

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1777/06-07

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by the Administration)

Ref : CB1/PL/FA/1

**Panel on Financial Affairs**

**Minutes of meeting**  
**held on Monday, 2 April 2007 at 10:45 am**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Bernard CHAN, GBS, JP (Deputy Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon Albert HO Chun-yan  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Dr Hon David LI Kwok-po, GBS, JP  
Hon James TO Kun-sun  
Hon SIN Chung-kai, JP  
Hon Emily LAU Wai-hing, JP  
Hon Abraham SHEK Lai-him, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon CHIM Pui-chung  
Hon TAM Heung-man
- Members attending** : Hon LEE Cheuk-yan  
Hon Fred LI Wah-ming, JP  
Dr Hon Fernando CHEUNG Chiu-hung
- Members absent** : Hon CHAN Kam-lam, SBS, JP (Chairman)  
Hon WONG Ting-kwong, BBS  
Hon Ronny TONG Ka-wah, SC

**Public officers  
attending**

: Agenda Item IV

Ms Angelina KWAN  
Principal Assistant Secretary for Financial Services and  
the Treasury (Financial Services)

Mr Clement CHAN  
Assistant Secretary for Financial Services and the  
Treasury (Financial Services)

Mr Raymond CHAN  
Head (Banking Policy), Hong Kong Monetary Authority

**Attendance by  
Invitation**

: Agenda Item IV

Hong Kong Association of Banks

Mr Peter SULLIVAN  
Chairman (also Executive Director and Chief Executive  
Officer, Standard Chartered Bank (Hong Kong) Limited)

Mr David LAM  
Deputy Chief Executive, Bank of China (Hong Kong)  
Limited

Mr George LEUNG  
Advisor, Strategy and Economics, Asia-Pacific, The  
Hong Kong and Shanghai Banking Corporation Limited

Ms Maria LEUNG  
Head of Consumer Clients, Hong Kong,  
ABN AMRO Bank N.V.

Mr TONG Hon-shing  
General Manager and Head of Personal Banking Division  
Bank of East Asia, Limited

Mr Jun KATO  
Senior Assistant General Manager  
Bank of Tokyo Mitsubishi UFJ, Limited

Ms Amy CHOI  
Director of Sales and Distribution  
Citibank (Hong Kong) Limited

Dr Philip WU

Executive Director and Chief Executive  
Wing Lung Bank Limited

Ms Florence HUI  
Secretary

Consumer Council

Ms Connie LAU  
Chief Executive

Ms Vera TAM  
Chief Research & Trade Practices Officer

**Clerk in attendance:** Miss Polly YEUNG  
Chief Council Secretary (1)5

**Staff in attendance :** Mr KAU Kin-wah  
Assistant Legal Adviser 6

Ms Annette LAM  
Senior Council Secretary (1)3

Ms Rosalind MA  
Senior Council Secretary (1)8

Ms Sharon CHAN  
Legislative Assistant (1)8

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Action

As the Chairman was out of town and unable to attend the meeting, the Deputy Chairman chaired the meeting in the Chairman's absence as previously agreed at the Panel meeting on 5 February 2007.

**I. Confirmation of minutes of meeting and matters arising**

(LC Paper No. CB(1)1231/06-07 — Minutes of special meeting on  
1 February 2007

LC Paper No. CB(1)1332/06-07 — Minutes of meeting on  
5 February 2007

LC Paper No. CB(1)1275/06-07(01) — Letter dated 28 March 2007  
from Hon James TO)

2. The minutes of the special meeting held on 1 February 2007 and the meeting held on 5 February 2007 were confirmed.

Section 378 of the Securities and Futures Ordinance (Cap. 571)

3. The Deputy Chairman drew member' attention to the letter dated 28 March 2007 from Mr James TO (LC Paper No. CB(1)1275/06-07(01)) proposing to invite the Administration and the Securities and Futures Commission (SFC) to attend a meeting of the Panel to address further concerns about the application of section 378 of the Securities and Futures Ordinance (Cap. 571) (SFO) in respect of the disclosure of information on cases handled by SFC.

