

24 November 2006

Miss Polly Yeung
Clerk to Panel on Financial Affairs
Legislative Council
Legislative Council Building
8 Jackson Road
Hong Kong

Dear Miss Yeung

Panel on Financial Affairs - Follow-up to meeting on 3 July 2006

I refer to the letter from Ms Salumi Chan to our Chairman dated 7 July 2006, our letter to the Panel on Financial Affairs dated 25 October 2006, and the reply from the Panel on 8 November 2006.

We thank the Panel for giving us the opportunity to update it on the four recommendations proposed by HKAB and on our progress regarding the various action items in collaboration with the Administration and the parties concerned, as suggested by the Panel.

As requested, we would like to update the Panel as follows:

A. Update on measures to improve access to basic banking services recommended by FSDC Task Force of HKAB in June 2006

A1 - Member banks to simplify the operating procedures and screens of ATMs for cash withdrawal and balance inquiry to increase their user friendliness

HKAB has held various discussions with the two main ATM network operators in Hong Kong, namely, the Electronic Teller Card (ETC) and Joint Electronic Teller Services Limited (JETCO), and sought their agreement to require all their ATM members to adopt simplified operating procedures and screens for use by their elderly customers.

We are pleased to advise that all ATM members of these two networks will be able to provide elderly customers with access to their ATMs which have simplified and more user-friendly operating procedures and screens for cash withdrawal and balance inquiry.

Whilst at least one member has already offered such a service to their customers, we understand from other member banks that good progress has been made in developing a similar service which will be available to their customers by 31 March 2007.

To facilitate more elderly people to enjoy the use of the ATM service with simplified operating procedures and screens, HKAB will coordinate and lead community-wide programmes aiming at promoting the use of ATMs by people not accustomed to the use of ATMs to perform banking transactions. Please refer to A2 of the recommendation.

A2 - An HKAB-led industry working group under the Task Force of HKAB to develop community-wide programmes to promote and provide training on the use of ATMs

Following many rounds of intensive discussions and consultation with members of the Task Force on Financial Services Delivery Channel (FSDC Task Force), we are pleased to advise that the Education Working Group, established under the FSDC Task Force and is well represented by member banks with a significant retail operation in Hong Kong, has finalised a comprehensive marketing campaign to promote and educate people to use ATMs as a simple, safe and convenient channel in meeting their basic cash transaction needs.

The first campaign, which will be for a period of 12 months, will commence in 1Q07. The campaign aims at:

- establishing knowledge and confidence of the elderly through visual and audio aids and exhibitions in selected areas accessible by the target audience; and
- raising awareness of people on the security aspect of using the ATM service by incorporating security tips into the ATM educational leaflet.

Some of the key features / activities of the marketing campaign include:

1. Distributing via various channels for example, elderly centres, Government district offices, District Councillors' offices and bank branches, of ATM educational leaflet.
2. Preparation of an education VCD for broadcasting at various places as suggested in point 1 above and, where feasible, at lobbies of selected public buildings and public estates.
3. Banks with a significant retail operation will endeavor to assign staff at selected branches as Service Ambassadors who will take a proactive

role in assisting elderly people in learning how to use ATM to perform simple transactions.

4. High profile exhibitions as well as basic but more frequent exhibitions manned by volunteers of member banks with display boards and ATM leaflets distribution arrangement will be held at mainly the retail facilities managed by Link Management (Link) and the Housing Authorities (HA).

A3 - To encourage member banks to, as far as possible, give priority to setting up ATMs and / or self-service banking centres in those public housing estates where the establishment of a manned bank branch is not feasible

HKAB has urged all member banks to adopt the above recommendation by issuing a circular to this effect on 23 June 2006. In addition, HKAB has been facilitating the timely provision of available banking sites to member banks at retail facilities managed by HA and the Link.

A4 - EPS Company (EPSCO) to collaborate with the banking sector to explore the feasibility of enabling cash withdrawals on a limited scope basis, independent of any purchase of goods, at selected chain retailers with EPS payment facilities

EPSCO is in discussion with chain retailers on the feasibility of this option. In order to facilitate this process, HKAB has been providing the materials required by EPSCO as well as serving as a platform for EPSCO to consult member banks on key issues.

As a next step, HKAB has plans to hold discussions with EPSCO and some of its merchants in December 2006 or January 2007. We will have more updates on this after our discussions with these parties.

At this stage, and subject to various key issues being ironed out, it appears that a viable approach to take this option forward is to pilot launch the service at selected chain retailer outlets.

B. Updates on the action items in collaboration with the Administration and the parties concerned

HKAB acknowledges the views and suggestions from LegCo members to ensure that the basic banking need of the public, especially those of the elderly and the disabled group, is catered for. To this end, HKAB has drawn the matters to the attention of its members for their formulation of financial services delivery channel strategies going forward. In parallel, HKAB will continue to engage in close dialogue with the Administration in following up with the relevant suggestions from LegCo members.

