

**For information**

**Legislative Council Panel on Financial Affairs**

**Establishment of the  
Financial Dispute Resolution Centre**

**Purpose**

The Financial Dispute Resolution Centre (“FDRC”) came into operation on 19 June 2012 to provide an independent and affordable avenue for resolving monetary disputes between individuals and financial institutions. This paper provides an update to Members.

**Features of Financial Dispute Resolution Scheme**

2. FDRC is to administer a financial dispute resolution scheme (“FDRS”). The objective of FDRS is to provide consumers with an alternative avenue which is independent and affordable for resolving monetary disputes with financial institutions by way of “mediation first, arbitration next”. The maximum claimable amount per case is HK\$500,000. In working out the details of FDRS, FDRC, together with the Administration and regulators, have been in dialogue with the industry. After rounds of exchanges of views, FDRC has developed the operational details of FDRS, which are set out in FDRC’s terms of reference (“ToR”)<sup>1</sup>.

3. The FDRC service is offered at a fee payable by both consumers and financial institutions according to a “pay-as-you-use” principle. The fee structure is set according to the guiding principle that consumers should have an affordable avenue for resolving disputes, and financial

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<sup>1</sup> A full set of the ToR is available at the website of FDRC at <http://www.fdrc.org.hk>.

institutions should have enough incentive to resolve the disputes at an early stage. FDRC will review the levels of fees regularly.

### **Building an effective setup for FDRC**

4. FDRC was incorporated on 18 November 2011 as a company limited by guarantee under the Companies Ordinance (Cap. 32). It is non-profit making. FDRC operates independently while being subject to appropriate checks and balances. It is governed by a broadly-based Board of Directors which oversees FDRC's operation and formulates the overall policy and strategy. A list of the Board of Directors is at **Annex**.

5. The executive team is headed by a Chief Executive Officer ("CEO") with extensive experience and knowledge in the field of alternative dispute resolution. Upon assuming office on 1 March 2012, the CEO immediately spearheaded the preparatory work for commencement of FDRC's operations under the direction of the FDRC Board.

6. FDRC seeks to maintain a lean and efficient human resources structure. At the initial period of operations, the headcount is around 20, including the CEO.

### **Latest Development**

#### ***Promotional activities***

7. To the public, mediation and arbitration in an institutionalized setup may seem to be a relatively new concept for resolving disputes. As a new organization administering a new scheme in Hong Kong, FDRC is aware of the need for and importance of promoting public understanding of its roles and functions. In this regard, consultation and briefing sessions for the industry were conducted before FDRC's opening. FDRC will continue engaging the public and the industry. FDRC has

also launched a series of publicity programmes (such as production of an Announcement in the Public Interest (“API”) to be aired on TV and radio, posters and leaflets, etc.) to promote its service to the general public. The CEO and other members of the executive team will speak at and attend conferences and seminars organized by various professional bodies, industry and consumer groups, to introduce FDRC. The FDRC website will also provide up-to-date information about the roles, functions, and operation of FDRC to promote public awareness of FDRS.

### ***Amendment of licensing conditions for authorized institutions and the Code of Conduct for SFC-licensed corporations***

8. In preparing for the establishment of FDRC, the Hong Kong Monetary Authority (“HKMA”) and the Securities and Futures Commission (“SFC”) have respectively consulted their regulatees and amended the licensing condition for authorized institutions and the Code of Conduct for SFC-licensed corporations to include the requirement to be a member of FDRS administered by FDRC, and to abide by the FDRS rules and procedures. The amendments take effect on 19 June 2012, which is the date on which FDRC commences operation. More than 1 900 financial institutions become members of FDRS from the same date.

### **Way Forward**

9. The first half of 2012 has been a challenging and productive time for FDRC. The Board of Directors and employees of FDRC are committed to promoting mediation and arbitration as alternative dispute resolution methods in the financial sector, starting with the banking and securities industries. Looking ahead, FDRC shall operate according to its guiding principles: independence, impartiality, accessibility, efficiency, and transparency. FDRC, together with the Administration, will continue to engage the industry and regulators in the further development of FDRS.

## **Background**

10. As the establishment of FDRC will contribute to an important public policy function of investor protection, the Administration has agreed with HKMA and SFC to share on a 50:25:25 basis the set-up costs as well as the operating costs of FDRC for the first three years from 1 January 2012 to 31 December 2014. The set-up costs are estimated to amount to \$15 million and the annual budget of FDRC is estimated to be about \$55 million. The Administration obtained funding approval from the Legislative Council on 10 June 2011 for the establishment of FDRC.

11. The Panel on Financial Affairs was briefed and consulted on 1 March 2010, 3 January 2011, and 9 May 2011 on the proposal.

Financial Services and the Treasury Bureau  
6 July 2012

**Board of Directors  
Financial Dispute Resolution Centre (FDRC)**

Chairman	Ms Teresa Cheng Yeuk-wah, GBS, SC, JP
Directors	Ms Julia Leung Fung-yee, JP <i>(representative from the Financial Services and the Treasury Bureau)</i>
	Ms Meena Datwani, JP <i>(representative from the Hong Kong Monetary Authority)</i>
	Mr Mark Robert Steward <i>(representative from the Securities and Futures Commission)</i>
	Mr Brian Fung Wei-lung
	Ms Connie Lau Yin-hing, JP
	Ms Barbara Shiu
	Hon Anna Wu Hung-yuk, GBS, JP
	Ms Sou Chiam <i>(Chief Executive Officer, FDRC)</i>