4. At the invitation of the Deputy Chairman, Mr James TO referred members to the analysis of section 378 of SFO prepared by the Panel's legal adviser (LC Paper No. LS25/06-07). He explained that during past discussion at Panel meetings on certain cases of widespread public concern (such as the alleged market misconduct involving the Melco International Development Limited and issues related to change in shareholding involving PCCW Limited), SFC had refused to disclose information on specific cases on the grounds that it was bound by the secrecy provision under section 378 of SFO. Pointing out that section 378 did not impose an absolute obligation on SFC to preserve secrecy, Mr TO was concerned about the measures in place to ensure that SFC, in discharging its obligations under section 378 of SFO, had indeed struck a proper balance between the need to preserve secrecy and the need to disclose information in the public interest. He therefore suggested the Panel to invite the Administration and SFC to provide further information on the policy considerations underlying section 378, and advise whether and what further information on the aforesaid cases could now be disclosed.

5. Mr Albert HO and Ms Emily LAU supported Mr TO's suggestion. Mr HO opined that further information on specific cases, if available, could provide members with a better understanding of SFC's policy on disclosure of information and how the secrecy provision would bind SFC in the discharge of its duties. Ms LAU was of the view that the question of whether and how SFC could exercise discretion in the disclosure of information under the secrecy provision of section 378 should be further examined. To facilitate the Panel's consideration, Ms LAU said that information on overseas regulatory regimes and details of the secrecy obligation, if any, on the regulators should also be provided for members' reference.

6. Mr CHIM Pui-chung said that he had no objection to the Panel's further discussion on the application of section 378 of SFO. However, he pointed out that unless legislative amendments were made to revise/remove the existing secrecy provision in SFO, the Panel might not be able to obtain a satisfactory response

from SFC, nor further information on the aforesaid cases in the upcoming discussion.

7. After deliberation, members agreed that the Panel would invite the Administration and SFC to discuss the subject of the secrecy provision under section 378 of SFO and to provide further information on the cases involving the Melco International Development Limited and the PCCW Limited and other cases as deemed appropriate by SFC. Members also agreed to include the subject on the Panel's "List of outstanding items for discussion".

## **II. Information papers issued since the last meeting**

(LC Paper No. CB(1)1101/06-07(01) — A joint press release on "Joint policy statement regarding the listing of overseas companies" published by Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission on 7 March 2007

LC Paper No. CB(1)1113/06-07(01) — Mandatory Provident Fund Schemes Statistical Digest — December 2006

LC Paper No. CB(1)1121/06-07(01) — Information pack on the "Trail Issue of Ten-Dollar Polymer Notes" provided by Hong Kong Monetary Authority

LC Paper No. CB(1)1270/06-07(01) — Paper on "HKEx statement regarding the listing of overseas companies" provided by Hong Kong Exchanges and Clearing Limited)

8. Members noted that the above papers had been issued for the Panel's information

## **III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)1228/06-07(01) — List of outstanding items for discussion

LC Paper No. CB(1)1228/06-07(02) — List of follow-up actions)

9. Members noted that no discussion item had been proposed by the Administration for the meeting on 7 May 2007. The Clerk also recapped for members' information the following changes to the two items originally scheduled for the meeting in May 2007:

- (a) As agreed at the meeting held on 2 March 2007, the item on "Briefing on the work of the Hong Kong Monetary Authority (HKMA)" would be re-scheduled for discussion at the Panel meeting on 4 June 2007 to facilitate the personal attendance of Mr Joseph YAM, Chief Executive of HKMA. Members were duly informed vide LC Paper No. CB(1)1070/06-07 on 6 March 2007.
- (b) At the request of the Administration to consult the Panel on an earlier date and with the concurrence of the Panel Chairman, the item on "Proposed amendments to the Mandatory Provident Fund Schemes Ordinance" had been advanced to the special meeting to be held on 12 April 2007. Members had been informed of the arrangement vide LC Paper No. CB(1)1213/06-07 on 27 March 2007.

10. In this connection, Ms Emily LAU said that she did not find the revised arrangement at paragraph 9(b) very agreeable. She pointed out that the purpose of the special Panel meeting on 12 April 2007 was to receive an overall briefing on the "Summary Results of the 2006 Population By-census" and the discussion would likely cover a wide range of issues. As such, Ms LAU considered that unless the additional proposed item was of high urgency, it should not be included on the agenda of the special meeting. Mr James TIEN considered that meeting arrangements should be made to deal with discussion items at regular meetings, with special meetings arranged only when there was inadequate time to deal with all proposed items at the regular meetings.

11. The Deputy Chairman suggested and members agreed that the Secretariat would liaise with the Administration and SFC to arrange discussion of the subject on the application of section 378 of SFO at the next meeting on 7 May 2007.