In addition, we would like to update the Panel on the various specific suggestions by the Panel as follows:

B1 - In order to facilitate HKAB members to consider establishing bank branches at new towns and public housing estates, HKAB has written to HA and Link urging them to introduce new measures or, where relevant, extend the scope of existing measures for some of their retail facilities to make establishing bank branches, ATMs or self- service centres at their retail facilities currently without any banks' presence economically viable.

HA advised HKAB on 24 August 2006 as follows:

- Offer of concessionary terms to the banking sector for those locations currently without a banking outlet – HA's retail properties including bank premises are let at market rent. Rental assessment is made with reference to factors affecting rent including, inter alia rents of comparable premises, population, supply and demand, location, and trading potential etc. HA records show that there are lettings of retail premises to banks charged at market rents but close to the current concessionary rent level for lettings to non-government organizations dependent upon the location and trading potential of the subject premises. Over the past years, HA is well aware of public concern on the lack of access to banking services in public housing estates. It has already made downward adjustments to the rental assessments of many bank premises to attract the banking sector's interest. HA notes that there is considerable improvement in the local economy and a general rising trend in rents for retail properties over the past few years.
- Conduct bilateral negotiations with banks rather than through tendering – Under the current practice, all ATM and self-service bank sites are let by negotiation while bank premises are let by open rental tendering with a view to maintaining a fair, transparent and open competition system. In taking forward HKAB's suggestion, HA is willing to consider letting bank premises by direct negotiation on receipt of indication from any banking institution showing interest in taking part in this form of letting arrangement in selected locations.
- Introduce a 'Package Deal' Policy – The proposed package letting strategy is already in place. There were successful lettings in packages in the past when the banking institutions were keen to expand their branches. If package letting is welcome by banks, HA is happy to arrange.

Link advised HKAB on 27 October 2006 as follows:

- Link is actively bringing in more banking outlets in its properties by working closely with banks and pursuing a flexible leasing strategy emphasizing two-way communication with prospective tenants.
- Over the past year, Link saw new openings of bank outlets in over twenty of its shopping centres. Among these shopping centres, three introduced a bank branch for the first time since their opening. Its work has effectively reversed the downward trend for banking outlets in its properties. It will continue to work with the sector in exploring ways to better serve the banking needs of customers at its properties.

In view of the responses from HA and Link, HKAB will maintain a close dialogue with these parties to ensure that any major issues faced by the banking industry related to the establishment of bank branches and ATMs at retail facilities managed by them will be conveyed to these parties as soon as possible. HKAB will also take a proactive role in acting as a platform for the banking industry to raise any suggestions for consideration by HA and Link, to facilitate more banks to establish branches and ATMs at these facilities.

B2 - Banks should give adequate advance notice to consumers before the closure of branches

We understand, in general, banks would give at least one month advance notice before closing a branch. A longer prior notice – between 2 to 3 months – is given by some banks.

B3 - Measures to facilitate the use of ATMs

HKAB has provided guidance to member banks on the design of ATMs to facilitate access by users with a disability, in compliance with Hong Kong standard. These guidelines are reviewed from time to time in light of experience, both locally and overseas, to ensure the recommendations in the guidelines are practicable and up to date.

In response to the specific suggestion of some LegCo members that individual banks should look into the feasibility of using biometrics technology as an alternative to the use of PIN for accessing ATM services, HKAB has commissioned a specialist group to research into the practice in overseas countries and their experience. The key findings of our research, as collaborated by a major ATM manufacturer, can be summarised as follows:

- The use of biometrics (such as finger print, face, iris, voice etc) is still in its infancy as regards its application to ATM services, as reflected in the lack of adaptation in the U.S. and U.K.

- Privacy issues, longer processing time affecting service standard (compared with the use of PIN) and the impact of aging on the effectiveness of the biometrics (e.g. iris recognition) are considered some of the key challenges that need to be addressed.

HKAB will keep this issue under review, notwithstanding its current community-wide programmes to promote and provide training on the use of PIN-based ATMs for elderly customers.

C. Fees levied on inactive accounts and low-balance accounts

Based on the information received from our member banks which provide consumer banking services in Hong Kong, 24 banks charge fees on inactive accounts and 22 banks charge fees on low-balance accounts. Details of the fee level and fee waivers are as follows:

Monthly Fee *	Inactive accounts	Low-balance accounts
	Number of banks charging fees	
HKD10 or under	7	1
HKD11 – HKD20	15	1
HKD21 – HKD30	1	3
HKD31 – HKD50	1	12
HKD51 – HKD100	-	4
HKD101 – HKD200	-	1
Above 200	-	
Fee waiver	Number of banks applying fee waiver	
Customer groups eligible for fee waiver include: <ul style="list-style-type: none"> • Senior Citizens • Government Disability Allowance recipients • Comprehensive Social Security Allowance recipients • Old Age Allowance recipients 	15	18

* As banks levy fees on a monthly, quarterly, semi-annually or annual basis, such fees are expressed on a monthly basis for comparison purposes.

