



17 March 2015

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Legislative Council of the  
Hong Kong Special Administrative Region  
Of the People's Republic of China

Dear Sir/Madam

**Clearing and Settlement Systems (Amendment) Bill 2015 ("Bill")**

We have perused the Bill and hereby set out our comments on the proposed regulatory framework for Stored Value Facilities ("SVF") and Retail Payment Systems in this document.

**1. What constitutes "facilitating" the issue of a SVF?**

- 1.1. PayPal requests clarification on what constitutes "facilitating" the issue of a SVF. Please provide examples of the types of activities that would constitute "facilitating".
- 1.2. Please provide examples of businesses or entities that the Bills Committee considers to fall within the definition of "facilitator" under Section 2B of the Bill.
- 1.3. PayPal is concerned that the definition is so broad as to include our payment gateway partners that enable merchants to accept various payment methods, including PayPal. We believe that such entities should not be subject to the SVF regulation and request the Bills Committee to confirm that such entities should not be required to obtain a licence under Section 8B(2) the Bill.

**2. Request to change procedural requirement for attaching conditions to SVF licence**

- 2.1. If the Monetary Authority proposes to attach conditions to a new or existing SVF licence, we respectfully submit that the applicant/licensee should be given an opportunity to refer the decision to attach conditions to the Tribunal or another appropriate body for review. This is in case the conditions to be imposed by the Monetary Authority have a detrimental impact on the commercial feasibility or operational viability of the applicant's SVF business.
- 2.2. PayPal wishes to highlight to the Bills Committee that when the Monetary Authority proposes to revoke a SVF licence, the licensee is given an opportunity to consider whether to refer the decision to the Tribunal (Section 8V(4) of the Bill). We urge the Bills Committee to amend Sections 8J and 8K of the Bill to include the same procedural requirement prior to imposing conditions on SVF licences.

**3. Request to change procedural requirement for suspension of SVF licence**

- 3.1. Similarly, if the Monetary Authority proposes to suspend a licensee's SVF licence, the licensee should be given an opportunity to refer the decision to the Tribunal for review. This is because a suspension of the SVF licence would be just as detrimental as a revocation to the licensee.
- 3.2. We urge the Bills Committee to amend Section 8ZA of the Bill to incorporate the same procedural requirement as the one stipulated in Section 8V(4) of the Bill prior to suspending a SVF licence.

**4. Monetary Authority's consent for becoming chief executive or director**

- 4.1. Section 8ZZV of the Bill stipulates that a person must not become a chief executive or a director of a licensee except with the Monetary Authority's consent.
- 4.2. Is there a timeframe in which the Monetary Authority must respond to the licensee? Will there be a streamlined process to obtain such consent? PayPal is concerned that the requirement to obtain the Monetary Authority's written consent every time there is a change of director or chief executive would impede upon the day-to-day running of the SVF business. Please advise whether the Monetary Authority will provide guidelines on how it will manage this process.

**PayPal Pte. Ltd.**