

(English Translation)

8 August 2013

Ms Connie Szeto  
Secretary to the Financial Affairs Panel  
Legislative Council

Dear Miss Szeto,

Thank you for your letter dated 12 July 2013.

With reference to the questions raised by the Hon. Tang Ka-piu on the erroneous deduction of value from Octopus cards, please see Annex for responses prepared by Octopus Cards Limited (“OCL”) in relation to questions 1 to 3 on issues concerning the company’s operation.

As regards questions 4 and 5, it is the understanding of the Hong Kong Monetary Authority (“HKMA”) that with the current design of and technologies used for the contactless stored value card payment system, it is impossible to completely eliminate erroneous deduction of value as a result of incomplete transactions. However, there are ways to reduce the occurrence of such incidents despite technological limitations, including:

- (1) Stepping up efforts to train staff of retail outlets on how to handle incidents of erroneous deduction of value in the event of incomplete transactions. (That is, they should just ask the customer concerned to tap his/her Octopus card on the same card reader again so as to complete the transaction instead of cancelling the transaction.)
- (2) Enhancing public education to remind cardholders that they only need to tap their Octopus cards on the same card reader again in the event of incomplete transactions; and
- (3) Improving further the refund arrangement, including expanding the coverage of the Octopus Service Points, establishing more channels for cardholders to check whether there are any incomplete transactions leading to erroneous deduction of value.

The HKMA has always urged OCL to do their best to implement the above measures. In addition, the HKMA has also asked OCL to adequately consider proposals put forward by various sectors when devising measures to enhance their refund services. The HKMA will continue to monitor the progress and effectiveness of OCL’s refund arrangement and whether OCL has devoted adequate resources to properly implement its refund arrangement.

Recently, there are banks other than OCL considering the issuance of similar contactless stored value payment products. Based on the experience gained from the operation of the Octopus cards, the HKMA has required such banks to take measures to reduce the occurrence of incomplete transactions. As stored value cards issued by banks will be linked with the customers' bank accounts, it will be more convenient for the banks to make refund in case of incomplete transactions.

Yours sincerely,

(Henry Cheng)  
for Chief Executive  
Hong Kong Monetary Authority

**Sunny Cheung**

Chief Executive Officer

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5 August 2013  
Ms. Connie Szeto  
Clerk to LegCo Panel on Financial Affairs  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Ms. Szeto,

**Panel on Financial Affairs  
Over-deduction of amounts from Octopus**

I refer to your letter dated 12 July 2013 and addressed to Mr. Norman Chan, Chief Executive of Hong Kong Monetary Authority, with respect to the captioned subject raised by The Hon. Tang Ka-piu to the Chairperson of the Panel on Financial Affairs.

We are pleased to provide our attached responses to the first three questions concerning incomplete transaction and refund issues, as forwarded via the Hong Kong Monetary Authority, for your kind attention and distribution at the Panel. Should you need further information, please feel free to let us know any time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sunny Cheung'.

Sunny Cheung  
Chief Executive Officer

Encl.  
c.c. Mr. Norman Chan, Hong Kong Monetary Authority

## 八達通就鄧家彪議員提問的回應

### 1. 多年來八達通卡被錯扣款項的原因

- 八達通是非接觸式離線智能卡付款系統，所採用的離線運作模式，大概需要 0.3 秒完成交易，能配合交通收費系統和小額零售交易支付的高速要求，亦能同時兼顧交易之安全性。
- 在少數情況下，顧客可能因在交易未完成前已將八達通移離讀寫器，而導致金額已在卡上扣除，但商戶的終端機未能收到完成交易的訊號，而收銀員又沒有及時糾正上述情況的話，就會因此產生未完成交易。
- 收銀員在交易過程中亦可能因沒有留意上述情況而為客戶提供了所需服務或貨品，雖然金額已從八達通扣除，但商戶仍然以為交易尚未完成，而要求顧客用其他方式付款。此情況主要在零售及自助販賣機出現。未完成交易不會在港鐵出現，因持卡人必須完成交易才可以進出車站付費區。
- 現時世界上普遍採用的非接觸式離線智能卡付款系統，均會有因顧客在交易未完成前已將付款卡移離讀寫器，而出現未完成交易的類似情況。

