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Via [Email]

17 March 2015

Hon Andrew LEUNG
Chairman of the Bills Committee
Bills Committee on Clearing and Settlement Systems (Amendment) Bill 2015
Legislative Council

Re: Comments on the Clearing and Settlement Systems (Amendment) Bill 2015

MasterCard appreciates the opportunity to comment on the Clearing and Settlement Systems (Amendment) Bill 2015. We share the vision for an efficient, safe and sound payments system for Hong Kong that works to the benefit of all parties. We also appreciate the work of the Hong Kong Monetary Authority (HKMA) in keeping the industry briefed during the drafting processes and considering our inputs during the industry and public consultations.

About MasterCard

MasterCard is a global payments and technology company that connects billions of consumers, thousands of financial institutions, millions of merchants, governments and businesses in more than 210 countries and territories, enabling them to use electronic forms of payment instead of cash and checks. We use our technology and expertise to make payments more convenient, secure and efficient to enable consumers to meet their needs and to provide value to all stakeholders in the payments system.

It is important to note at the outset, as you may know, that MasterCard does not issue payment cards of any type, nor does it contract with merchants to accept payment cards of any type. Rather, MasterCard owns the MasterCard family of brands and licenses financial service providers to use those brands in conducting payment transactions. MasterCard also provides the networks through which its customer financial service providers can interact to complete payment transactions, and sets certain rules regarding those interactions.

MasterCard has been operating in Hong Kong for over 27 years. The core of our businesses activities in Hong Kong are as a payment network. We also have a subsidiary, Access Prepaid Worldwide, that provides support to Travelex Card Services Limited, a card issuer registered in Hong Kong, with respect to its prepaid products.

Comments

With regards the new licensing arrangements on Stored Value Facilities (SVF), MasterCard supports the new regime. Given that stored value facilities, popularly referred to as prepaid products, are an emerging payment vehicle that have grown and continue to grow in popularity, in large part due to their appeal to the unbanked or under-banked segments of society, we understand the desire to capture these products and the entities that offer them within the scope of prudential regulation. We share the view that there is a need to protect the users' float as maintained by SVF issuers.

With regards the section on Retail Payment System (RPS), we believe a balance between regulation and innovation is key to continue to ensure Hong Kong's status as an International Finance Center that fosters competition, innovation and efficiency. From our experience, misguided regulation of RPS in some markets has had the effect of suppressing innovation, and led to unintended consequences that harmed both consumers and merchants. While we understand the desire to introduce a designation scheme for RPS in Hong Kong, we suggest, considering rapid innovations in payments, the declared activities could be high-level and broad enough so as to leave enough room for investment in technology and business innovation. We also believe that any RPS designation scheme should focus primarily on the integrity and soundness of the system, and avoid issues that could be dealt with appropriately through competitive mechanisms.

Thank you again for the opportunity to provide comments.

Sincerely,



Anna Yip
Head of Hong Kong and Macau