*(Post-meeting note: The item on "Issues related to section 378 of Securities Futures Ordinance (Cap.571)" proposed by Mr James TO was scheduled for discussion at the regular Panel meeting on 7 May 2007. Members were informed of the meeting arrangement vide LC Paper No. CB(1)1315/06-07 on 4 April 2007.)*

#### **IV. Impact of banks' branch closure and fee-charging on the public**

(LC Paper No. CB(1)1228/06-07(03) — Paper provided by the Administration

LC Paper No. CB(1)1229/06-07 — Background Brief on the "Impact of banks' branch closure and fee-charging on the public" prepared by the Secretariat )

12. The Deputy Chairman recapped that the Panel had discussed the impact of branch closure of banks at the meeting on 3 July 2006 and had agreed to follow up the subject, as well as the impact of banking charges on the public, at a future meeting. He welcomed the representatives from the Hong Kong Association of Banks (HKAB), the Consumer Council (CC) and the Administration attending the meeting.

Presentation by the Hong Kong Association of Banks

(LC Paper No. CB(1)1228/06-07(04) — Publicity materials on the campaign to promote the use of Automatic Teller Machines (ATM) by senior citizens (printed leaflet, educational CD, ATM location maps and poster) provided by the Hong Kong Association of Banks

LC Paper No. CB(1)390/06-07(01) — Letter dated 24 November 2006 from the Hong Kong Association of Banks in response to members' concerns raised at the meeting of the Panel on Financial Affairs held on 3 July 2006

LC Paper No. CB(1)1299/06-07(01) — Power-point presentation material provided by Hong Kong Association of Banks (tabled at the meeting and soft copy issued to members on 2 April 2007))

13. At the invitation of the Deputy Chairman, Mr Peter SULLIVAN, Chairman of HKAB, gave a power-point presentation on initiatives taken by the banking industry to facilitate the provision of basic banking services to the public. He highlighted that the banking industry was keenly aware of the special needs of the elderly and other disadvantaged social groups. HKAB had therefore set up the Task Force on Financial Services Delivery Channels (the Task Force) in 2006, which had worked closely with HKMA and the respective bureaux and

departments to examine ways to enhance access to banking services. He shared the work of the Task Force in the following areas:

- (a) Hong Kong's current bank channel distribution and usage
- Hong Kong had one of the highest levels of penetration of banking channels, with 1 223 bank branches and 2 420 Automatic Teller Machines (ATMs). The total number of bank branches in March 2007 had remained stable at around 1 200 since 2003. Some banks would be opening even more branches in 2007. The review of the distribution of bank branches in different districts showed that the number had increased slightly in 2006 for 12 districts.
  - The study on the utilization of different service channels showed an inexorable migration of banking transactions from bank branches to electronic channels in the last three years. Transactions made through ATMs, phone banking and the Internet accounted for over 86% of the total banking transactions in 2006, compared with 77% in 2003.
- (b) Initiatives to facilitate access to banking services
- A community-wide education campaign was officially kicked off on 11 March 2007 to educate the general public, in particular the elderly, on how to use ATMs. The campaign covered exhibitions, and was supported by education materials including posters, leaflets, location maps of ATMs as well as a VCD on how to use ATMs.
  - Simplified ATM screen was introduced on 1 April 2007 to enhance the user-friendliness of ATMs.
  - The coverage of retail outlets offering purchase-based cash withdrawal services with EPS facilities was extended to include 257 Circle K convenience stores in March 2007, increasing the number of such outlets to 743, among which 177 were located in public housing estates.
  - HKAB had issued circulars to urge member banks to set up ATMs and/or self-servicing banking centres at public housing estates and to review and put in place appropriate fee exemption policies for various disadvantaged groups.
  - Over 20 branches and ATMs were established in 2006 at shopping centres managed by the Housing Authority (HA) and The Link Management Limited (The Link).
  - HKAB remained available for discussion on proposals for withdrawal of social welfare payments through alternative channels such as Octopus Cards and the post office, should these options be further explored by the Administration and parties concerned.
- (c) Plans for the remaining months of 2007

- Organise additional ATM education exhibitions at key shopping centres throughout the rest of the year.
- Monitor public response to the ATM education campaign and simplified ATM screen, as well as the development of EPS cashback service.
- Continue to review all existing channels of distribution and services and further explore ways to encourage consumers to utilize existing channels.
- Continue to explore with the Government, HKMA, the Consumer Council and other relevant parties on further initiatives.

