SELF REGULATION THROUGH THE CODE OF BANKING PRACTICE

A fair and cordial relationship between banks and customers will help foster customer confidence in the banking system and is conducive to promoting Hong Kong's image as an international banking centre. It is against this background that Hong Kong developed its first Code of Banking Practice (Code). The Code was jointly issued by the Hong Kong Association of Banks (HKAB) and the DTC Association (DTCA) on 11 July 1997 after nearly one year of drafting and preparation work and an extensive consultation exercise. This article traces the evolution of the Code and discusses briefly the implementation aspects.*

Background

Many countries have introduced codes of banking practice in one form or another to set out minimum standards to be observed by banks when dealing with their customers. The main objectives of such codes are to promote good banking practices and to establish a fair relationship between banks and customers. Such codes are normally issued by the respective industry associations and the common areas covered by these codes include terms and conditions of banking services, opening and operation of accounts, fees and charges, handling of customers' complaints, confidentiality of customer information, marketing and provision of services, foreign exchange services and cross-border payments, and guarantees etc.

Hitherto there had been no such code existent in Hong Kong. Instead, the industry associations would, from time to time, issue guidelines to their member banks which dealt with banking practices in specific areas. These guidelines have, to a certain extent, helped to promote good banking practices. However, they have been issued on a piecemeal basis and the scope is more limited than the codes adopted by other countries.

Benefits of Introducing the Code

Taking into account the overseas experience and the position in Hong Kong, the Hong Kong Monetary Authority (HKMA) was of the view that there was a good case for Hong Kong to develop a Code of Banking Practice. The arguments in support of introducing such a Code were –

(a) the relationship between banks and their customers is changing due to increasing competition, the introduction of new and more complex banking products and rising customer expectations. This is likely to introduce new tensions into the bank-customer relationship;

(b) the introduction of a Code will improve the standard and transparency in the provision of banking services, and thus help to reduce possible conflicts between banks and customers. Banks will know the standards required of them, and customers will have a better understanding of the standard of service they can reasonably expect banks to deliver. The Code can also serve as a useful reference for resolving disputes between banks and customers;

(c) by helping to promote good banking practices, the Code can foster customer confidence and loyalty and is therefore beneficial to the banks themselves. This will also be perceived positively by the public as an initiative to ensure that banks act fairly and reasonably in dealing with their customers; and

(d) the introduction of the Code will bring Hong Kong in line with international practice and will enhance the image of the Hong Kong banking sector as a whole.

Drafting of the Code

In recognition of the potential benefits of introducing such a Code to Hong Kong, a Working Group comprising representatives from the HKMA and the industry associations was formed in February 1996 to undertake the drafting of the Code. In May 1996, the Working Group produced a detailed outline of the Code, taking into account

* The Code is reproduced in full at Annex on page 17.

relevant recommendations in similar Codes of other financial centres, the views and concerns of the Consumer Council and other interested parties and the guidelines previously issued by the industry associations and the HKMA. In view of the public concern about the issues relating to personal referees and the use of debt collection agencies by authorised institutions, the Working Group agreed that these two sections should be prepared and issued in advance of the rest of the Code. Subsequently, the two parts of the Code on personal referees and the use of debt collection agencies were issued in August 1996.

Specifically, the Code states clearly that referees have no legal or moral obligation to repay the liabilities of an institution's customers unless they have entered into a formal agreement to guarantee such liabilities. The Code also requires authorised institutions to ask their customers to obtain the prior consent of the referees for their names to be used. Institutions are not allowed to pass information about referees to their debt collection agencies.

On the use of debt collection agencies, the Code requires authorised institutions to specify in contract or by written instructions that their agencies must not resort to intimidation or violence, either verbal or physical, against any person in their debt recovery actions. The Code also sets out practices which institutions should adopt in appointing and managing debt collection agencies, including the need to establish effective procedures to monitor the performance of their agencies and to respond promptly to complaints about their agencies.

On 17 January 1997, a complete draft Code was issued to the industry associations and interested parties for consultation. The revised Code was finalised and issued in July 1997 after taking into consideration different views and comments expressed by various interested parties during the consultation period.

Improvement of Transparency and Quality of Banking Services

The Code contains five chapters. It covers, among other things, the relationship between banks and customers, opening and operation of accounts and loans, card services, payment services, and debt collection. The most remarkable achievement of the Code is the improvement of the transparency and quality of banking services in Hong Kong.

The Code requires authorised institutions to clearly inform their customers about their rights and obligations at the beginning of providing a banking service. For example, an institution is required under the Code to –

(a) provide its customers with easily understandable terms and conditions in both Chinese and English;

(b) highlight in the terms and conditions any fees, charges, penalties and the customer's liabilities and obligations in the use of a banking service;

(c) tell its customers clearly the classes of persons to whom it may wish to disclose customer information such as debt collection agency and credit reference agency;

(d) quote the annualized percentage rates of interest on all deposits and credit facilities; and

(e) advise its customers and other interested parties such as guarantors clearly of their liabilities and obligations.

In addition to providing customers with more and clearer information, the Code also sets out specific minimum standards which institutions should follow in dealing with their customers. Through this, the standard and quality of banking services should be improved. For example, customers can now expect the following improved practices –

(a) they will be given 30 days' notice before any variation of the terms and conditions which affects fees and charges and their liabilities or obligations takes effect;

(b) they will be entitled to pro-rata refund of annual or periodic fees if they refuse to accept the variation to the terms and conditions;

(c) they will enjoy safeguards on the use of personal information for marketing purposes;

(d) they will be protected by a maximum liability limit in respect of lost cards; and

(e) they will not be automatically enrolled into any new services or products in connection with credit card without their prescribed consent.

Effective Date

The Code is effective from 14 July 1997. Institutions are required to take active steps to comply with the Code as quickly as possible. They should achieve full compliance within 6 months. A further 6 months will be allowed for compliance with those parts of the Code which require system changes.

HKMA's Role in the Implementation of the Code

As in other centres, the Code is non-statutory and is issued by the industry associations. The Code marks a major milestone in setting the minimum standards of banking practice in Hong Kong and bringing these in line with international standards, thus further elevating Hong Kong's status as a major financial centre. As the banking supervisor, HKMA attaches great importance to this Code and fully endorses it. The HKMA expects all institutions to comply with the Code and will monitor compliance as part of its regular supervision.

The Code will be subject to constant review and revision to take account of market developments and experience in the working of individual provisions. The HKMA will conduct a compliance survey six months after the Code has come into effect because by that time institutions should have achieved full compliance (except those parts which involve system changes).

