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G10/23/10C II

21 August 2002

The Hon Emily Lau, JP  
Legislative Councillor  
Suite 602, 6/F, Citibank Tower  
3 Garden Road  
Central  
Hong Kong

Dear Ms Lau,

**Positive Data Sharing**

Thank you for your letter of 24 July 2002 addressed to the Secretary for Financial Services and the Treasury, sharing with us your comments regarding the banking industry's proposal to share positive consumer credit data. I am asked to reply on his behalf.

In its paper to the LegCo Panel on Financial Affairs' meeting on 9 April 2002, the Hong Kong Monetary Authority (HKMA) gave a detailed account of the background and pros and cons of the proposal on sharing of positive consumer credit data in the banking sector. While the HKMA has noted that the sharing of positive credit data is by no means a panacea for resolving bad debt problems, the proposal is, among other things, one of the measures which can help tackle the problem of rising consumer debt and personal bankruptcies by allowing banks to improve

their credit assessment and to control the growth of bad debt. To deal with the rising trend of personal bankruptcies, other measures are also required such as increased supervisory oversight of banks' lending policies and procedures. In this connection, the HKMA has been closely monitoring banks' lending policies and procedures to ensure that they are meeting the prudential standards required.

I believe we have to be cautious before coming too quickly to the conclusion about the ineffectiveness of positive data sharing in addressing the bad loan problem based simply on the example of one financial institution in the US. There is evidence from both academic research and experience in countries such as the US that sharing of both positive and negative consumer data helps to improve the risk management ability of banks, reduce their bad debt charge, and increase the availability of credit to good borrowers at lower costs.

You may wish to note that the problem of multiple indebtedness in Hong Kong appears to be much more serious than that in the US. A consultant's report shows that, on average, each bankrupt individual in Hong Kong has incurred total indebtedness of 42 times monthly income compared to 21 months in the US. The need to address this problem of over-indebtedness is vital to ensure the stability of Hong Kong's banking and financial systems.

We fully appreciate the privacy concerns in connection with the positive data sharing proposal. There is a clear need to strike a balance between the need to share consumer credit data and the need to safeguard data privacy. To this end, the Privacy Commissioner has indicated his intention to consult the public on the positive data sharing proposal. You can be assured that Hong Kong does have an effective statutory regime in place to safeguard privacy. As illustrated by experience overseas, sharing of positive data and protection of personal data are not necessarily mutually exclusive. Safeguarding data privacy has been and will continue to be one of the primary concerns in the discussion of the proposal between the banking industry and the Privacy Commissioner.

Yours sincerely,

( Ms Kinnie Wong )  
for Secretary for Financial Services  
and the Treasury

c.c. CE, HKMA (Attn: Mr Vincent Lee, Mr Jim Wong)  
Privacy Commissioner for Personal Data (Attn: Mr Raymond Tang)  
Clerk to LegCo Panel on Financial Affairs (Attn: Ms Anita Sit)  
– with copy of incoming correspondence  
AA/SFST