14. Mr Peter SULLIVAN said that as commercial entities, banks had to ensure that financial services channels were developed and refined based on sound commercial principles, while at the same time fulfilling their social responsibility as corporate citizens. It was therefore critical for banks to strike the right balance. He stressed that the support and cooperation from other key sectors in the community, including the Government, the private sector and the general public, would be important to HKAB's work in enhancing banking services for consumers.

Presentation by the Consumer Council

(LC Paper No. CB(1)1264/06-07(01) — Paper provided by Consumer Council

LC Paper No. CB(1)1264/06-07(02) — Executive summary of the "Report on Impact of Branch Closures and Fee Increases of Banks on Disadvantaged Consumers" provided by Consumer Council

LC Paper No. CB(1)1264/06-07(03) — Annex 3 to the "Report on Impact of Branch Closures and Fee Increases of Banks on Disadvantaged Consumers" – Availability of Banking Service by Selected District

LC Paper No. CB(1)1275/06-07(02) — "Report on Impact of Branch Closures and Fee Increases of Banks on Disadvantaged Consumers" provided by Consumer Council)

15. At the invitation of the Deputy Chairman, Ms Connie LAU, Chief Executive of CC, briefed members on the findings of CC's study on the impact of

branch closure and fee increases of banks on disadvantaged consumers conducted in 2006 (CC's Study). She pointed out that many respondents in the study considered that a bank branch remained the major channel through which they could comfortably manage their money. The key findings and recommendations of CC's Study were summarized below:

- (a) On access to bank branches, respondents noted a reduction in branch services in their neighbourhood. In four large scale housing estates with a population of over 45 000, there was only one bank branch whereas in an affluent district such as Wanchai, there was roughly one bank per 1 400 persons. CC recommended the banking sector to explore the feasibility of introducing mobile branches in underprivileged areas and the Administration to make special provisions to attract banks to set up branches in public housing estates. The banking sector could also explore the feasibility of enabling disadvantaged customers to withdraw cash at retail shops without having to make any purchase.
- (b) On the use of ATMs or other e-banking services, CC found that these were not commonly used by the respondents as alternatives to conventional banking services. While the introduction of simplified ATM screen and educational campaigns by the banking sector could facilitate the use of ATMs, less privileged customers might still not be able to afford the cost incurred for the use of ATMs. CC recommended that the banking sector should seriously consider interconnecting the two existing ATM networks to enhance accessibility and to provide free ATM service to disadvantaged customers.
- (c) To facilitate bank customers to switch their accounts to another bank after branch closure, CC recommended the Administration to explore with the banking sector means to streamline procedures for switching between banks by offering a one-stop service. Time difference in the receipt of social welfare payments through different banks should also be avoided.
- (d) Many respondents were not aware that fee waivers were available from some banks. CC therefore recommended banks to improve the transparency of their fee waiver policy, expand the scope of fee-free accounts and provide automatic fee waiver to qualified consumers such as recipients of welfare payments.

## Discussion

### *Distribution of bank branches*

16. Mr James TIEN appreciated the efforts of the banking sector in providing a simplified ATM screen and launching an educational campaign to facilitate the

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use of ATMs by the elderly. To improve public accessibility to banking services, in particular the elderly and disadvantaged groups, Mr TIEN suggested HKAB to negotiate with major property developers for rent-free/lower rent premises to set up ATMs in the commercial premises under their management. He also requested the Administration to take steps to facilitate the setting up of ATMs at government premises or premises managed by HA, The Link and the Hospital Authority.

17. In response, Mr Peter SULLIVAN highlighted that while HKAB could start dialogue with major developers and the Hospital Authority to examine whether and how Mr TIEN's suggestion could be taken forward, the rental costs incurred for the establishment of the majority of the over 20 branches and ATMs in 2006 were an issue of concern. He pointed out that the banks might have difficulty in renting premises at preferential rates from private developers which were following commercial principles in their leasing policy.

18. The Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) (PAS/FS) advised that the Administration had followed up members' suggestion on the provision of ATMs in premises managed by government departments and HA since the meeting in July 2006, and the response was positive. For example, subject to proposals by banks, HA would be willing to consider the use of certain non-retail premises managed by it for setting up ATMs. The Leisure and Cultural Services Department and the Home Affairs Department were open to proposals of installing ATMs inside their premises used by the public, such as public libraries and community halls. The Administration would provide assistance and facilitation to HKAB in liaising with the relevant departments. She added that the Administration had conveyed its stance to HKAB in writing.