Since the Code does not apply to other financial service providers such as finance houses and non-authorised institution card issuers, the HKMA will also explore with the Finance Houses Association (FHA) the possibility of developing a code for its own members so as to maintain a level playing field for FHA members and authorised institutions in so far as their common areas of business are concerned, for example in credit card business.

Free copies of the Code are available to the public through designated branches of HongkongBank:

(a) 3rd Floor, 1 Queen's Road Central, Hong Kong;

(b) Mongkok Office - 673 Nathan Road, Kowloon; and

(c) Shatin Centre - Shop 30D, Level 3, Shatin Centre Shopping Arcade, N.T.

The Code is also accessible through the HKMA Internet website (http://www.info.gov.hk/hkma).

– Prepared by the Banking Development Division

ANNEX

CODE OF BANKING PRACTICE (1997)

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USEFUL DEFINITIONS

PART I – INTRODUCTION

1. Status of the Code of Banking Practice

1.1 This Code of Banking Practice (Code) is issued jointly by the Hong Kong Association of Banks (HKAB) and the DTC Association (DTCA), i.e., the industry Associations, and endorsed by the Hong Kong Monetary Authority (HKMA).

1.2 This is a non–statutory Code issued on a voluntary basis. It is to be observed by authorized institutions (institutions) in dealing with their personal customers. It covers specifically banking services such as current accounts, savings and other deposit accounts, loans and overdrafts, and card services. However, the principles of the Code apply to the overall relationship between institutions and their customers.

1.3 The recommendations set out in this Code are supplementary to and do not supplant any relevant legislation, codes, guidelines or rules applicable to institutions authorized under the Banking Ordinance.

1.4 HKAB and DTCA will expect their respective members to comply with the Code. HKMA expects all institutions to comply with the Code and will monitor compliance as part of its regular supervision.

1.5 The Code is effective from 14 July 1997 and is subject to review and revision from time to time and at least every two years. Institutions should take active steps to comply with the Code as quickly as possible. They should achieve full compliance within 6 months of the effective date of the Code. However, a further 6 months will be allowed for compliance with those parts of the Code which require system changes.

2. Objectives

2.1 The Code is intended –

(a) to promote good banking practices by setting out the minimum standards which institutions should follow in their dealings with personal customers;

(b) to increase transparency in the provision of banking services so as to enhance the understanding of customers of what they can reasonably expect of the services provided by institutions;

(c) to promote a fair and cordial relationship between institutions and their customers; and

(d) through the above, to foster customer confidence in the banking system.

3. Principles

3.1 The above objectives are to be achieved –

(a) having regard to the need for institutions to conduct business in accordance with prudential standards in order to preserve the stability of the banking system;

(b) while striking a reasonable balance between consumer rights and efficiency of banking operations.

4. Enquiries

4.1 Enquiries about the Code should be addressed to HKAB or DTCA. Their current addresses and telephone numbers are as follows –

HKAB
Room 525, Prince's Building
Central
Hong Kong
Tel: 2521 1160 or 2521 1169
Fax: 2868 5035

The DTC Association
(The Hong Kong Association of Restricted Licence Banks and Deposit–taking Companies)
Suite 3738, 37/F
Sun Hung Kai Centre,
30 Harbour Road,
Hong Kong
Tel: 2526 4079
Fax: 2523 0180

4.2 Copies of the Code will be available to customers from HKAB and DTCA. All institutions will make copies of the Code available to customers or tell them how to get copies.

PART II – RECOMMENDATIONS ON BANKING PRACTICE

CHAPTER 1 – RELATIONSHIP BETWEEN BANKS AND CUSTOMERS

5. Terms and Conditions

5.1 Institutions should make readily available to customers written terms and conditions of a banking service.

5.2 The terms and conditions should provide a fair and balanced description of the relationship between the customer and the institution.

5.3 The terms and conditions should be available in both Chinese and English unless the banking service is governed by law other than that of Hong Kong or there is little or no demand for bilingual information. Plain language should be used to the extent that this is consistent with the need for legal certainty. Legal and technical language should only be used where necessary.

5.4 The terms and conditions should, where applicable, highlight any fees, charges, penalties and relevant interest rates (or the basis on which these will be determined), and the customer's liabilities and obligations in the use of a banking service.

5.5 The terms and conditions should be consistent with this Code.

5.6 Institutions should advise customers to read and understand the terms and conditions applying to the banking service.

5.7 Institutions should give customers 30 days' notice before any variation of the terms and conditions which affects fees and charges and the liabilities or obligations of customers takes effect. For all other variations, institutions should give customers reasonable notice before such variation takes effect. The notice should show clearly the variation and the ways in which the customer may indicate refusal and the consequence.

5.8 Where the variation involves substantial changes to existing terms and conditions or the changes are very complicated, the institution should provide a written summary of the key features of the revised terms and conditions.

5.9 Institutions should issue to customers a single document to provide a consolidation of the revised terms and conditions if there are sufficient changes to warrant it.

5.10 Where a customer refuses to accept the variation to the terms and conditions and chooses to terminate the banking service within a reasonable period, the institution should repay the annual or other periodic fee on that banking service on a pro rata basis, if the fee can be separately distinguished and unless the amount involved is minimal.

5.11 In addition to the detailed terms and conditions, institutions should make readily available to customers general descriptive information on the key features of the various banking services as indicated in the following chapters of this Code.

6. Fees and Charges

6.1 Institutions should make readily available to customers details of the fees and charges payable in connection with the banking services covered by the Code. A schedule of the institution's standard fees and charges should be displayed in its principal place of business and branches.

6.2 Details of the basis of charges for services not subject to standard fees and charges should be advised at the time the services are offered or on request.

6.3 Institutions should give 30 days' notice to affected customers before any change in fees and charges takes effect unless such changes are not within their control.

6.4 Institutions should not impose administrative charges for handling retail cash deposits in Hong Kong dollars.

6.5 Institutions should inform customers of the nature and amount of charges debited to their accounts promptly after any such charge is debited.

7. Collection, Use and Holding of Customer Information

7.1 Institutions should treat their customers' (and former customers') banking affairs as private and confidential.

7.2 Institutions should at all times comply with the Personal Data (Privacy) Ordinance (PDPO) in the collection, use and holding of customer information. They should also comply with any relevant codes of practice issued or approved by the Privacy Commissioner for Personal Data giving practical guidance on compliance with the PDPO.

7.3 Institutions should be as specific as possible about the classes of person to whom they may wish to make disclosure of customer information and the purpose of such disclosure. Classes of person about which customers should be specifically notified include among others –

(a) debt collection agencies;

(b) computer firms to which the processing of personal information is to be, or may be, outsourced;

(c) credit reference agencies; and

(d) related companies within the same group to whom customers' names and addresses may be disclosed for marketing purposes.

