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Modernizing Payment Arrangements for Property Transactions in Hong Kong: The PAPT Framework

From Conventional Method to PAPT

Hong Kong’s property transaction landscape is evolving, with the Payment Arrangement for Property Transactions (PAPT) now optionally available for the sale and purchase (S&P) of residential properties in the secondary market.

Traditionally, conveyancing transactions rely on a system of professional undertakings exchanged among solicitors, with fund transfers effected through the client accounts of the law firms handling the transactions, typically by way of physical cheques. This conventional method could be said to be labor-intensive and takes up time. Also, it potentially exposes property transactions to inherent operational and settlement risks and does not align with the expectations of modernity and robustness in today’s digital environment.

Against this background, the PAPT framework has been introduced as an optional alternative to the conventional transaction. While its adoption will depend on the circumstances of individual transactions and the preferences of the parties involved, PAPT provides customers with an additional payment arrangement through bank-to-bank electronic fund transfer.

Background and Early Scope

The PAPT, initially launched for residential mortgage refinancing in November 2022, seeks to improve payment efficiency and security for property transactions and reduce the credit and operational risks faced by Authorized Institutions. According to the Hong Kong Monetary Authority (HKMA), in 2025 more than 75% of eligible mortgage refinancing transactions at retail banks have adopted the PAPT ¹.

¹ <https://brdr.hkma.gov.hk/eng/doc-ldg/docId/getPdf/20260205-1-EN/20260205-1-EN.pdf#:~:text=PAPT%20for%20Mortgage%20Refinancing%20The%20PAPT%2C%20initially,banks%20having%20adopted%20the%20PAPT%20in%202025>

LegCo Q&A and Stakeholder Feedback

PAPT has been discussed in the Legislative Council (LegCo).² In April 2021, the Government informed the LegCo that the HKMA, together with the banking industry, was studying an alternative payment arrangement to enable settlement of mortgage proceeds without routing funds through law firms' accounts, while preserving the respective roles and legal responsibilities of purchasers, vendors, solicitors and mortgage banks. Further explanation was provided in April 2022, when the Government outlined the PAPT framework.

The Government stated that throughout the development of the PAPT framework, banking industry and relevant stakeholders have been consulted and received support.³

Extension to the Secondary Market

Riding on the experience in residential mortgage refinancing, the Hong Kong Association of Banks (HKAB), with support from the HKMA, moved on to the expansion of the PAPT to S&P of residential properties in Hong Kong's secondary market, to provide an additional payment option to the purchasers and vendors.

Under PAPT for S&P, the mortgage loan proceeds advanced to the purchaser of an eligible S&P transaction will be disbursed by the purchaser's mortgage institution directly to the vendor's mortgage institution through the Clearing House Automated Transfer System (CHATS). This will enable the outstanding balance of the vendor's mortgage loan to be settled, with any surplus proceeds paid to the vendor's designated bank account as soon as on the same day. In cases where the vendor does not have an outstanding mortgage, the full proceeds will be disbursed to the vendor's bank account.

According to HKMA, mortgage banks would provide the PAPT for S&P transactions of residential properties in the secondary market in Hong Kong with provisional S&P agreements signed on or after 28 February 2026. Purchasers and vendors who wish to use PAPT may request their estate agents to incorporate relevant clauses into the S&P agreement.

The HKMA stated that PAPT will mitigate the credit and operational risks faced by the banking sector when conducting mortgage business⁴.

² <https://www.legco.gov.hk/yr20-21/english/counmtg/hansard/cm20210421-translate-e.pdf#nameddest=wrq19>;

<https://www.info.gov.hk/gia/general/202204/06/P2022040600219.htm>

³ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2026/02/20260205-4/>, see also footnote 2 above

⁴ <https://news.rthk.hk/rthk/en/component/k2/1842830-20260205.htm>; see also

Conclusion

The introduction of PAPT represents a measured step towards the modernization of payment arrangements in property transactions in Hong Kong. As an optional framework operating alongside established conveyancing practices, it seeks to enhance the security and efficiency of fund transfers through greater use of electronic, bank-to-bank settlement. As with any new framework, its practical application will require time for experience to be gained, and for operational and procedural issues to be tested, clarified and addressed in practice. Nevertheless, PAPT reflects broader developments in digital finance and payment infrastructure that are likely to shape the future conduct of property transactions. Given the potential implications for transaction workflows and risk allocation, ADR practitioners and stakeholders may find it important to remain informed of the framework, its operational features and any further refinements as implementation progresses.

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Reference:

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<https://www.thestandard.com.hk/market/article/323749/PAPT-to-cover-sale-and-purchase-of-residential-properties-in-secondary-market>

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