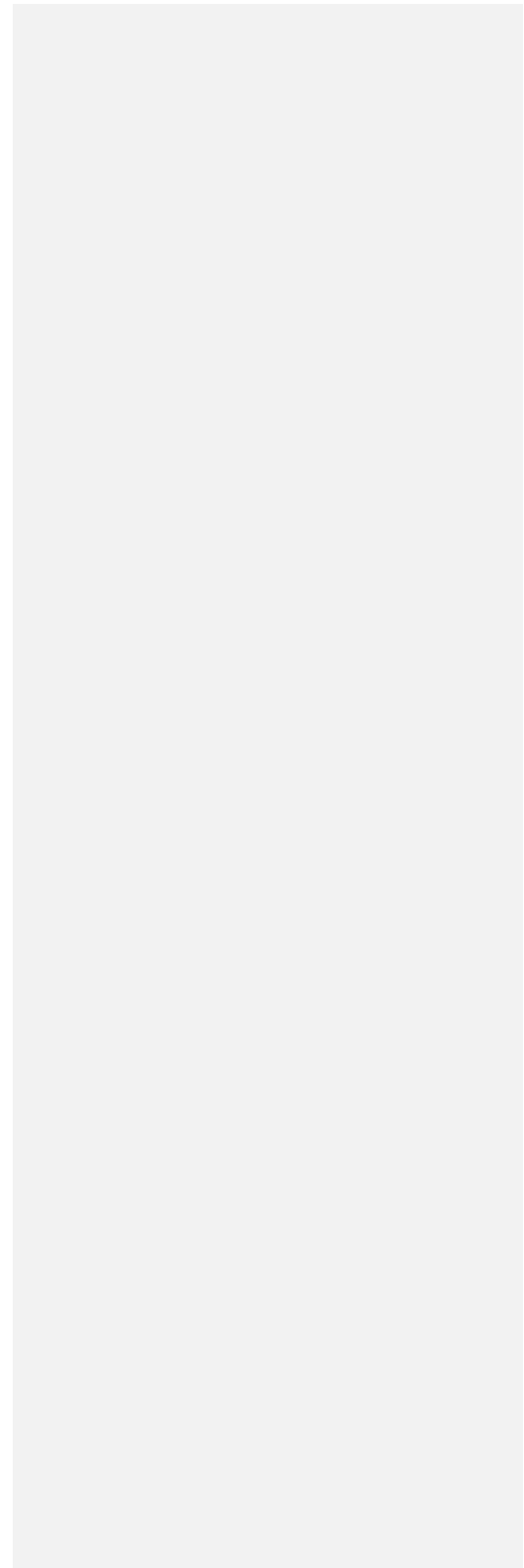
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[The content of this draft payment advice is subject to further changes]



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Appendix 2 – Template CHATS Advice Correction Notice



[DRAFT]

[Bank Header] (i.e. ~~BMP~~PMI)

Our Ref: ~~Sender:~~ Sender's Bank Reference]

Your Ref: [~~Receiver~~Receiver's Bank Reference (if known by sender)]

Date :

[~~Receiver~~Receiver's Bank] (i.e. ~~SMH~~VMI)

Dear Sirs,

Re: HKICL Reference Number:

Property:

(Note: Borrower/~~Buyer~~/~~Seller~~Purchaser/Vendor name is not recommended as privacy issue)

We refer to the CHATS payment and the CHATS ~~advice~~Advice sending to or already received by you today under HKICL reference number stated as above. We hereby confirm that the Payment Detail of the said CHATS payment shall be as follows:

[Payment Detail]

We also confirm that all other information of the CHATS payment remains unchanged, and refund or re-issue of the payment is not needed.

If you have any queries, please do feel free to contact our Mr./Ms.[Contact Person] of [Department] at Tel No.: [Tel no.] or Fax No.: [Fax No.].

Yours faithfully,

For and on behalf of

[~~Sender~~Sender's Bank] (i.e. ~~BMP~~PMI)

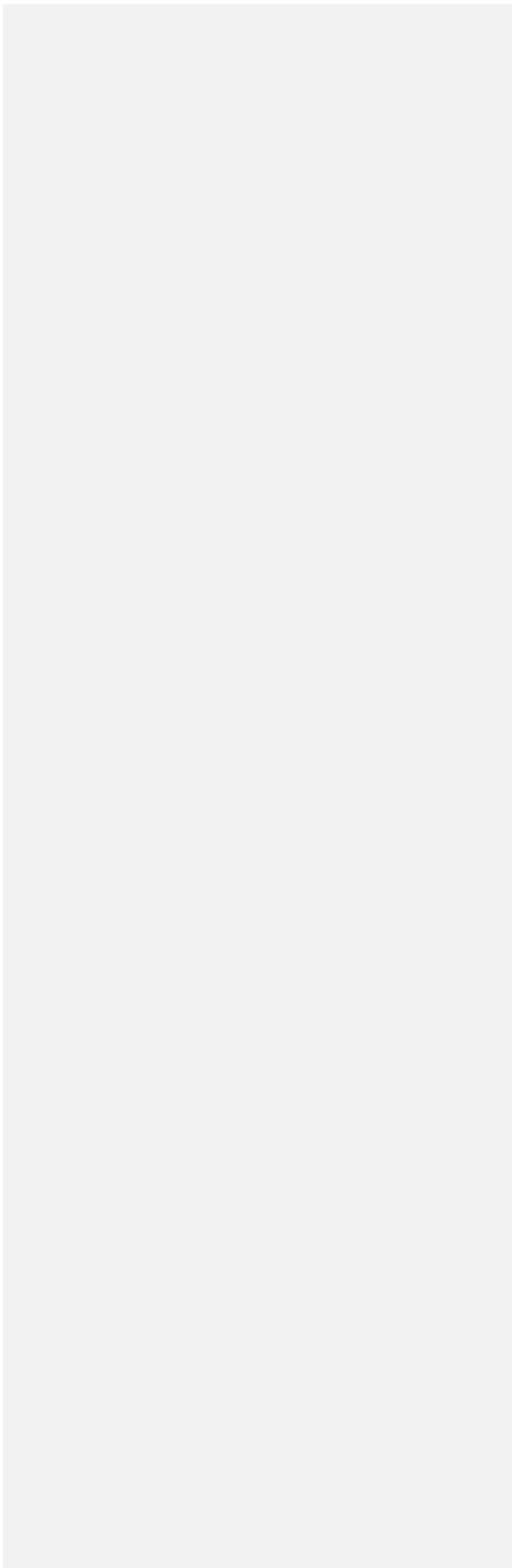
Authorised Signature(s)

c.c. [~~BMP's~~PMI Solicitor and ~~Seller's~~Vendor Solicitor]

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Appendix 3 – Template Bank Advice



[DRAFT]

**NOTIFICATION OF LOAN DRAWDOWN COMPLETION FOR PAYMENT
ARRANGEMENTS FOR PROPERTY TRANSACTIONS (~~“PAPT”~~)**

DATE: YYYY/MM/DD

To: [NAME OF ~~RECEIVER~~RECEIVER’S BANK]

This notice is to confirm that drawdown of the loan facility has been completed and the net loan proceeds amount have been transferred to the designated account for PAPT.

Please find the details of the payment below:

Property	XXXXXXXXXX
Payment Detail	PAPT XXXXXXXXXXPAPT XXXXXXXXXXXX
Transfer Amount	HKD[●]

[~~SENDER~~SENDER’S BANK]

THIS COMPUTER PRINTOUT DOES NOT REQUIRE A SIGNATURE