7.4 Institutions should not, without the prescribed consent of their customers –

(a) provide bankers' references in respect of a customer; or

(b) disclose customers' names and addresses to companies which are not related companies within the same group for marketing purposes.

7.5 When a customer objects to the disclosure of the information referred to in paragraph 7.3(d) above or refuses to give the consent referred to in paragraph 7.4(b) above, the institution concerned should not refuse to provide that customer with basic banking services.

7.6 Where personal information is used by an institution for its own marketing purposes for the first time, the institution should inform the customer that the institution will, without charge to the customer, cease to so use the personal information if the customer so requests.

7.7 Institutions should remind customers at least once every three years or by including a standard notice in their marketing materials of the right to make the request referred to in paragraph 7.6 above.

7.8 Where personal information is transferred to a third party service provider, for example, as part of an outsourcing arrangement, institutions should satisfy themselves that such information will be treated as confidential and adequately safeguarded by that service provider. Institutions should remain accountable to customers for any complaints arising out of the handling of customer information by service providers and should not attempt to disclaim responsibility for any breach of customer confidentiality by service providers.

8. Personal Referees

8.1 Institutions may require applicants for banking services to provide in the application forms for such services the names and particulars of persons who have agreed to act as referees for the applicant.

8.2 The role of referees is confined to providing, on a voluntary basis and upon request by the institution, information about the applicant in respect of the banking service specified in the application form. Referees have no legal or moral obligation to repay to the institution liabilities of a customer unless they have entered into a formal agreement to guarantee the liabilities of that customer.

8.3 Institutions should require applicants for banking services to confirm that they have obtained the prior consent of the referees for their names to be used. If the applicant fails to give such confirmation, institutions should not approach the referees. In such cases, institutions should decide on their own judgement whether to continue to process the application.

8.4 Institutions should not attempt to seek, directly or indirectly, repayment of debt from a customer's referees who are not acting as guarantors. Related to this, institutions should not pass information about referees (or third parties other than debtors or guarantors) to their debt collection agencies. If a referee is to be approached for information to help locate a debtor or guarantor, this should be done, without causing nuisance to the referee, by staff of the institution.

9. Equal Opportunity

9.1 Institutions should at all times comply with the relevant ordinances for the promotion of equal opportunity, including the Disability Discrimination Ordinance and the Sex Discrimination Ordinance, and any codes issued under these Ordinances.

9.2 Institutions should not discriminate against customers with a disability and should adopt a helpful approach by making available to them banking services on the same terms and conditions as for other customers. Institutions are also encouraged to install specialized machines or software and to provide physical access to facilitate the provision of banking services to persons with a disability.

9.3 Institutions should follow the relevant guidelines issued by the industry Associations with respect to the provision of services for visually impaired customers.

9.4 In addition to the statutory requirements, institutions should not discriminate against any customers simply on the ground of family status (for example, single parents), sexuality, age or race in the provision of banking services and in the quality and terms of services provided.

9.5 Institutions should provide suitable training to front–line staff to raise awareness of the principles and guidelines relating to equal opportunity and the provision of assistance to customers with a disability.

10. Bank Marketing

10.1 Institutions should exercise care in the use of direct mail and in particular should exercise restraint and be selective –

(a) where customers are minors; and

(b) when promoting loans and overdrafts.

10.2 Institutions should ensure that all advertising and promotional materials are fair and reasonable, do not contain misleading information and comply with all relevant legislation, codes and rules.

10.3 In any advertising and promotional material for a banking service that includes a reference to an interest rate, institutions should also indicate the annualized percentage rate of interest and other relevant fees and charges, and that full details of the relevant terms and conditions are available on request.

10.4 Institutions should exercise restraint in making unsolicited (that is, cold) calls to customers, taking account of the general principles stated in HKMA's guideline dated 22 March 1996 on Leveraged Foreign Exchange Trading – Conduct for Unsolicited Calls and Appraisal of Customers.

11. Annualized Percentage Rates

11.1 Institutions should quote the annualized percentage rates of interest on deposit, loan or credit card products to facilitate comparison between different charging structures.

11.2 Institutions should be prepared to respond to inquiries from customers concerning annualized percentage rates and the methods of calculation, and also to advise customers the annualized percentage rates of specific products. The formula set out in the relevant guidelines issued by the industry Associations should be adopted in the calculation of the annualized percentage rate.

12. Handling Customer Complaints

12.1 Institutions should establish procedures for handling customer complaints in a fair and speedy manner. The complaint procedures should take into account the following criteria –

(a) transparency – the applicable procedures should be documented;

(b) accessibility – the procedures should be easily invoked by customers; and

(c) effectiveness – the procedures should provide for the speedy resolution of disputes in a fair and equitable manner.

12.2 Details of how to invoke complaint procedures should be made available to customers and other interested parties such as personal referees and guarantors so that they know what steps to take if they wish to make a complaint. Institutions are encouraged to make available details of how to invoke complaint procedures in tape recording or in Braille for the visually–impaired.

12.3 Institutions should ensure that all their staff who deal directly with customers are made aware of the complaint procedures and are able to help customers by giving correct information about these procedures.

12.4 Institutions should provide an acknowledgment upon receiving a written complaint within 7 days and give the complainant a written response to the complaint within a reasonable period, normally not exceeding 30 days . Correspondence with customers should be sent in Chinese or English in accordance with the language of the complaint.

CHAPTER 2 – ACCOUNTS AND LOANS

13. Opening of Accounts

13.1 Institutions should satisfy themselves about the identity of a person seeking to open an account in order to protect their customers, the public and themselves against misuse of the banking system.

13.2 Institutions should follow the customer identification procedures set out in the HKMA's current Guidelines on Money Laundering. These procedures include obtaining information on the customer's occupation or business activities and permanent address. Positive identification should be obtained from documents issued by official or other reputable sources, for example, passports or identity cards.

13.3 Institutions should provide to customers or prospective customers upon request general descriptive information about the identification requirements.

14. Closing of Accounts

14.1 Either the customer or the institution may end any banking relationship at any time subject to any specific terms and conditions relating to the closing of accounts.

14.2 Institutions should not close a customer's account without first giving reasonable notice, except under exceptional circumstances, for example, where the account is being used for criminal activities.

15. Operation of Accounts

15.1 In addition to the detailed terms and conditions, institutions should make readily available to customers general descriptive information about the operation of their accounts. Such information should include –

(a) any regular fees;

(b) any minimum balance requirement, and the charges payable if the balance falls below the prescribed minimum;

(c) treatment of inactive or dormant accounts;

(d) the usual time taken for clearing a cheque or a payment instrument credited to the account;

(e) any rights of set–off claimed by the institution (see section 16 below); and

(f) the closing of accounts (see section 14 above).