19. Mr Fred LI noted the reduction of 229 bank branches since 2001 and expressed concern that the closure of bank branches by the Hong Kong and Shanghai Banking Corporation (HSBC) in public housing estates had caused great inconvenience to the elderly and the disadvantaged groups who used to rely on bank counter services. Dr Fernando CHEUNG also pointed out that CC's Study showed that the closure of bank branches in areas with a higher percentage of low-income population had affected the access to basic banking services by disadvantaged groups. Mr LEE Cheuk-yan and Mr SIN Chung-kai expressed similar views. Mr LEE doubted whether the majority of the new branches set up in 2006 were in fact located in commercial districts instead of residential districts inhabited by low-income households.

20. Mr Peter SULLIVAN said that the consolidation of banks and the migration towards electronic banking services in the past few years had largely accounted for the reduction of branches. Whilst there had been a reduction in bank branches and other retail outlets during the economic downturn in the past few years, the number of branches had actually increased in 2006 in tandem with the economic upturn. The banking industry had endeavoured to address concerns about access to banking services by the elderly and the disadvantaged groups through the provision of alternative channels. For example, 177 retail outlets

offering EPS cashback services were located in public housing estates in different districts in Hong Kong. Mr SULLIVAN assured members that decisions to close bank branches had not been made lightly but on the basis of detailed information on customer traffic and transactions.

21. Mr SIN Chung-kai said that the banking sector as a whole might wish to consider collaborating in the provision of banking services to disadvantaged groups so that the possible downside of the business could be shared out among banks. In response, Mr Peter SULLIVAN cautioned that as Hong Kong was a free-market economy, Mr SIN's suggestion for banks to collaborate in their service provision had to be examined very carefully in order to maintain Hong Kong's competitive business environment and its status as an international financial centre.

22. In this regard, Head (Banking Policy), HKMA (H(BP)/HKMA) advised that not all new branches planned in 2007 were set up in commercial districts. According to the latest record of HKMA, two and one new bank branches would be set up shortly in Shum Shui Po and Tuen Mun respectively. To address Mr LEE Cheuk-yan's concern about the trend for new bank branches to provide specialized customer services such as personal finance management, the Deputy Chairman requested a breakdown on the number and location of new bank branches set up in recent years, and their scope of service, including whether basic banking services such as deposit and withdrawal services were available at these branches.

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HKAB

23. Mr George LEUNG, Advisor, Strategy and Economics, Asia-Pacific of HSBC, pointed out that apart from economic factors such as operation costs, the reduction in bank branches since 2001 had resulted from technological advancement, in particular the prevalence of electronic banking. Whilst the banking sector would consider the suggestion of setting up small bank branches in premises managed by HA or government departments if more attractive rental offers were available, Mr LEUNG was of the view that the Government could facilitate the provision of cash deposit and withdrawal services to the disadvantaged groups by, for example, arranging for such services to be provided through the post offices.

24. Dr Fernando CHEUNG was particularly concerned about the impact of branch closure by HSBC and the Hang Seng Bank, as these two major banks had a large number of accounts held by the elderly and the disadvantaged groups, given their scale of operation and historically being the designated banks for payment of social welfare benefits. Dr CHEUNG pointed out that even though welfare payment could be made through other banks, CC's Study had shown that there was a time difference in these autopayment to banks other than HSBC and Hang Seng Bank. Mr George LEUNG nevertheless said that as far as he was aware, there was no time difference in making social welfare payments through different banks. Payment was arranged in accordance with the payment instructions given by the Social Welfare Department.

25. Noting the Administration's report in its information paper (LC Paper No. CB(1)1228/06-07(03)) that HA had made downward adjustments to the rental assessments of many bank premises, Ms Emily LAU was concerned whether such rental adjustments could effectively attract the banking sector's interest in setting up branches in public housing estates. Mr Albert HO was also of the view that lower rents offered by HA could provide an incentive to banks in setting up branches in public housing estates.

26. In this connection, Mr TONG Hon-shing, General Manager and Head of Personal Banking Division, Bank of East Asia Limited (BEA), recalled the experience of BEA's unsuccessful bid of commercial premises in a public housing estate in Tseung Kwan O some years ago despite offering the highest price among all bidders, as its offer was below the rental level assessed by HA. Mr TONG nevertheless was pleased to note that HA and The Link were now probably exercising greater flexibility in the letting of commercial premises.

27. H(BP)/HKMA advised that according to the records of HKMA, eight new bank branches had been set up in 2006, with two in public housing estates managed by HA and six in premises managed by The Link. PAS/FS supplemented that HA was aware of concerns about the number of bank branches in its premises, and had adjusted the rental to attract banks to set up branches. Since July 2006, there had been two new leases to banks in commercial premises under HA's management.

