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Banks are preparing for a second round of lending regulations from the Central Bank, with mortgages and structured products expected to come under new rules to protect the industry and customers from risky lending. The regulator is thrashing out the details of new rules on mortgage lending, said Arup Mukhopadhyay, the head of consumer banking at Abu Dhabi Commercial Bank, one of six banks involved in the meetings. "Anything that happens in that forum is a step in the right direction," said Raj Madha, a financial analyst at Rasmala Investment Bank.

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Central Bank confirms negotiations

Bankers say moves by regulator to guard against risky mortgage lending are positive

Gregor Stuart Hunter

Banks are preparing for a second round of lending regulations from the Central Bank, with mortgages and structured products expected to come under new rules to protect the industry and customers from risky lending.

An official at the Central Bank confirmed negotiations were at an "advanced stage", although he declined to say when the new rules would be published.

The regulator is thrashing out the details of new rules on mortgage lending, said Arup Mukhopadhyay, the head of consumer banking at Abu Dhabi Commercial Bank, one of six banks involved in the meetings.

"There has been some significant discussion between the banks within the committee with respect to mortgages," he said.

"We understand, taking all the discussions and suggestions into account, we're likely to see a regulatory paper on mortgages, which is a positive development for the industry."

Risky mortgage lending fuelled Dubai's property downturn and has since left banks struggling to provide for bad debts.

Recent efforts by the Central Bank to quell risky personal lending resulted in a backlash, prompting the regulator to set up a committee focusing on retail banking, which has now met twice since its establishment in May.

"Anything that happens in that forum is a step in the right direction," said Raj Madha, a financial analyst at Rasmala Investment Bank.

"There should be a consultation, rather than an imposition from on high before waiting to see what complaints come out," he said.

The likely effect of new mortgage regulation would be standards on credit and policy criteria, Mr Mukhopadhyay added, saying he expected new rules could apply to loan-to-value ratios and periods of repayment for mortgages.

Banks were also lobbying for rules tying payments on off-plan mortgages to construction progress rather than calendar dates to ensure developers have sufficient incentive to proceed with projects, he said.

The Central Bank recently indicated it would seek to differentiate between first-time buyers and investors under its plans to regulate mortgage lending.

Banks were also seeking to develop blanket regulations for structured products in a bid to provide more speedy approval of some of the less exotic financial instruments available to retail investors, Mr Mukhopadhyay said.

The sector is keen to enable faster approval of certain structured products, such as notes that track stock indexes.

"Some time back, there was a regulation meaning that any structured product sold to a retail customer must be approved by the Central Bank. Every single product being approved by the Central Bank is perhaps not an efficient process, either for the bank or the regulator," Mr Mukhopadhyay said.

"There's discussion within the committee about easing the process for more vanilla products."

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Banks are expecting the Central Bank to issue new regulations on mortgages and structured products. Ryan Carter / The National

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