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25 July 2005

Ms. Connie Szeto
Clerk to Panel on Financial Affairs
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms. Szeto

Protection of Credit Card Holders' Personal Data

Thank you for your letter of 5 July. In response to your questions raised, we would like to provide the following response.

Our members place a high priority on all aspects of data security and treat any security breach very seriously. As you will be aware, members are required to observe stringent requirements of the HKMA on outsourcing activity, technology risk management, Internet banking, as well as the requirements of the Personal Data Privacy Ordinance. In addition, members with global operations will also be subject to international regulatory and compliance requirements.

In the case of the US based CardSystems Inc. incident, our card-issuing members have been working closely with the HKMA and have identified that around 130 credit cards are so far believed to have been used for fraudulent transactions. The impact appears to be contained at this level, barring any unexpected late fraud reports. We would confirm that as with established practice in such cases, our members would not hold the customers liable for any financial loss arising as a result of system faults and transactions made through the use of counterfeit cards.

Chairman Bank of China (Hong Kong) Ltd
Vice Chairmen Standard Chartered Bank (Hong Kong) Ltd
The Hongkong and Shanghai Banking Corporation Ltd 1
Secretary Eva Wong Mei Seong

主席 中國銀行(香港)有限公司
副主席 渣打銀行(香港)有限公司
香港上海匯豐銀行有限公司
秘書 黃美嫦



When our members learned of the incident, you will appreciate that they had to respond immediately to the risks the incident posed and as such decided to replace all these compromised credit cards to minimise the chances of fraudulent transactions. We have been given to understand that the cards are replaced without charge. Within a very short time frame and bearing in mind this was a weekend, our members made best endeavours to contact all customers potentially affected and used their best efforts to explain the reasons for replacing the credit cards. For those customers that could not be contacted, transactions conducted through their accounts are monitored more closely. However, our members will review their communication processes and practices to identify where these could be further strengthened and improved.

The HKMA has already requested all AIs and credit card companies to review and appraise their established controls over customer data security, retention and confidentiality, and the Association will continue to liaise with the HKMA during this process.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Eva Wong", is positioned above the printed name.

Eva Wong
Secretary

c.c. Hon Bernard Chan, JP (Chairman)