

IONG KONG MONETARY AUTHORITY 昏 港 金 融 管 理 局

REGULATION OF STORED VALUE FACILITIES

Media briefing 5 April 2016



Content

- 1. Retail payment overview
- 2. Our work progress
- 3. Supervisory approach
- 4. What the public should know



HONG KONG MONETARY AUTHORITY 香 港 金 融 管 理 局

Part 1 Retail payment overview



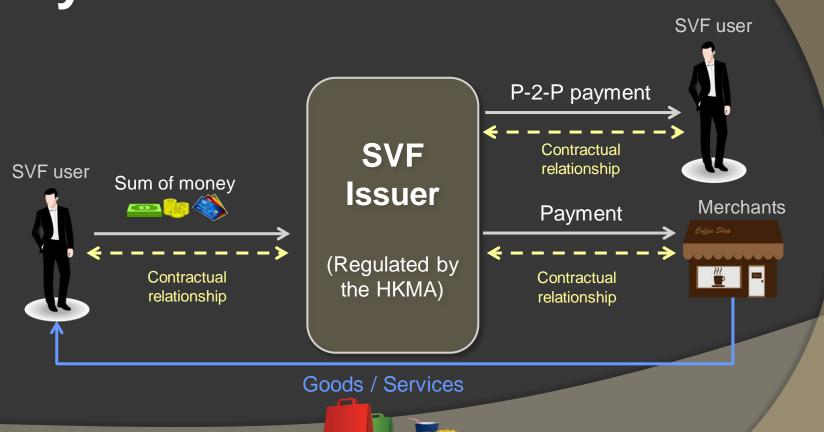
Multiple retail payment options in HK

- Development of retail payments in HK
 - 1997 Now: multi-purpose cards, credit cards, internet banking are widely used
 - 2007 Now: internet / mobile payment entered the market with steady development

- Major types of stored value facilities (SVF)
 - Internet / Mobile payment
 - Prepaid cards



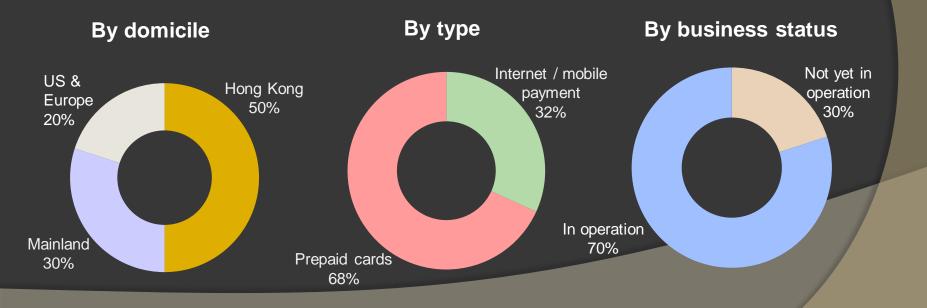
Payments with SVF





SVF - Industry overview

Among 20+ prospective SVF licence applicants





IONG KONG MONETARY AUTHORITY 昏港金融管理局

Part 2 Our work progress



HONG KONG MONETARY AUTHORITY 香 港 金 融 管 理 局

8

Our work progress

Pay Sto Ord	Nov 2015 yment Systems a red Value Facili linance commer eration	ties		Feb - May 2016 Independent asse on prospective applicants	essment			12 Nov 2016 Expiry of the o year transition period	
	Q4 201	5	Q1 2016	Q2	2016	Q3 2	2016	> Q4 201	6
Issu	lov 2015 ed Explanatory ensing for SVF	v 2015 I Explanatory Note on sing for SVF Feb 2016 Issued preliminary regulatory expectations Supervisory guidelines Licence by batch	g of SVF	1					
Orga expl	2015 - Q1 2016 anized industry lain the licensing sult on proposed	g regime and	regulatory expe on SVF issuers		supervi	supervisory guidelines		by batch	
	ervisory guidelir								8



ONG KONG MONETARY AUTHORITY 著 金 融 管 理 局

Part 3 Supervisory approach



Supervisory approach according to business nature and risks

	Banks	SVF		
Business nature	 Deposit taking Lending and other banking services 	 Provision of convenient retail payment services 		
Risks nature	• Credit risk, interest rate risk, etc.	 Operational risk Business risk		
Regulatory focus• Deposit protection • Public confidence in the banking system		 Safe and efficient retail payment services Protection of float 		



IONG KONG MONETARY AUTHORITY

Balanced policy

Regulatory requirement	Balance between	
Minimum capital	Market participation vs Operation sustainability	
Float management	Operational flexibility/competitiveness vs Safety of float	
Data privacy	Product functionalities vs User privacy	
Storage limit	User convenience vs Risk management	
Customer due diligence for AML	User convenience vs Anti-money laundering	
	Convenience Prote	ection



Principle-and-risk-based supervision

- Facilitate market entry and innovations
- Principle based regulation to suit business of different scale and operating models

• Ensure

- Adequate protection of float
- Orderly exit of players due to market competitions





HONG KONG MONETARY AUTHORITY 香 港 金 融 管 理 局

Part 4 What the public should know



Reminders for transitional period (13 Nov 2015 – 12 Nov 2016)

- SVF issuers are not under the HKMA's supervision
 - Consumers are advised to be cautious in choosing SVF products and services
- Some SVF issuers may exit the market during the transitional period
 - HKMA will coordinate orderly exit to minimise inconvenience to customers



What the public should know

- Read terms and conditions to understand SVF features, fees and your rights and liabilities
- Manage your stored value wisely
- Understand accessibility to and use of personal data by SVF issuers
- Understand security features of your SVF and avoid disclosing confidential data
- Check transaction records for any unauthorised transactions
- Be aware of the potential inconvenience arising from exit of SVF issuers



HONG KONG MONETARY AUTHORITY 香港金融管理局

Q & A