15.2 Institutions should make readily available to customers of a joint account general descriptive information about the operation of their accounts. Such information should include –

(a) the rights and responsibilities of each customer of the joint account;

(b) the implications of the signing arrangements to be specified in the account mandate for the operation of the joint account, particularly that any transactions entered into by the designated signatories will be binding on all account holders;

(c) the manner in which such designated signatories or signing arrangements can be varied;

(d) the nature of liability for indebtedness on a joint account; and

(e) any rights of set–off claimed by the institution in respect of joint accounts (see section 16 below).

15.3 Institutions should provide customers with statements of account at monthly intervals unless –

(a) a passbook or other record of transactions is provided;

(b) there has been no transaction on the account since the last statement; or

(c) otherwise agreed with the customer.

15.4 Institutions should advise customers to examine their statements of account and allow a reasonable period of time of at least 90 days for them to report any unauthorized transactions in the statement. Customers should be warned that the institution would reserve the right to regard the statement as conclusive should they fail to report any unauthorized transactions within the specified period. Institutions should not, however, avail themselves of this right in relation to –

(a) unauthorized transactions arising from forgery or fraud by any third party including any employee, agent or servant of the customer and in relation to which the institution has failed to exercise reasonable care and skill;

(b) unauthorized transactions arising from forgery or fraud by any employee, agent or servant of the institution; or

(c) other unauthorized transactions arising from the default or negligence on the part of the institution or any of its employees, agents or servants.

16. Rights of Set–off

16.1 The descriptive information made available to customers (see section 15 above) should include clear and prominent notice of any rights of set–off claimed by the institution over credit and debit balances in different accounts of the customer.

16.2 In particular, it should be made clear to customers of a joint account whether the institution claims the right to set off the credit balance in that account against the debit balance in other accounts which may be held by one or more of the holders of the joint account.

16.3 Institutions should inform the customer promptly after exercising any rights of set–off.

17. Deposit Accounts

17.1 Institutions should publicize or display in their principal place of business and branches the rates offered on interest–bearing accounts, except where rates are negotiable.

17.2 Institutions should make readily available to customers the following information on all deposit accounts –

(a) the interest rate applicable to their accounts;

(b) the basis on which interest will be determined, including where relevant the annualized percentage rate of interest (see section 11 of Chapter 1), whether interest will be paid on a simple or compound basis and the number of days in the year that will be used for the calculation; and

(c) frequency and timing of interest payments.

17.3 Institutions should provide the following additional information to customers in respect of time deposits –

(a) the manner in which payment of interest and principal will be made and the costs associated with different methods of withdrawing such funds (for example, by means of cashier's order);

(b) the manner in which funds may be dealt with at maturity (for example, automatic rollover, transfer to savings or current accounts etc.); and

(c) the charges and/or forfeiture of interest which may arise from early or partial withdrawal of deposits.

17.4 Institutions should inform customers of changes in interest rates (other than those which change on a daily basis) and the effective date by notices in the main offices and branches, or on the statements of account, or by advertisements in the press.

17.5 Institutions should make a risk disclosure statement in advertising and promotional materials relating to deposit accounts which are linked to risky products, such as option–linked deposits and index–linked deposits. Such statement should include –

(a) an explicit warning of the risks of dealing in the investment products linked to the deposit accounts;

(b) information on whether the principal, interest or both may be subject to possible loss arising from the linked investment products; and

(c) a fair comparison of the possible returns on the investment with conventional time deposits of the same maturity.

18. Loans and Overdrafts

18.1 Approval of loans or overdrafts is subject to institutions' credit assessment which should take into account the applicants' ability to repay. In doing so, institutions may have regard to such factors as –

(a) prior knowledge of the customer's financial affairs gained from past dealings;

(b) the customer's income and expenditure;

(c) the customer's assets and liabilities;

(d) information obtained from credit reference agencies; and

(e) other relevant information supplied by the applicant.

18.2 Institutions should endeavour to ensure that a prospective borrower understands the principal terms and conditions of any borrowing arrangement. The following information

should be provided upon application for a loan or overdraft or, where relevant, in a subsequent offer –

(a) the rate of interest for the loan or overdraft, and whether it may be varied over the period of the loan;

(b) the basis on which interest will be determined and when it will be payable, including where relevant the annualized percentage rate of interest (see section 11 of Chapter 1);

(c) all fees and charges which will apply;

(d) the specified period for which the loan is available;

(e) details of terms of repayment, including where relevant the instalments payable by the customer;

(f) any overriding right to demand immediate repayment;

(g) other significant features such as security requirements, late payment penalties, and the charges or termination fees for early repayment; and

(f) the institution's right, in the event of default of the borrower, to set off any credit balance in other accounts held by the borrower (or in a joint account of the borrower) against the amount due to the institution.

18.3 Where the rate of interest for a loan or an overdraft is based on a reference rate, for example, best lending rate, institutions should notify customers of any changes in the reference rate as soon as practicable, unless such changes have been widely publicized in the media.

18.4 If customers overdraw their accounts without prior agreement or exceed an agreed borrowing limit, institutions may charge a "penalty" rate of interest and make other charges in accordance with the relevant terms and conditions. Institutions should advise customers in advance of their right to impose such penalties and charges and inform customers promptly after exercising such right.

18.5 Institutions should advise customers to inform them as soon as possible of any difficulty in repaying or servicing the loan over the credit period.

19. Residential Mortgage Lending

19.1 Institutions should provide customers and prospective customers with information similar to that in paragraph 18.2 above upon application for a mortgage loan or, where relevant, in a subsequent offer. In addition, institutions should warn customers that the mortgage loan is secured on the property in question and that default may result in the institution taking possession of, and selling, the property.

19.2 Institutions should provide customers with revised particulars of instalments payable by the customer after every adjustment of the interest rate.

19.3 Customers may, from institutions' approved lists, appoint solicitors to represent both themselves and the institutions to execute mortgages on properties (unless it is the institution's policy to employ separate legal representation) and employ insurers which they think fit to insure the properties. The coverage of such approved lists should be sufficiently wide to allow customers to make a choice. In the case of insurers, the approved list should include insurers which are not related to the institution.

19.4 Institutions should inform customers and prospective customers whether they may choose to employ solicitors or insurers other than those on the approved lists of institutions, the procedures involved, any fees charged by the institutions, and any extra costs involved.

19.5 Institutions should also inform customers or prospective customers that they have the right to employ separate legal representation for themselves, and the cost implications of doing so.

19.6 The amount and the nature of risks to be insured should be reasonable and should be a matter of mutual agreement between institutions and their customers. Institutions should provide an option for the customers or prospective customers to choose whether the insured amount should be based on the loan value or the cost of reinstating the property in the event of fire or other serious damage, and should inform them of any extra costs or fees involved (for example, annual valuation fees for the latter option).