28. Ms Emily LAU said that plans should be made to facilitate the setting up of at least one bank branch in each public housing estate and that HA should designate retail premises under its management for banking facilities. In response, PAS/FS said that HA had designated retail premises in its commercial properties for banking facilities, but whether such premises would be taken up by banks depended on banks' interest. At the request of Ms LAU, the Administration could provide further information as to the reasons why some of the designated retail premises had not been taken up by banks.

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29. Mr James TO, Dr Fernando CHEUNG and Ms Emily LAU considered that basic banking services were a necessity in people's daily life. The provision of such services should not therefore be determined solely by commercial factors or market forces. They urged the banking industry to strike a balance between commercial considerations and their corporate social responsibility to ensure that basic banking services remained readily available to the public, in particular the disadvantaged groups, when deciding to close their branches. The members opined that as the matter had been under discussion for quite some time and if the various improvement initiatives still failed to adequately address the concerns, then, it would be incumbent upon the Government to take active measures to meet the needs of disadvantaged customers for basic banking services. Mr Albert HO questioned whether the Administration would ensure the provision of basic banking services through, for example, formulating planning standards on the ratio of population to the number of bank branches in a district. Dr CHEUNG suggested that a dedicated working group led by the Government should be set up comprising

HKAB

representatives of the Government, HKAB, CC, HKMA, disadvantaged groups etc. to examine effective measures for the provision of basic banking services in the territory. The working group should be required to report the progress and findings to the Administration and the Panel in due course.

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30. In response, PAS/FS stressed that the Administration was mindful of the public's need for basic banking services. All along, the Administration was represented in the HKAB Task Force and maintained close liaison with the banking industry on measures to address concerns about the provision of basic banking services in the community. PAS/FS said that as the existing arrangement had been functioning effectively, the Administration would continue to make use of the Task Force as the forum to take forward initiatives and improvements. She nevertheless took note of Dr Fernando CHEUNG's suggestion. The Administration would continue to encourage and facilitate the banking industry to discharge its corporate social responsibility by meeting the service needs of consumers as far as possible, and would not resort to legislation for mandatory measures lightly. She also pointed out that the idea of imposing planning standards on the provision of bank branches would need to be examined in detail, having regard to factors such as the possibility for banks to adopt a more cautious approach in setting up new branches when the new standards would apply.

31. Responding to Miss TAM Heung-man's enquiry about the role of HKMA in conveying consumers' views for improvement of banking services, H(BP)/HKMA advised that HKMA was tasked to oversee the proper operation of banking institutions to ensure the stability of the banking system in Hong Kong. HKMA had no statutory role as a consumer watchdog. Having said that, HKMA was mindful of the concerns about the provision of banking service and had all along participated in the Task Force in collaboration with HKAB and other parties concerned.

*Measures to facilitate the use of e-banking*

HKAB

32. Mr Jeffery LAM was concerned about the security issues related to the use of ATMs by the elderly and enquired about the assistance provided by the banking sector in this respect. In reply, Mr Peter SULLIVAN advised that service ambassadors were deployed at bank branches to assist customers in using ATMs. With regard to assistance provided to customers outside bank branch premises, Mr SULLIVAN said that the banking industry would strive to provide assistance as far as possible. To this end, the community-wide education campaign on the use of ATM was launched to increase general understanding and interest in ATM usage, in particular among the elderly population. Referring to the example of the use of mobile phones among the elderly population, Mr SULLIVAN pointed out that with the continued launch of publicity and education programmes by HKAB, the elderly would become more familiar with and confident in the use of ATMs. The adoption would be possible as evident in their increasing use of mobile phones.

33. Mr LEE Cheuk-yan and Mr SIN Chung-kai shared the view that elderly customers could hardly overcome the difficulty in memorizing the personal

HKMA/  
HKAB identification number (PIN) for the use of ATMs. Mr SIN said that illiteracy among the elderly added to their difficulty in making use of e-banking. As such, ATMs or cashback services at retail outlets such as supermarkets could hardly substitute personal counter services for these customers. Referring to the use of finger print for immigration clearance, Mr SIN suggested HKAB and HKMA to study the feasibility of using biometrics and other advanced technology as means of personal identification to facilitate access to ATM facilities by the elderly and other disadvantaged groups.