### 2. 有什麼途徑及方法將錯扣款項退還給市民

- 繼我們在 2009 年透過系統提升，在加入能監測和紀錄未完成交易的功能後，我們已主動為可聯絡到的顧客，包括個人八達通及附有自動增值功能的八達通用戶，以郵寄支票的形式提供自動退款服務。
- 由於我們沒有不記名八達通用戶的聯絡資料，所以未能主動跟進退款，但是當這些用戶向我們查詢有關交易紀錄時，若確認其卡上有未完成交易的紀錄，我們會即時為他們安排退款。
- 我們於今年 5 月 17 日在全港 18 區的 30 個地點設立了「八達通服務站」，為遇到未完成交易的不記名八達通用戶，提供自動退款服務。用戶在設施上拍卡，若該卡有未完成交易紀錄，便可獲得即時自動退款至客戶的卡上。
- 個人八達通和附有自動增值服務功能的八達通用戶會繼續享用我們的支票退款服務。
- 在推出「八達通服務站」不久，我們也因應客戶的意見，於 7 月 4 日開始將螢幕的指示訊息和流程予以改善。

- 我們繼於 7 月 17 日宣布實施新措施，以鼓勵更多顧客使用八達通的退款服務。從當天開始，八達通客戶可使用下列的渠道，查詢卡上是否有待領的未完成交易退款以及有關的金額：
  - 八達通網頁
  - 八達通 PC 閱卡機
  - 八達通顧客服務熱線之互動語音電話系統
  - 八達通查閱易 Android 手機應用程式 — 適用於具備近場通訊 (NFC) 功能的智能手機
- 我們也將於 8 月推出電視和電台廣告宣傳活動，提高公眾對正確使用八達通以預防未完成交易以及「八達通服務站」退款功能的認識。而 20 個新增的「八達通服務站」亦將於本年第 3 季內投入服務，令這設施的總數增加至 50。
- 新增的「八達通服務站」地點，其中青衣城、綠楊坊、德福廣場及杏花新城港鐵商場，將於 8 月 1 日之前投入服務；其他 16 個「八達通服務站」，將安裝於港鐵站和領匯商場。所有新增的「八達通服務站」地點，將於安裝後適時於八達通網頁上公布及更新。
- 八達通積極聆聽及採納各界的意見，並透過企業通訊、公司網站、用戶培訓和上述已實施或即將推出的新渠道，進一步加強公眾教育，以提高用戶對正確使用八達通和避免未完成交易的意識。

### 3. 不能退還的款項會如何處理

- 「八達通服務站」是一個常設的退款設施，沒有定下退款限期。同時，「八達通服務站」只運作了兩個多月，我們還需要多些時間去觀察用戶的使用率及退款情況。同時，我們會繼續研究其他減少未完成交易及鼓勵退款的方案。日後有關任何無法退還款項的處理方案，我們將會以透明、公平和公開的方式進行。
- 至於 2009 年之前未有記錄的未完成交易估算款項，我們會一直保留作為客戶申請退款之用。只要顧客能出示相關的未完成交易收據或交易紀錄，我們會立即為他們安排退款。至於在若干時間後仍無人認領的款項安排，我們會以透明、公平和公開的方式，處理未能退還的未完成交易款項。