19.7 Institutions should guard against fraud by persons misrepresenting themselves as the owner(s) of the property by following the relevant guidelines issued by the industry Associations.

20. Guarantees and Third Party Securities

20.1 Subject to the consent of the borrower as required in paragraph 20.6 below, institutions should provide an individual proposing to give a guarantee or third party security (the surety) with a copy or summary of the contract evidencing the obligations to be guaranteed or secured.

20.2 Institutions should in writing advise the surety –

(a) that by giving the guarantee or third party security, the surety might become liable instead of or as well as that other person;

(b) whether the guarantee or third party security includes an All Monies Clause or is unlimited as to amount and, if so, the implications of such liability (for example, that the surety will be liable for all the actual and contingent liabilities of the borrower, whether now or in future). If this is not the case, what the limit of the liability will be;

(c) whether the liabilities under the guarantee or the third party security are payable on demand;

(d) under what circumstances the surety would be called upon to honour his or her obligations;

(e) under what circumstances, and the timing within which, it would be possible for the surety to extinguish his or her liability to an institution; and

(f) that the surety should seek independent legal advice before entering into the guarantee or providing third party security.

20.3 Clear and prominent notice regarding the provisions in paragraph 20.2 above should be included in or attached to the guarantees and other third party security documentation.

20.4 Institutions should provide the surety with a copy of any formal demand for overdue payment that is sent to the borrower who has failed to settle the overdue amount following customary reminder.

20.5 Subject to the consent of the borrower as required in paragraph 20.6 below, institutions should provide, upon request by the surety, a copy of the latest statement of account provided to the borrower, if any.

20.6 Before accepting a guarantee or a third party security, institutions should obtain the prescribed consent of the borrower to provide the surety with the documents mentioned in paragraphs 20.1, 20.4 and 20.5 above. If the borrower does not give consent, the institution should inform the surety of this in advance so that he or she can decide whether to provide the guarantee or the security.

CHAPTER 3 – CARD SERVICES

21. Application

21.1 This chapter applies to the issue of cards either directly by institutions or through subsidiaries owned by institutions. Except where otherwise specified, this chapter applies to all cards issued by card issuers (see definition of "Cards" in the definition section).

21.2 Issuers of stored value cards (smart cards) should also adhere to the recommendations in this chapter where relevant. However, this chapter does not include detailed provisions relating to stored value cards because such cards are still at an early stage of development. Such detailed provisions will be developed separately at a later stage.

22. Issue of Cards

22.1 Card issuers should act responsibly in the issue and marketing of credit cards, in particular to persons (such as full time students) who may not have independent financial means.

22.2 Card issuers should issue cards to customers only when –

(a) in the case of new cards they have been requested by the customers to do so; or

(b) to replace or renew cards that have already been issued.

22.3 Card issuers should satisfy themselves about the identity of a person applying for a card and provide the applicant with details of the identification needed.

22.4 In addition to the detailed terms and conditions, card issuers should make readily available to cardholders general descriptive information on the use of cards. Such information should include –

(a) security of the cards/personal identification numbers (PINs) (see section 25 below);

(b) the procedures for stopping the use of a card or reporting the loss or theft of the card (including a telephone number to which such a report may be made) (see section 28 below);

(c) the cardholder's liability for the unauthorized use of a card (see section 29 below);

(d) any credit facilities to which the cardholder may gain access;

(e) whether the card has more than one function, the types of transaction that may be made and the accounts to which access may be gained using the card;

(f) any restrictions on the use of the card (including withdrawal and transaction limits);

(g) the procedures for making complaints against outlets arising from the use of the card;

(h) how to use the card issuer's error/dispute resolution processes (including the procedure for querying entries on a periodic statement);

(i) the method of applying exchange rates to transactions in foreign currencies;

(j) all fees and charges which will apply, including the annual fee, any charges relating to cash advances (including any handling charge and any additional cash advance fee), any late payment charge, etc. or the basis of determining the relevant fees and charges unless these are outside the control of the card issuer;

(k) the basis on which interest or finance charges will be determined and when they will be payable, including where relevant the annualized percentage rate of interest (see section 11 of Chapter 1), the length of interest free period, the timing when interest or finance charges will start to accrue on the outstanding balance arising from the use of credit cards, and the period over which such interest or finance charges will be levied; and

(l) any rights of set–off claimed by the card issuer (see section 24 below).

22.5 When accepting a principal cardholder's instructions to issue a subsidiary credit card, card issuers should –

(a) provide general descriptive information to the primary and subsidiary cardholders on their respective liabilities for debts incurred on the cards issued; and

(b) inform the primary cardholder of the means by which a subsidiary card may be cancelled and suspended, including the need to return the subsidiary card as soon as possible. Where the subsidiary card is not returned and if requested to do so by the primary cardholder, the card issuer should take prompt action to prevent further use of the subsidiary card, in line with the procedures which apply to lost cards. The card issuer should warn the primary cardholder that he/she may be liable for any payments arising from the use of the subsidiary card until it has been returned or until the card issuer is able to implement the procedures which apply to lost cards. Any related charges arising from such procedures should be made known to the primary cardholder.

22.6 Card issuers should inform cardholders if a card issued by them has more than one function. Card issuers should comply with requests from cardholders not to issue PINs where cardholders do not wish to use functions operated by a PIN.

22.7 Card issuers should not automatically renew a card without giving the cardholder at least 30 days from the date of renewal to cancel the card without having to pay the renewal fee.

23. Terms and Conditions, Fees and Charges and Interest Rates

23.1 Card issuers should comply with the relevant provisions of Chapter 1, in particular –

(a) the terms and conditions should be available in both Chinese and English. Plain language should be used to the extent that this is consistent with the need for legal certainty. Legal and technical language should only be used where necessary;

(b) the terms and conditions should, where applicable, highlight any fees, charges, penalties and relevant interest rates (or the basis on which these will be determined), and the customer's liabilities and obligations in the use of the card service;

(c) card issuers should give customers 30 days' notice before any variation of the terms and conditions which affects fees and charges and the liabilities or obligations of customers takes effect;

(d) where a customer refuses to accept the variation to the terms and conditions and chooses to terminate the card service within a reasonable period, the card issuer should repay the annual or other periodic fee on that card service on a pro rata basis, if the fee can be separately distinguished and unless the amount involved is minimal;

(e) card issuers should give 30 days' notice to affected customers before any change in fees and charges takes effect unless such changes are not within their control; and

(f) card issuers should quote the annualized percentage rates of interest on credit card products to facilitate comparison between different charging structures.