34. H(BP)/HKMA said that the use of technology to help the elderly overcome the difficulty of memorizing the PIN was recommended by CC in its Study report. The recommendation was discussed at a meeting between CC, HKMA and HKAB prior to the issue of the CC report and it was agreed that the subject be further explored. Mr Peter SULLIVAN assured members that HKAB was open to suggestions on how best to meet the basic needs of the elderly and disadvantaged groups. He nevertheless pointed out that while advanced technology such as finger print could be used for immigration clearance, the use of the same technology for cash withdrawals had security concerns as there might be higher risks of customers being coerced to withdraw cash from ATM. For illiterate customers, Mr SULLIVAN hoped that developments in technology would facilitate the use of ATMs/e-banking services by these customers.

HKAB 35. To facilitate the use of ATMs by customers of different banks, Miss TAM Heung-man suggested that HKAB should urge its member banks to consider waiving the administration charge for use of ATMs belonging to another network, and study the feasibility of interconnecting the two main ATM networks in Hong Kong, namely, the Electronic Teller Card and the Joint Electronic Teller Services Limited (JETCO) systems. Mr Albert HO expressed similar view.

HKAB 36. Mr Peter SULLIVAN advised that complicated issues had to be addressed in the proposal of interconnecting the two ATM networks. Given the commonality and potential overlap of the two systems, their interconnection might result in fewer ATMs in the territory. Regarding concern about the use of ATM by the visually impaired or illiterate customers, Mr SULLIVAN agreed that this was a challenging task for the banking industry. Nevertheless, the banking industry would continue to keep in view the latest development in technology to alleviate the difficulties encountered by the visually impaired or illiterate customers in using ATMs.

#### *Enhancing the operation of inter-bank services*

HKAB 37. Dr Fernando CHEUNG pointed out that upon closure of bank branches in their vicinity, many elderly people and disadvantaged customers (particularly recipients of Comprehensive Social Security Assistance (CSSA) and Social Security Allowance (SSA)) found the procedures for switching their accounts to another bank highly complicated. Dr CHEUNG urged the banking sector to consider the suggestion of CC of offering one-stop service for account switching. Ms Emily LAU also expressed concern about streamlining the procedures for bank

customers to switch between banks. In response, Mr Peter SULLIVAN advised that to ensure security and comply with certain statutory regulatory requirements, it was necessary to complete a number of procedures when customers switched accounts from one bank to another.

HKAB 38. Miss TAM Heung-man opined that while cash withdrawals and deposits could be made through ATMs or EPS, transactions such as deposit of cheques had to be done at the respective bank branches. To facilitate the deposit of cheques by customers, Miss TAM suggested HKAB to explore the feasibility of depositing cheques among different member banks of JETCO through ATMs. In response, Mr Peter SULLIVAN said that the suggestion related to interconnection of the two ATM networks, the feasibility of which would require further study.

*Waiver of bank fees and charges*

HKAB 39. Mr James TIEN opined that the cost incurred for use of ATM might be a burden for the disadvantaged groups. He enquired whether banks could exempt all CSSA/SSA recipients from such charges. Mr Jeffrey LAM, Miss TAM Heung-man and Dr Fernando CHEUNG expressed similar concern. Mr LAM added that resources could be best utilized to assist those in need if a notification mechanism was put in place so that banks concerned would be informed when the customers were no longer within the social security net. Dr CHEUNG urged the banking industry to make reference to overseas practice of providing a standard fee waiver to all low-income families.

40. Mr LEE Cheuk-yan considered that the fees and charges on low-balance bank accounts were discriminatory against low-income earners and disadvantaged groups. In this connection, Mr LEE was concerned that low-income earners whose wages were autopaid into their bank accounts might also be subject to charges. As the bank to be used was usually designated by the employer, Mr LEE opined that such payroll accounts held by employees, albeit with a low balance, should be exempted from bank charges.

HKAB 41. Mr Peter SULLIVAN responded that HKAB had consulted member banks on their fee exemption policies and noted that a number of banks had already waived fees and charges on disadvantaged customer groups. To further reinforce this practice, HKAB issued a circular to its member banks in January 2007 encouraging them to put appropriate exemption policies in place. Nevertheless, the exemption policies were a decision of individual banks. As to fee exemption for payroll accounts of low-income earners and Mr LEE Cheuk-yan's concern, Mr SULLIVAN advised that HKAB would discuss further with member banks to see if any standardized arrangement could be agreed among different banks.

