

27 June 2006

By hand

Hon Bernard Chan
Chairman of Panel on Financial Affairs
Legislative Council
Legislative Council Building
8 Jackson Road
Hong Kong

Dear Mr Chan

**Panel on Financial Affairs Meeting on 3 July 2006 –
Agenda Item III – Impact of Branch Closure of Banks on the Public**

The Hong Kong Association of Banks (HKAB) welcomes the opportunity of providing information to the Panel on Financial Affairs regarding:

1. major reasons for banks to reduce the number of their branches in recent years.
2. work progress of HKAB's Task Force to look into ways to alleviate the effects of branch closure and facilitate access to services, and concrete proposed options.

First of all, HKAB would like to stress to the Panel the importance the banking industry attaches to in providing banking services to the general public.

HKAB has set up a Task Force on Financial Service Delivery Channels in early 2006 with representatives from member banks, the Financial Services and the Treasury Bureau as well as the Hong Kong Monetary Authority to recommend alternative options to satisfy the key banking needs of many customers, including those living in public housing estates without manned bank branches and / or ATMs within their vicinity.

On 23rd June 2006, the Committee of HKAB endorsed the recommendations on the Financial Service Delivery Channels submitted by the Task Force of HKAB. The recommendations include exploring ways to help more people take greater advantage of the convenience and flexibility of different channels for key banking services such as cash withdrawals and balance enquiries.

The Task Force has made the following recommendations:

- Member banks to simplify the operating procedures and screens of ATMs for cash withdrawal and balance inquiry to increase their user friendliness.
- An HKAB-led industry working group under the Task Force to develop community-wide programmes to promote and provide training on the use of ATMs and self-service banking centres.
- To encourage member banks to, as far as possible, give priority to setting up ATMs and / or self-service banking centres in those public housing estates where the establishment of a manned bank branch is not feasible.
- EPS Company (EPSCO) to collaborate with the banking sector to explore the feasibility of enabling cash withdrawals on a limited scope basis, independent of any purchase of goods, at selected chain retailers with EPS payment facilities. A further consultation process would be required with such chain retailers on the feasibility of this option.

Over the past few months, the Task Force of HKAB has been in dialogue with the relevant public and private sector entities which control the infrastructure through which banking services are, or may be, delivered to customers. Specifically, the Task Force has explored options with the Housing Authority and Link Management on various methods to make establishing bank branches, ATMs or self-service centres at their retail facilities currently without any banks' presence economically viable. It has also explored with the Hong Kong Post, the Social Welfare Department, the Health, Welfare and Food Bureau as well as Octopus options to provide more people, including Social Welfare recipients, with a wider range of physical channels, in addition to the traditional manned bank branches to enjoy basic banking services or to receive social welfare payments.

Based on the discussions with these parties, the Task Force has found that some of these parties are subject to either inherited or emerging technical issues and policy constraints rendering any solutions involving them either not effective or challenging.

The following are the further measures recommended for consideration by relevant parties:

- The Housing Authority (HA) and Link Management (the Link) are urged to introduce new measures or, where relevant, extend the scope of existing measures for some of their retail facilities to make establishing bank branches, ATMs or self-service centres at their retail facilities currently without any banks' presence economically viable.
- To benefit social welfare recipients, Octopus Cards (Octopus) to approach relevant parties to explore the feasibility, covering amongst other things the simplicity, convenience, cost effectiveness and security aspects, of enabling recipients to

access their social welfare money via Octopus's existing and new infrastructure at selected locations.

- Also for the benefit of social welfare recipients, the Social Welfare Department and the HA are urged to explore new options or extend the scope of existing measures to enable social welfare recipients to receive social welfare money through other convenient channels, in addition to those provided by banks.

We would like to reiterate that the banking industry fully acknowledges the concerns regarding the impact of branch closure of banks raised by members of the public. Notwithstanding, the banking industry will therefore not only make the above-mentioned recommendations, but will also continue to work on finding further solutions to address such public's concerns. We believe with the support of the relevant public and private sectors, the banking needs of these customers can largely be satisfied through implementing the recommendations of HKAB as well as through the banking industry's continuing efforts in addressing these issues.

Finally, our Chairman Mr. Peter Wong and his fellow Committee members welcome the opportunity to participate in the discussion on the Impact of Branch Closure of Banks on the Public, and to brief Panel members of our above recommendations, as well as the major reasons for banks to reduce the number of their branches in recent years, in person, on 3rd July 06 (9:15am – 10:30am). We will provide you with the names of our attendees separately.

Yours sincerely

Alan Sze
Secretary