24. Rights of Set–off

24.1 The descriptive information made available to cardholders (see section 22 above) should include clear and prominent notice of any rights of set–off claimed by the card issuer over credit and debit balances in different accounts (including credit card and deposit accounts) of the cardholder.

24.2 Where subsidiary cards are issued, it should be made clear to both the principal and subsidiary cardholders whether the card issuer claims the right to set off the debit balance in the credit card account of any of the principal or subsidiary cardholders against the credit balance in other accounts which may be held by one or more of the principal or subsidiary cardholders.

24.3 Card issuers should inform cardholders promptly after exercising any rights of set–off.

25. Security of Cards/PINs

25.1 Card issuers should issue cards and PINs separately and take reasonable steps to satisfy themselves that these have been received by cardholders, whether they are personally collected by cardholders or delivered by mail. Where cards and PINs are personally collected, card issuers should satisfy themselves as to the identity of the recipient.

25.2 Card issuers should advise cardholders of the need to take reasonable steps to keep the card safe and the PIN secret to prevent fraud. In particular, they should advise cardholders –

(a) that they should destroy the original printed copy of the PIN;

(b) that they should not allow anyone else to use their card and PIN;

(c) never to write down the PIN on the card or on anything usually kept with or near it; and

(d) not to write down or record the PIN without disguising it.

25.3 When cardholders are provided with an opportunity to select their own PIN, card issuers should advise cardholders of a list of combinations which are not suitable such as personal telephone numbers or other easily accessible personal information.

25.4 Card issuers should ensure that transactions made through electronic terminals can be traced and checked, so that any error can be identified and corrected.

26. Transaction Records

At Electronic Terminals

26.1 Subject to security requirements, at the time of transactions made through electronic terminals, a printed transaction record containing the following information should be provided –

(a) the amount of the transaction;

(b) the account(s) being debited or credited;

(c) the date and the time of the transaction;

(d) the type of transaction, for example, deposit, withdrawal or transfer;

(e) the name of the merchant to whom the payment was made, in the case of a debit or credit card transaction; and

(f) a number or code that enables the terminal where the transaction was made to be identified.

26.2 For cash withdrawals through automated teller machines (ATMs), such printed transaction record will not be necessary if the cardholder chooses not to require such record.

Periodic Statements

26.3 Card issuers should provide cardholders with statements of account at monthly intervals, unless –

(a) a passbook or other record of transactions is provided;

(b) there has been no transaction and no outstanding balance on the account since the last statement; or

(c) otherwise agreed with the customer.

26.4 The statement should show –

(a) for each transaction occurring since the previous statement –

(i) the amount of the transaction;

(ii) the date the transaction was credited/debited to the account;

(iii) the type of transaction;

(iv) the transaction record number or other means by which the account entry can be reconciled with a transaction record; and

(v) the name of the merchant to whom payment was made, in the case of a debit or credit card.

(b) the address or telephone number to be used for enquiries or reporting errors in the statement.

27. Unauthorized Transactions

27.1 Card issuers should advise cardholders to examine their statements of credit card account and report any unauthorized transactions in the statement to the card issuers within 60 days from the statement date. Cardholders should be warned that the card issuer would reserve the right to regard the statement as conclusive should they fail to

report any unauthorized transactions within the specified period. Card issuers should not, however, avail themselves of this right in relation to –

(a) unauthorized transactions arising from forgery or fraud by any third party including any employee, agent or servant of the cardholder and in relation to which the card issuer has failed to exercise reasonable care and skill;

(b) unauthorized transactions arising from forgery or fraud by any employee, agent or servant of the card issuer; or

(c) other unauthorized transactions arising from the default or negligence on the part of the card issuer or any of its employees, agents or servants.

27.2 Card issuers should, except in circumstances which are beyond their control, complete the investigation within 90 days upon receipt of notice of an unauthorized transaction.

27.3 Where the cardholder reports an unauthorized transaction before the payment due date, the cardholder should have the right to withhold payment of the disputed amount during the investigation period. Card issuers should not impose any interest or finance charges on such disputed amount while it is under investigation and make any adverse credit report against the cardholder. If, however, the report made by the cardholder is subsequently proved to be unfounded, card issuers may reserve the right to re–impose the interest or finance charges on the disputed amount over the whole period, including the investigation period. Card issuers should inform cardholders of any such right reserved.

27.4 Card issuers should promptly make relevant corrections and deliver a correction notice if an unauthorized transaction has taken place; if no unauthorized transaction has occurred, card issuers should explain this to the cardholder and furnish copies of documentary evidence.

28. Lost Cards/PINs

28.1 Card issuers should advise cardholders that they must inform the card issuer as soon as reasonably practicable after they find that their cards/PINs have been lost or stolen or when someone else knows their PIN.

28.2 Card issuers should provide an effective and convenient means by which cardholders can notify a lost or stolen card or unauthorized use of a card; facilities such as telephone hot–lines should be available at all times, which will provide for logging and acknowledgement of the notifications from cardholders. Cardholders should be reminded of such means, for example, by including details of the notification facilities in the periodic statements sent to cardholders.

28.3 When such facilities are not made available by card issuers during particular periods, card issuers should be liable for any losses due to non–notification, provided the cardholder notifies the card issuer within a reasonable time after the facilities have become available again.

28.4 Card issuers should act on telephone notification provided that the cardholder can be identified satisfactorily. Card issuers may also ask cardholders to confirm in writing any details given by telephone.

28.5 Card issuers on being advised of a loss, theft or possible misuse of a card/PIN should take action to prevent further use of the card/PIN.

29. Liability for Loss

29.1 Card issuers will bear the full loss incurred –

(a) in the event of misuse when the card has not been received by the cardholder;

(b) for all transactions not authorized by the cardholder after the card issuer has been given adequate notification that the card/PIN has been lost or stolen or when someone else knows the PIN (subject to paragraph 29.4 below);

(c) when faults have occurred in the terminals, or other systems used, which cause cardholders to suffer direct loss unless the fault was obvious or advised by a message or notice on display; and

(d) when transactions are made through the use of counterfeit cards.

29.2 The card issuers' liability should be limited to those amounts wrongly charged to cardholders' accounts and any interest on those amounts.

29.3 Card issuers should give clear and prominent notice to cardholders that they may have to bear a loss when a card has been used for an unauthorized transaction before the cardholder has told the card issuer that the card/PIN has been lost or stolen or that someone else knows the PIN. Subject to paragraph 29.4 below, the cardholder's maximum liability for such credit card loss should be confined to a limit specified by the card issuer, which should be reasonable. Card issuers should give clear and prominent notice of this limit to cardholders.

