HD **Australian property loans expected to hold up**

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Petaling Jaya (The Star/ANN) - Australian banks' confidence in the investor property market is a sign that property loans are expected to hold up for a while more.

This confidence is based on the observation that property investors tend to be middle-aged workers with an average annual income of A$80,000 (US$70,268) and often have access to other sources of income, said Reuters, quoting economists.

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"At the moment, things look pretty manageable.

"History tends to show investors as borrowers are better quality than owner-occupier homes.

"So, we don't have much concerns,¿ a senior executive at one of the major banks was quoted as saying.

Lending to investors has jumped this year to its highest since comparable records started in 1991, accounting for about half of Australia's residential loans in value terms, said Reuters.

Concerned over the risk of a sharp correction, the Reserve Bank of Australia (RBA) is working on measures to reinforce sound lending practices.

Bank executives argue that much of the market's problems are caused by a lack of supply.

While the average Sydney home price has jumped 14 per cent in the last 12 months, they argue that this is largely due to years of weakness in the market following the global financial crisis.

Average growth for the past five years is a reasonable 3.3 per cent while over the past 10 years, it is just 0.5 per cent, according to Reuters.

The banks note that loan-to-value ratios for mortgages in Australia are around 60 per cent, versus about 80 per cent for comparable mortgages in the United States and more than 90 per cent in Britain, said Reuters.

The RBA is expected to tread softly as strong measures would risk knocking the wind out of the property sector, a targeted growth area in place of mining.

The banks have completed their own 'what if' analyses to gauge the likely costs and impact on returns of any regulatory changes, said Reuters.

There is a fine balance being sought by the RBA and banks in terms of sustaining property prices and at the same time, ensuring that prices are within the range of first time buyers.

It is indeed a challenge to see the impact of any upcoming measures which would still allow the property sector to chug along.

Meanwhile, India's market regulator is stepping up its vigilance on companies in its effort to improve investor confidence in its capital markets.

The Securities and Echange Board of India (SEBI) has banned DLF Ltd, India's largets property company, from the capital markets for three years.

The **company**, shouldering US$3 **billion** of debt, will also be barred from the bond market just as its free cash flow sinks to multi-year lows, said Reuters.

The ban follows what SEBI said was DLF's failure to provide key information on subsidiaries and pending legal cases at the time of its record-breaking 2007 initial public offering, said Reuters.

In its first major probe against a foreign investor, SEBI has also banned **Hong Kong**-based hedge fund Factorial Capital Management Ltd, saying the fund had not been able to disprove insider trading charges levelled against it earlier this year.

In an interim order issued in June, SEBI banned Factorial on suspicion the hedge fund short **sold** securities in L&T Finance Holdings Ltd, an Indian financial services **firm**, based on inside information, said Reuters.

SEBI said then that Factorial had built short positions in L&T Finance derivatives - effectively betting on a decline - before the announcement of a **sale** of **company** shares in mid-March, netting a profit of 200 **million** rupees (US$3.23 **million**), said Reuters.

Factorial, in its submissions to the regulator, had asked for the ban to be lifted, claiming that its trades in L&T Finance were "based on high conviction, and fundamental and technical analysis¿ - not insider information, said Reuters.

These two cases that were revealed in short span of time indicates how pro-active the regulator is in trying to crack down on companes with purported problems.

Earlier, the regulator had also warned companies from trading excessively in its debt and currency markets.

The eurozone's banks have rushed to fill a black hole this year ahead of an unprecedented test of their ability to withstand financial shocks, said Reuters.

Quoting research from Linklaters, the city law **firm**, Reuters said banks in the eurozone have been forced to raise 32 per cent more capital in 2014 than they did in the year before the last stress tests in early 2011.

Italian and Greek banks have raised the most funds this year, with recapitalisations of US$10.5 **billion** and US$8.3 **billion** respectively, accounting for more than half of the US$34.7 **billion** raised this year, said Reuters.

However, several of them are not expected to make it in the stress tests, the biggest review of Europe's banking sector ever undertaken.

The health of banks has to be constantly updated as following the financial crisis, there have been considerable changes in the global financial landscape.

Major banking groups are becoming leaner and while some strategies involve trimming the fat, others are turning to mergers as the way to higher efficiencies and chances of survival.

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