We would also like to advise that:

- 18 banks have advised us that they will only levy charges on inactive accounts which have no customer initiated transaction for at least a continuous six-month period **and** which have a balance below HKD1,000-2000.
- HKAB and banks have been active in educating customers why inactive accounts are undesirable and how they can be avoided¹. In addition, the Code of Banking Practice requires banks to give prior notice to customers when a charge accrues on inactive accounts for the first time.
- Some banks do not require savings accounts operated through ATMs to maintain a minimum balance below which a fee is applicable.
- The community-wide programmes of HKAB to promote and provide training on ATM use should enable more customers to choose banking services from a wider range of choices.

Finally, we thank the Panel for the invitation to HKAB to attend the Panel meeting on 5 January 2007 for discussion of the above subject. In view of current progress, and to allow more time for the industry to implement and review HKAB's recommendations, HKAB would like to propose that, instead of attending the Panel meeting on 5 January 2007, HKAB will approach the Panel in January 2007, to firm up details of the meeting arrangement in 2Q2007.

Yours sincerely

Alan Sze
Secretary

Enc.

c.c. Hon Chan Kam-lam, SBS, JP (Chairman, Panel on Financial Affairs,
Legislative Council

Ms Angelina Kwan, Secretary for Financial Services and the Treasury Bureau

Mr Andy Ching, Senior Manager, HKMA

¹ See attached public leaflet produced by HKAB to encourage bank customers to close accounts which are no longer needed or to consolidate accounts where possible.

助你認識不動賬戶

你是否持有不動銀行賬戶？

偶爾會有客戶開立了銀行賬戶、存入款項，但過一段時間後，便遺忘了它們；或讓戶口結餘降至頗低、甚至零的水平，而沒有結清賬戶。在未正式取消賬戶前，客戶需要繳付銀行可能繼續收取的手續費。

何謂不動賬戶？

儲蓄、支票或其他類別的存款賬戶，若在一段時間內（通常為六個月或以上）並無任何交易（銀行主動支付利息及扣除手續費的交易除外），大部份銀行會歸納此類賬戶為不動賬戶。

不動賬戶為何不利客戶？

為管理不動賬戶，銀行需承擔龐大的行政費用。一般而言，銀行會採取特定的內部程序保障不動賬戶持有人，例如要求支出的交易需要額外的審批，嚴密保管賬戶持有人的簽字樣本等。

讓賬戶處於不動狀態不是明智的理財方法。低結餘之戶口會沒有利息或只有甚低的利息，另外，就不動賬戶，部份銀行亦會停止提供某些服務，如自動櫃員機服務。因管理不動賬戶的費用高昂，大部份的銀行會向客戶收取小量的手續費。由於客戶通常沒有把最新的個人資料通知銀行，銀行的賬戶結單或通告便可能因不能送達，被打回頭。客戶對這些賬戶的交易及核對結單，警惕性較低，賬戶被竊取的風險亦較高。

如何避免持有不動賬戶？

- 點算自己持有的賬戶。只保留需要的賬戶，更佳的做法是合併賬戶，賺取較多的利息及避免繳付手續費。正式取消所有不需要的賬戶。辨別所有常行指示及直接付款授權書，並中止有關指示及授權後，才取消不必要的賬戶。

- 當個人資料有所變更，必須通知你的往來銀行，否則，銀行可能無法聯絡你或仍繼續將賬戶結單寄往你的舊地址。不瞭解賬戶狀況並不代表客戶不需承擔有關的責任。
- 閱讀你的郵件，不要忽視銀行的通知。

Understanding Dormant Accounts

Do you have a dormant bank account?

Sometimes people open bank accounts, deposit money for a while, then forget about them. Or, let the account go to a low or zero balance instead of closing the account. If you do not formally close the account, fees may continue which you will be responsible for paying to your bank.

What is a dormant account?

Most banks classify savings, current accounts and other types of deposit accounts as dormant where those accounts have no activity other than transactions initiated by the bank (such as interest and charges) after a specified period of time, generally 6 months or more.

Why is a dormant account undesirable?

Banks incur huge costs to maintain dormant accounts. They establish special procedures to protect dormant account holders, such as requiring extra approvals, and maintaining special security for signature cards.

Dormant accounts are a poor use of money. Very little or no interest is earned if the balance in the dormant account is low. Most banks levy a small charge on dormant accounts because of the high costs to maintain them, and some banks discontinue providing certain services to dormant accounts such as the ATM service. There is less incentive for the customers to keep the banks up to date of their personal information, and so notices or statements from the banks may be returned undelivered. As customers may be less vigilant in monitoring transactions and reconciling statements, there is also a greater risk that the account may be tampered with.

How to avoid having a dormant account?

- Review what bank accounts you have. Keep only those accounts you need, or better still, consolidate them to earn a better return on your accounts and avoid paying charges. Formally close any accounts that you don't need. Make certain to identify all standing instructions and direct debit authorisations and discontinue them before closing your account.
- Always notify your bank when there are changes to your personal information. There is no way for your bank to contact you or send statements to you at your old address. Not knowing the status of your account does not excuse you from being responsible for it.
- Read your mail – don't ignore notices from the bank.