29.4 Cardholders should be warned that they will be liable for all losses if they have acted fraudulently. Cardholders may be held liable for all losses if they have acted with gross negligence. Cardholders should be warned that this may apply if they fail to follow the safeguards set out in paragraph 25.2 above if such failure has caused the losses.

29.5 A card issuer which is a party to a shared electronic system should not avoid liability to a cardholder in respect of any loss arising from the use of the card either caused or contributed by another party to the system.

30. Treatment of Credit Balances

30.1 Card issuers should refund any credit balance outstanding on a credit card account to the cardholder within 7 working days from the date of receipt of the cardholder's request in accordance with the cardholder's instructions. Card issuers should not forfeit any unclaimed credit balance at any time. Such amount should be refunded to any person who can prove a good claim on the credit balance at any future time.

31. Direct Mailing

31.1 When card issuers enter into direct mailing agreements with suppliers in the marketing of goods or services to credit cardholders, the agreements should specify the conditions for refunds to cardholders (for example, when the goods are returned by the cardholder to the supplier within a specified period) and the period within which such refunds should be effected.

32. New Services or Products

32.1 When introducing a new service or product to customers which involves a cost to them, institutions should not automatically enrol customers into the service or product without the prescribed consent of the customers.

CHAPTER 4 – PAYMENT SERVICES

33. Cheques

33.1 In addition to the detailed terms and conditions, institutions should make readily available to customers general descriptive information about the use of cheques at the time a current account is opened, including –

(a) the distinction between "bearer" and "order" cheques;

(b) the additional protection that is afforded to customers through the use of crossed cheques;

(c) how a cheque may be made out so as to reduce the risk of unauthorized alteration;

(d) the procedures for stopping payment on a cheque (including in the event of loss of the cheque), and any fees or charges which may apply to this service;

(e) how an institution will treat a cheque which is incorrectly completed, altered without authorization, post–dated or out of date, including whether the cheque will be returned and the related fees and charges which may apply;

(f) how an institution will treat a cheque drawn on an account which has insufficient funds, including that the institution reserves the right to dishonour the cheque, the effects of dishonour and the related fees and charges which may apply; and

(g) the usual time taken to clear a cheque and any restrictions which apply to use or withdrawal of the relevant funds pending clearance.

33.2 Institutions should also warn customers to exercise caution in the safekeeping of cheque books. Customers should report the loss of any signed cheques, blank cheques or cheque books as soon as possible, so that the cheque may be stopped before it has been presented for payment. In particular, cheques should not be pre–signed in blank. Institutions should also advise customers of the additional protection that is afforded through the use of crossed cheques.

34. Cross–border Payments

34.1 Institutions should provide customers wishing to effect outgoing cross–border payments with details of the services they offer. In doing so, they should provide the following types of information –

(a) a basic description of the appropriate services available and the manner in which these can be used;

(b) information as to when money sent abroad on the customer's instructions will usually reach its destination;

(c) the basis on which exchange rates will be applied to the amount remitted;

(d) details of any commission or charges payable by customers to the institution; and

(e) if available, details of any overseas commission or charges which will apply, for example, those levied by the institution's overseas agencies or correspondent banks, and whether there is an option for such charges to be paid by the remitting or the recipient party.

34.2 Institutions should promptly notify the customer if an outgoing cross–border payment could not be effected.

34.3 For incoming cross–border payments, institutions should notify the customers or, where applicable, beneficiaries within a reasonable time upon receipt of the payment. In doing so, they should provide the following types of information –

(a) information on the remittance, including the remitted amount and, where possible, the name of the remitter;

(b) the basis on which exchange rates have been or will be applied to the remitted amount; and

(c) details of any commission or charges payable by the customers to the institution, for example, the commission payable if the proceeds are to be paid in cash of the same foreign currency as the remittance received.

34.4 Upon completion of the outgoing or incoming cross–border payment, institutions should provide customers with a transaction record containing information such as the exchange rate applied and any commission or charges levied.

34.5 Institutions should advise customers of the procedures and any fees and charges for the purchase or collection of foreign currency cheques drawn on overseas accounts.

35. Other Payment Services

35.1 Other payment services include automatic payments, standing instructions, or access by customers to their accounts by means of telephone, ATM or computer. Where such services are provided, institutions should, in addition to any terms and conditions which may apply, make readily available general descriptive information about the following –

(a) any fees or charges applicable to the services;

(b) whether a customer can specify the maximum amount of each payment and the date on which such payments should cease;

(c) whether a customer may alter or stop a transaction under a particular payment service; and

(d) the deadline for giving instructions to alter or stop a payment, where appropriate.

35.2 Where customers may gain access to their accounts through telephone banking services, institutions should tape–record the verbal instructions of customers as part of transaction records. Such records should be kept for a period that is consistent with the institution's practice for the settlement of disputes of the type of transaction in question.

35.3 In providing telephone or computer banking services for transfer of funds to the accounts of third parties other than utility companies, institutions should adopt adequate measures to maintain the security of such transactions, for example, if appropriate, by requiring customers to designate in writing a list of accounts to which funds can be transferred from the customer's account through such services.

CHAPTER 5 – RECOVERY OF LOANS AND ADVANCES

36. Debt Collection by Third Party Agencies

36.1 It is essential that debt collection agencies should act within the law, refrain from action prejudicial to the business, integrity, reputation or goodwill of the institutions for whom they are acting and observe a strict duty of confidentiality in respect of customer information. Institutions should enter into a formal, contractual relationship with their

debt collection agencies which, among other things, enforces these requirements. The contract should make it clear that the relationship between the institution and the debt collection agency is one of principal and agent.

36.2 Related to the above, institutions should specify, either in the contract or by means of written instructions, that their debt collection agencies must not resort to intimidation or violence, either verbal or physical, against any person in their debt recovery actions. This includes actions designed to humiliate debtors publicly, for example, by putting up posters or writing on the walls of their residence, and harass debtors, for example, by making telephone calls at unsociable hours.

36.3 Institutions and their collection agencies should not try to recover debts, directly or indirectly, from third parties including referees, family members or friends of the debtors if these persons have not entered into a formal contractual agreement with the institutions to guarantee the liabilities of the debtors. Institutions should issue written instructions to their debt collection agencies, or include a clause in the contract with their agencies, to this effect.

36.4 Institutions should not pass information about referees or third parties other than debtors or guarantors to their debt collection agencies. If the referee is to be approached for information to help locate the debtor or guarantor, this should be done, without causing nuisance to such third parties, by staff of the institution.

36.5 Institutions intending to use debt collection agencies should specify in the terms and conditions of credit or credit card facilities that they may employ third party agencies to collect overdue amounts owed by the customers. Institutions which reserve the right to require customers to indemnify them, in whole or in part, for the costs and expenses they incur in the debt recovery process should include a warning clause to that effect in the terms and conditions.

