

LEGISLATIVE COUNCIL BRIEF

Banking Ordinance (Declaration under Section 2(14)(d)) (No. 2) Notice 1997 (Amendment) Notice 1999

INTRODUCTION

The Monetary Authority (MA) will publish the Banking Ordinance (Declaration under Section 2(14)(d)) (No.2) Notice 1997 (Amendment) Notice 1999 in the Gazette on 11 June 1999.

BACKGROUND AND ARGUMENT

2. Under section 2(14)(d) of the Banking Ordinance, the MA may, by notice in the Gazette and subject to conditions that may be specified in the notice, declare a stored value card not to be a “multi-purpose card” for the purpose of the Ordinance. This will in effect grant an exemption to the card from the approval requirements of the Ordinance. The MA granted such an exemption to the Octopus card by virtue of the Banking Ordinance (Declaration under Section 2(14)(d)) (No.2) Notice 1997 gazetted on 18 July 1997.

3. The Notice specified that the core use of the card is for the payment of service for the carriage of passengers provided by the shareholders¹ of Creative Star Limited (CSL). The MA allows certain non-core uses such as payment for telephone call service available from public payphones and for goods and services provided by vending machines and photo booths within any transport premises or transport carriers. These ancillary or incidental uses are allowed as non-core on the ground that they provide more convenience to the card users and have business synergy with the core use. However, there is a limit on the

¹ The Octopus card is issued by the Creative Star Limited, the shareholders of which include the Mass Transit Railway Corporation, the Kowloon-Canton Railway Corporation, the Kowloon Motor Bus Company (1933) Limited, the Citybus Limited and the Hongkong and Yaumati Ferry Company, Limited.

aggregate value of these non-core uses which shall not exceed 15% of the aggregate value of all uses.

4. To provide more convenience to Octopus card users, CSL submitted an application to seek MA's approval for expanding the non-core use of the card to include payments on telephone call services available from any public payphone situated in the Airport and facsimile transmission, electronic mail and electronic data transmission services available from any public payphone in any transport premises or transport carrier or in the Airport. MA considers that these services have business synergy with the core use of the card. CSL estimates that the percentage of all payphone transactions out of the aggregate value of all uses is around 0.07% in 2000 – 2003. As at end-April 1999, the percentage of non-core uses out of all uses is only 0.8%. Therefore, CSL's proposals would comply with the 15% limit on non-core use of the card.

THE NOTICE

5. This Notice will amend the non-core uses of the Octopus card set out in Part 2 of the Schedule of the Declaration Notice issued by the MA on 18 July 1997 to cover: -

- a) telephone call services available from any public payphone situated in the Hong Kong International Airport; and
- b) facsimile transmission, electronic mail and electronic data transmission services available from any public payphone in any transport premises or transport carrier or in the Airport.

LEGISLATIVE TIMETABLE

6. The Notice is subsidiary legislation as stipulated in section 2(15)(d) of the Banking Ordinance. It will be tabled at the Legislative Council on 16 June 1999 for negative vetting.

BASIC LAW IMPLICATIONS

7. The Department of Justice advises that the Notice is consistent with the Basic Law.

HUMAN RIGHTS IMPLICATIONS

8. The Department of Justice advises that the Notice has no human rights implications.

BINDING EFFECT OF THE LEGISLATION

9. The amendment will not affect the current binding effect of the Banking Ordinance.

FINANCIAL AND STAFFING IMPLICATIONS

10. There are no financial and staffing implications for the Government.

PUBLIC CONSULTATION

11. Public consultation is not necessary for this technical amendment which the public is expected to welcome.

PUBLICITY

12. CSL will arrange the publicity for the new services covered under the Notice.

ENQUIRY

13. Enquiries on this brief may be directed to Mr Edward Mak, Assistant Secretary for Financial Services at 2527 3974.

Financial Services Bureau
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