

## **Legislative Council Panel on Financial Affairs**

### **Fees and Charges for Banking Services**

#### **Purpose**

In response to the letter dated 7 January 2009 from the Legislative Council Panel on Financial Affairs to the Administration, this paper provides information on (a) supervisory requirements and guidelines which banks should follow in determination of fees and charges for banking services; (b) impact of some banks' recent adjustments of fees and charges on the general public; and (c) measures to protect the interests of bank customers and to ensure the provision of basic banking services to the general public.

#### **Supervisory Requirements and Guidelines which Banks should Follow in Determination of Fees and Charges for Banking Services**

2. The setting of fees and charges for banking services is a commercial decision for the banks. Under the existing legal framework, the Administration does not have the authority, nor is it appropriate for us, to interfere with such commercial decisions. We believe that competition will help ensure that banks set their fees and charges at a reasonable level, having regard to their operating costs and consumers' demand for their services. In performing its supervisory role, the guiding principle adopted by the Hong Kong Monetary Authority (HKMA) is that banks should provide consumers with readily available, clear and up-to-date information about their fees and charges so that consumers can select the service most suitable for them.

3. In keeping with this principle, the HKMA ensures that banks maintain a high degree of transparency with respect to their fees and charges for banking services. Banks are required under the Code of Banking Practice (the Code) to make details of their fees and charges readily available to customers. They should give affected customers at least 30 days' notice before any changes in their fees and charges take effect. These requirements aim to provide consumers with adequate information so that they can make informed choices when selecting banking services. The HKMA monitors banks' compliance with the Code as part of its regular supervision of banks.

## **Impact of Some Banks' Recent Adjustments of Fees and Charges on the General Public**

4. Several banks have recently announced adjustments to their fees and charges. The HKMA has looked into these adjustments and noted that most of them did not concern about banks' charges for basic deposit account services such as charges or minimum balance requirements for deposit accounts. The adjustments concern mainly about other banking services such as the issuance of cashier orders, return of bank cheques (e.g. because of insufficient funds), overseas remittances and additional copies of mortgage-related statements. Since these services are not required by members of the public on a regular basis, it appears that the recent adjustments by some banks of their fees and charges may not have a significant impact on the public in general.

## **Measures to Protect the Interests of Bank Customers and to Ensure the Provision of Basic Banking Services to the General Public**

5. In the light of public concern about the possible impact of deposit account charges on the underprivileged, the Hong Kong Association of Banks issued a general circular to its members in 2007, recommending them to adopt appropriate exemption policies in relation to their deposit account charges. The HKMA notes that banks generally provide waivers of deposit account charges for the elderly and recipients of social welfare benefits. It is further noted that some banks have not levied charges on deposit accounts with low balances. The HKMA will continue to monitor closely the situation and follow up with the banking industry as appropriate.

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