36.6 Institutions should remain accountable to customers for any complaints arising out of debt collection by third party agencies and should not disclaim responsibility for misconduct on the part of the debt collection agencies.

36.7 Institutions should give the customer advance written notice (sent to the last known address of the customer) of their intention to commission a debt collection agency to collect an overdue amount owed to the institution. The written notice should include the following information –

(a) the overdue amount repayable by the customer;

(b) the length of time the customer has been in default;

(c) the contact telephone number of the institution's debt recovery unit which is responsible for overseeing the collection of the customer's debt to the institution;

(d) the extent to which the customer will be liable to reimburse the institution the costs and expenses incurred in the debt recovery process (if the institution requires the customer to indemnify it for such costs and expenses); and

(e) that the customer should in the first instance report improper debt recovery actions taken by the debt collection agency to the institution.

36.8 Institutions should not engage more than one debt collection agency to pursue the same debt in one jurisdiction at the same time.

36.9 Institutions should require their debt collection agencies, when collecting debts, to identify themselves and the institution for whom they are acting. Institutions should issue authorization documents to their debt collection agencies which should be presented to the debtor for identification purposes when required to do so.

36.10 Institutions should establish effective communication with their debt collection agencies and systems for prompt updating of the agencies on the amount of repayment made by customers so that the agencies will stop immediately all recovery actions once the debts are settled in full by the customers.

36.11 If a customer owes several debts to more than one institution that are being collected by the same debt collection agency, the customer has the right to give instructions to apply repayment to a particular debt.

37. Management of Relationship with Debt Collection Agencies

37.1 Institutions should encourage their debt collection agencies to aspire to the highest professional standards and, where appropriate, to invest in suitable systems and technology.

37.2 Debt collection agencies should not be given a free hand as to recovery procedures. Institutions should establish effective procedures to monitor continuously the performance of their debt collection agencies, particularly to ensure compliance with the provisions in paragraphs 36.2 and 36.3 above.

37.3 Institutions should require debt collection agencies to inform customers that all telephone communication with customers will be tape recorded and the purpose of doing so, and to keep records of all other contacts with customers. Such records should include information on the agency staff making the contact; the date, time and place of contact; and a report on the contact. Both the tape and the records should be kept for a minimum of 30 days after the contact is made.

37.4 Institutions should make unscheduled visits to the agencies to inspect their professionalism, operational integrity, the involvement of suitably trained personnel and the adequacy of resources to cope with the business volumes assigned to them and to ensure agencies' compliance with their contractual undertakings.

37.5 Institutions should maintain a register of complaints about improper actions taken by their debt collection agencies and should respond promptly to the complainants after investigation.

37.6 Institutions should not delegate authority to the debt collection agencies to institute legal proceedings against customers without the institution's formal approval.

37.7 Institutions should specify in their contracts with debt collection agencies that the agencies should not sub–contract the collection of debts to any other third parties.

37.8 Where institutions are aware that their debt collection agencies perform similar functions for other institutions, the sharing of information as to their performance, approach, attitude, behaviour etc. is encouraged.

37.9 Institutions should bring apparently illegal behaviour by debt collection agencies to the attention of the Police. Institutions should also consider whether to terminate the relationship with a debt collection agency if they are aware of unacceptable practices of that agency or breaches of its contractual undertakings.

USEFUL DEFINITIONS

These definitions explain the meaning of words and terms used in the Code. They are not precise legal or technical definitions.

Bankers' References –

A banker's reference is an opinion about a particular customer's ability to enter into or repay a financial commitment. It is given by an institution, to an enquirer, with the prescribed consent of the customer concerned. Typically, the reference will cover information confirming that an account is held and how long for. It indicates the customer's financial position but is not intended to be conclusive proof of the customer's position.

Basic Banking Services –

The opening, maintenance and operation of accounts for money transmission by means of cheque and other debit instruments. This would normally be a current account.

Cards –

A general term for any plastic card which may be used to pay for goods and services or to withdraw cash. For the purpose of this Code, it excludes stored value cards.

Common examples are –

Credit card – a card which allows cardholders to buy on credit and to obtain cash advances. Cardholders receive regular statements and may pay the balance in full, or in part usually subject to a certain minimum. Interest is payable on outstanding balances.

Debit card (EPS card) – a card, operating as a substitute for a cheque, that can be used to obtain cash or make a payment at a point of sale. The cardholder's account is subsequently debited for such a transaction without deferment of payment.

Cash card (ATM card) – a card used to obtain cash and other services from an ATM.

Credit Reference Agencies –

Any data user who carries on a business of compiling and disseminating personal information, of a factual nature, about the credit history of individuals, whether or not that business is the role or principal activity of that data user.

Cross–border Payments –

Payments in Hong Kong dollars or a foreign currency between Hong Kong and another country.

Day –

Day means calendar day if not otherwise specified.

Guarantee –

An undertaking given by a person called the guarantor promising to pay the debts of another person if that other person fails to do so.

Institutions –

Authorized institutions under the Banking Ordinance. These comprise licensed banks, restricted licence banks and deposit–taking companies.

Out of date (stale) Cheque –

A cheque which cannot be paid because its date is too old or "stale", normally more than 6 months ago.

Personal Customers –

A private individual who maintains an account (including a joint account with another private individual or an account held as an executor or trustee, but excluding the accounts of sole traders, partnerships, companies, clubs and societies) or who receives other services from an institution.

PINs – Personal Identification Numbers –

Confidential numbers provided on a strictly confidential basis by card issuers to cardholders. Use of this number by the customer will allow the card to be used either to withdraw cash from an ATM or to authorize payment for goods or services in retail or other outlets, by means of a special terminal device.

Post–dated Cheque –

A cheque which cannot be paid because its date is some time in the future.

Prescribed Consent –

Express consent of a customer given voluntarily.

Promotional Material –

Any literature or information which is designed to help sell a product or service to a customer. This does not include information relating to service enhancements and changes to customers' existing accounts which need to be sent to the customers to meet legislative and regulative requirements or which may be sent where it is in the interest of customers.

Related Companies –

This refers to an institution's subsidiary, holding company or a subsidiary of the holding company.

Security –

A word used to describe the pledging of assets, such as properties, life policies and shares to institutions as support for loans granted to customers. If the loans are not repaid the institution's position is "secured" which means that it can sell the assets to meet the amount outstanding on the loan.

Stored Value Cards –

A card on which data may be stored in electronic, magnetic or optical form and for or in relation to which a person pays a sum of money to the issuer of the card in exchange for the storage of that value in the card and an undertaking by the issuer that on the production of the card, the issuer or any third party will supply goods or services.

Third Party Security –

Security provided by a person who is not the borrower.