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5th September 2008

Ms Sharon Chan
Legislative Council
Email: slchan@legco.gov.hk

Dear Ms Chan

Panel on Financial Affairs – Follow-up to Meeting on 5 May 2008

We refer to Ms. Rosalind Ma's letter to our Chairman dated 6 May 2008 requesting HKAB to provide certain information to you for the Panel on Financial Affairs (FAP), following the FAP meeting on 5th May 2008. As explained in our interim response to you dated 22 May, HKAB does not have the requested information or statistics on hand and thus it is necessary to us to make enquiries with relevant member banks and the network providers.

We have since been in contact with the network providers and all member banks which provide retail banking services (i.e. those which offer ATM services as a minimum). To ensure that the data provided by these member banks, totaling 25, is relevant and consistent, we have provided them with the background of our dialogue with the FAP relating to access to basic banking services, and details of the data being requested. After clarifying with the relevant parties on their responses, we would like to share the overall results with the FAP in relation to items (a) to (c) set out in the list attached to Ms Ma's letter dated 6 May.

1. **Utilisation of non-branch channels by the elderly, the physically disabled and recipients of Comprehensive Social Security Assistance (CSSA)**

1.1 Availability of specific data requested

Not all the 25 surveyed member banks provide ATM, Internet and phone banking. Many of them also explained that they do not readily have the requested 'utilisation' data because their systems do not classify customers based on their status that they are elderly, physically disabled or CSSA recipients. For these banks, they have used their best endeavour to gather as much data as possible from their various departments for this



specific exercise. We believe it important to bear this in mind when reading the 'aggregate' data set out in the following section.

1.2 Usage of electronic banking services by the elderly (i.e. customers aged 65 and above)

The data collected by us showed that the level of usage by elderly customers vis-à-vis total customers using such service within each bank varied from bank to bank, probably in reflection of their channel development strategies and different customer profiles. Other findings are highlighted below:

- Simplified ATMs - which were available territory wide since April 2007 for less experienced customers - display the account balance automatically and require fewer steps to conduct basic transactions like cash withdrawals. This channel has been particularly welcomed by elderly customers, although it is also available to other customers. During 2008 H1, among the 14 banks which submitted the relevant data, 7 banks have reported a higher level of usage (in terms of cash withdrawal transactions, the most popular ATM transaction type) by elderly customers when compared against all of their own customers using Simplified ATMs. The simple average among this group of 14 banks was 29.9%, with the highest ratio being 90%.
- Traditional ATMs - which have been introduced in Hong Kong for over 20 years - provide a wider range of services and are usually preferred by the more experienced customers. The level of usage by elderly customers through this channel is comparatively lower than Simplified ATM. Among the 17 banks which submitted the relevant data, during 2008 H1, taking the simple average, 1.9% of their elderly customers used traditional ATMs for making cash withdrawal transactions when compared with all of their own customers using traditional ATMs, with the highest ratio being 3.2%.
- Other electronic channels. During the same period, among the 17 banks which submitted the relevant data, taking the simple average, 2.9% of phone banking transactions (highest being 7.9%) and 1.7% of Internet banking transactions (highest being 5.0%) were conducted by elderly customers when compared with all of their own customers using these two channels.

1.3 Usage of electronic banking services by physically disabled and CSSA recipients

The majority of 25 surveyed member banks were unable to provide data related to the utilisation of banking services by physically disabled persons and CSSA recipients for reasons given in 1.1 above. In view of the limited data available, we have not provided the data as we do not think it can be taken as being representative of the industry situation as a whole.

2. Number of new bank branches and ATMs set up in 2007 in public housing estates (including Home Ownership Schemes) with a breakdown on their location and distribution at district level

	Bank Branch	ATM
Eastern	- Wan Tsui Estate (1)	- Wan Tsui Estate (1)
Southern		- Ap Lei Chau Estate (2) - Wah Fu Estate (1)
Kowloon City	- Homantin (1)	- Homantin (1)
Kwun Tong	- Po Tat Estate (1)	- Po Tat Estate (1) - Kai Tin Shopping Centre (1) - Tak Tin Shopping Centre (1)
Wong Tai Sin	- Wong Tai Sin (1)	- Tsz Wan Shan (2) - Wong Tai Sin (1)
Yau Tsim Mong		- Lei Yue Mun Plaza (1)
Sham Shui Po		- Hoi Lai Estate (1)
Tsuen Wan		- Shek Wai Kwok (1)
Tuen Mun		- Fu Tai Estate (1)
Shatin		- Yu Chui Shopping Centre (1)
Total	4	16



By way of additional information, we have asked the 25 surveyed member banks to provide the number of branches and ATMs in public housing estates they have established during 2008 H1. The breakdown for 2008 H1 is as follows:

	Bank Branch	ATM
Kwun Tong		- Shun Tin Estate (1) - Tak Tin Estate (1) - Hiu Lai Court (1) - Kwong Tin Estate (1)
Wong Tai Sin		- Lung Cheung Mall (4)
Sham Shui Po		- Pak Tin Estate (1)
Kwai Tsing		- Cheung Hong Estate (1)
North		- Yung Shing Court (1)
Sai Kung		- Po Lam Estate (1) - Choi Ming Court(2)
Tuen Mun	- Leung King Estate (1)	- Leung King Estate (1)
Total	1	15



3. Availability and distribution of the two main ATM networks in Hong Kong at district level as at the end of 2007

	HSBC Group	JETCO	Sub-total
Central & Western	123	183	306
Eastern	77	117	194
Southern	19	32	51
Wanchai	83	129	212
Kowloon City	58	103	161
Kwun Tong	76	98	174
Sham Shui Po	83	78	161
Wong Tai Sin	39	32	71
Yau Tsim Mong	134	197	331
Islands	34	33	67
Kwai Tsing	54	63	117
North	30	43	73
Sai Kung	38	46	84
Shatin	77	89	166
Tai Po	26	38	64
Tsuen Wan	44	59	103
Tuen Mun	46	57	103
Yuen Long	48	61	109
Total:	1,089	1,458	2,547

Continuing advances in technology and evolving changes in customer behaviour, have enabled millions of customers in Hong Kong access to highly convenient banking services through various channels. Notwithstanding that the use of non-branch channels has become increasingly popular and whilst Hong Kong's penetration in bank branches and ATMs is amongst the highest in the world, member banks of HKAB are continuing their efforts in developing their delivery channels and thus help customers to take advantage of ever more convenient banking services. HKAB is coordinating this industry effort through various measures, including partnering with major charity organisations in



helping senior citizens to learn about ATMs using interactive games which simulate ATM transactions. Part of this effort, we believe, is demonstrated in the data reflected above. Please be assured that the industry is committed to working closely with the Administration and relevant parties to enhance access to banking services by the public going forward.

Yours sincerely

A handwritten signature in black ink, appearing to be "Eva Wong", written in a cursive style.

Eva Wong
Secretary

c.c. Hon Chan Kam-lam, SBS, JP (Chairman)
Secretary for Financial Services and the Treasury (attn: Ms Angelina Kwan)
Mr Andy Ching, Senior Manager, Hong Kong Monetary Authority
Ms Connie Lau, Chief Executive, Consumer Council