*Provision of banking services through alternative modes*

42. Given the reliance of the elderly on bank counter services, Mr LEE Cheuk-yan urged HKAB and the Administration to further explore the feasibility of providing basic banking services through post offices. He was of the view that

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the concern of the Hongkong Post (HKP) about the legislative mandate for the provision of deposit and withdrawal services through the post offices could be addressed through legislative amendments. Dr Fernando CHEUNG and Mr Albert HO also called on the Administration/HKAB to further explore the feasibility of this option.

43. In this connection, PAS/FS advised that the feasibility and implications of the suggestion had to be considered carefully. In addition to the need to prescribe the service scope of post offices in the relevant legislation, there were other limitations for the post offices to provide withdrawal and deposit services, such as the setup of post offices (including security arrangements, facilities and information technology systems) and staff training. She also pointed out that the existing network of about 130 post offices was small when compared with the existing network of banks. As such, even if post offices were found feasible in providing certain banking services, post offices could not replace bank branches and fill all the gaps in the provision of basic banking services.

44. Mr James TO opined that the Administration could consider ways to improve the distribution network of post offices, say, by extending the network to hospital premises. In reply, PAS/FS said that the suggestion of providing basic banking services through post offices had to be further examined having regard to the impact on delivery of postal services. Where the feasibility and merits of the proposed arrangement could be established, the question of distribution network would be examined. Mr Peter SULLIVAN added that HKAB remained open for discussion with HKP on the feasibility of providing deposit and withdrawal services through post offices but it was worth-noting that substantial technological investment would be required to equip post offices to carry out banking transactions.

45. Ms Emily LAU called on the banking industry to respond to the proposal of CC on the provision of mobile bank branches in under-provisioned areas. Mr LEE Cheuk-yan and Mr Fred LI also considered that the feasibility of mobile bank branches should be explored. Mr LI pointed out that the provision of mobile electricity payment office and mobile library had proved to be successful in public housing estates in Kwun Tong.

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46. In response, Mr Peter SULLIVAN said that while HKAB could examine the feasibility of the suggestion, overseas experience had indicated that the viability of this arrangement was yet to be proved. Mr SULLIVAN recalled from his experience that the trial introduction of mobile banking in Africa was satisfactory, where infrastructure was under-developed. However, trial schemes in the United Kingdom and the United States had not been successful. One of the reasons for the unsuccessful trials was the problem of security, which was of great concern for the elderly and the disadvantaged groups. Moreover, the cost, sustainability and logistical issues involved in the implementation of mobile banking would have to be addressed. Responding to Mr Fred LI's suggestion to set up small bank branches with limited counter services, Mr SULLIVAN said that

while the suggestion could be examined further, the limited provision of service might result in long queuing time for counter services and become a cause of complaint.

47. While the banking sector had provided alternative channels for cash withdrawal through chained convenience stores such as the Circle K, Miss TAM Heung-man opined that low-income earners and disadvantaged groups might find the pricing of items on sale at these convenience stores on the high side. They might be quite reluctant to make cash withdrawal through purchasing items at these stores. She therefore considered that the viability of cash withdrawals without having to make any purchase at these retail outlets should be explored.

48. In response, Mr Peter SULLIVAN said that the cashback service at convenience stores would be provided with a minimum purchase e.g. a loaf of bread or a bottle of milk and the marginal cost for using such service was only minimal. Mr SULLIVAN reiterated that under the market trend of migration to electronic banking services, 86% of all transactions were done through electronic means outside the bank branches. To meet the needs of the elderly and disadvantaged groups for deposit and withdrawal services in their local community, the banking industry had make available other channels of distribution through retail outlets such as convenience stores.

#### Summing-up

49. In conclusion, the Deputy Chairman noted that a number of new initiatives proposed by the HKAB Task Force had only been implemented recently. He suggested that the subject could be re-visited by the Panel at an appropriate time. Members agreed.

## **V. Progress update on the Companies Ordinance rewrite exercise**

(LC Paper No. CB(1)1228/06-07(05) — Paper provided by the Administration

LC Paper No. CB(1)1274/06-07 — Rewrite of the Companies Ordinance — Consultation Paper on "Accounting and Auditing Provisions" provided by the Administration

LC Paper No. CB(1)1230/06-07 — Background Brief on the "Companies Ordinance rewrite exercise" prepared by the Secretariat)

50. Owing to insufficient time, the Deputy Chairman suggested and members agreed that the item be deferred to the next regular meeting to be held on 7 May 2007.

**VI. Any other business**

51. There being no other business, the meeting ended at 12:57 pm.

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