

**LegCo Panel on Financial Affairs
Meeting on 2 March 2007**

List of follow-up actions

Operation of Octopus Cards and EPS payment system in Hong Kong

1. Hong Kong Monetary Authority (HKMA)/OCTOPUS Cards Ltd (OCL) were requested to provide information and comments on the following questions and concerns raised by Members:
 - (a) whether adequate safeguards were in place to ensure that there was fair competition and a level-playing field for market players interested in issuing multi-purpose stored value cards in Hong Kong;
 - (b) whether there was information on the number of Octopus Cards not in active use and whether the accumulated deposit money for the inactive Octopus Cards would be utilized to the benefits of card users; and
 - (c) whether OCL had reviewed the Octopus EPS add-value transactions made before 5 December 2006 and, if yes, the number of failed transactions where EPS accounts had been debited without the value being added to the relevant Octopus Cards.
2. HKMA/OCL/EPS Company (Hong Kong) Limited were requested to consider the views and suggestions from Members, including but not limited to the following:
 - (a) to examine the feasibility of re-engineering the work-flow so that value could be added to Octopus Cards first before EPS accounts were debited, subject to adequate funds being available in the EPS accounts concerned;
 - (b) to encourage the use of the automatic add-value service and the use of Personalized Octopus Card by the public in which the identity of the card owner can be ascertained to facilitate remedial action such as refund in the event of failed or other faulty transactions; and
 - (c) to provide more channels (e.g. via Internet) to enable Octopus Card users to check their card balance more conveniently and to conduct

more frequent checks and upgrading of the existing system.

3. OCL has appointed PricewaterhouseCoopers to conduct an independent review of the incident and to recommend measures to improve the refund process and to strengthen the operational risk control environment of the company. OCL undertook to provide the Panel with the report of the review, expected to be completed in 3 to 4 months' time, and also to make public the report findings.

Budget of the Securities and Futures Commission for 2007-2008 financial year

4. The Administration/Securities and Futures Commission (SFC) were requested:
 - (a) to provide, information on the measures taken to facilitate market development and the introduction of new financial products in Hong Kong; and how the efficacy of the existing regime compared with that of overseas jurisdictions such as Singapore; and
 - (b) to consider devising and including key performance indicators in the future Budgets of SFC to enable better assessment of its cost effectiveness.

Council Business Division 1
Legislative council Secretariat
5 March 2007