## **OCL's Response to Questions Raised by The Hon Tang Ka-piu**

### **1. Reasons for the occurrence of incomplete transactions throughout the years**

- Octopus is a contactless offline payment system which takes only approximately 0.3 second per transaction. It is considered the best fit for the purposed system of transit fare collection and retail small payment to which transaction speed is of utmost importance while security is highly safeguarded.
- Under rare circumstances, incomplete transaction may occur if customers remove their Octopus from the Octopus reader before the transaction is completed. Despite the amount being deducted from the card, no transaction completion signal is received on the merchants' terminal. As such, incomplete transaction results if the cashier does not immediately rectify this situation.
- There may also be chances that the cashier has not noticed the discrepancy and the service/goods are still delivered. Despite the transaction value being deducted from Octopus, the merchant may still regard the payment as unsuccessful and asks the customers to pay again by other means. This situation occurs mostly in retail service and vending machines. Incomplete transaction does not occur on MTR as Octopus users have to complete their payment transactions before they can enter or exit the paid areas in the MTR stations.
- Currently, other contactless offline payment systems that are commonly in use around the world are also faced with similar situations where incomplete transaction may occur when customers remove their cards from the readers before the transaction is completed.

### **2. How and through what channels are the wrongly deducted amounts refunded to customers?**

- Since our system upgrade in 2009 which included the functions of capturing and recording incomplete transactions, we have been making proactive refunds to contactable users of Personalised Octopus and Octopus with Automatic Add Value Service (AAVS) via cheque mailings.
- For anonymous Octopus cardholders whose contact data are unavailable, we were unable to arrange automatic refunds to them. Nevertheless, once we received their enquiries concerning transaction records and if incomplete transactions records were detected and confirmed on their cards, immediate refunds would be arranged to them.
- Since 17 May this year, we have installed 30 Octopus Service Points (OSP) around 18 districts of Hong Kong to provide automatic refund service to Anonymous Octopus users who have experienced incomplete transactions. Once they tap their Octopus at the facility, the involved incomplete transaction amounts would be automatically transferred to their cards as soon as incomplete transaction records are detected.

- Users of Personalised Octopus and Octopus with Automatic Add Value Service (AAVS) will continue to receive automatic refunds for incomplete transactions via cheque mailings.
- Soon after introducing the OSP, we have taken customers' opinions in high regard to upgrade the facility's screen display and content flow on 4 July.
- Furthermore, we announced new enhancement measures on 17 July to promote the use of the OSP by allowing customers to enquire if they have incomplete transactions and the amount involved on their cards, via:
  - Octopus website
  - Octopus PC Readers
  - The Interactive Voice Response System on Octopus Customer Service Hotline
  - The Octopus OctoCheck Android Smartphone Application applicable to NFC smartphones
- This August, we will roll out a television and radio advertising campaign to heighten public awareness of the prevention of incomplete transactions and the refund function of OSP. At the same time, 20 additional OSP will be installed around Hong Kong in the 3rd quarter of this year, increasing the total number to 50.
- Among the newly added locations of the OSP, those at Maritime Square MTR Mall, Luk Yeung Galleria MTR Mall, Telford Plaza MTR Mall and Paradise MTR Mall respectively will be operational on 1 August. The other 16 OSP will be set up at major MTR stations and The Link shopping malls. All the new locations of the OSP will be announced and updated on the Octopus website once the installations are completed.
- Octopus is committed to listening and taking in the opinions of all sectors. We will continuously step up our public education programmes through our corporate newsletter, website, training to users, as well as the above-listed measures or new channels to be introduced in due course, to increase public awareness of the proper use of Octopus and avoidance of incomplete transactions.

### 3. Handling of non-refundable amounts

- The OSP is a regular facility set up for incomplete transaction refunds and there is no expiry period set for the refunds to be claimed. Moreover, the OSP has been in operation for just about two months and we still need time to observe its utilization rate and refund situations. We will continue to explore other solutions to minimize the incomplete transaction occurrence and promote the refund usage. All identified solutions on incomplete transaction refunds will be implemented in a transparent, fair and open manner.
- For incomplete transactions uncapturable before 2009, an estimated amount has been set aside for refund claims by customers. Upon submission of relevant incomplete transaction receipts or transaction records to support their claims, customers will receive immediate refunds from us. For any amount still unclaimed after a certain period of time, it will be handled in a transparent, fair and open manner in due course.

- End -