

# THE SECOND COMPLIANCE SURVEY ON THE CODE OF BANKING PRACTICE

*This report accounts for the results of the second compliance survey (the survey) on the Code of Banking Practice (Code) conducted by the HKMA in August 1998. The surveyed authorised institutions (AIs) have reported considerable progress in complying with the Code since the first compliance survey was conducted in February 1998. However, there is still room for further improvements to be made.*

## BACKGROUND

The Code was issued jointly by the Hong Kong Association of Banks and the DTC Association and took effect on 14 July 1997. Paragraph 1.5 of the Code provides that AIs should take active steps to comply with the Code and that they should achieve full compliance within 6 months of the effective date of the Code. AIs are also given a further 6 months' grace period to effect changes to areas involving system changes. The HKMA fully endorses the Code and also undertakes to monitor compliance as part of its regular supervision. This includes conducting two compliance surveys respectively after the Code has been in effect for 6 and 12 months.

The first compliance survey (1st survey) was conducted successfully in February 1998. While the results suggested satisfactory overall compliance with the Code, there were areas of non-compliance which required improvements to be made.

To monitor the compliance position of the banking sector with the Code after it has come into effect for 12 months, the HKMA conducted the second compliance survey in mid-August 1998. We issued a questionnaire to the 203 AIs covered by the 1st survey. Similar to the 1st survey, the survey collected information about AIs' compliance with different provisions of the Code. However, provisions for which full compliance had already been achieved in the 1st survey were excluded this time.

Since two institutions were exempted from the survey and the licence of one institution had been revoked, the analysis of the survey results is based on 185 valid returns which cover 200 AIs<sup>1</sup>.

The 185 returns came from 111 licenced banks, 30 restricted licence banks and 44 deposit taking companies. The full results of the survey, as broken down by the three tiers of AIs and together with the corresponding results recorded in the 1st survey, are at the Annex. The major survey findings are highlighted below.

## HIGHLIGHT OF RESULTS

### *Overall Compliance*

34% of the AIs reported that full compliance has been achieved as of 14 July 1998, comparing with the 21% reported 6 months before. 91% claimed to have complied with at least 90% of the Code. This represents a significant improvement over the 1st survey results where 81% reported compliance with at least 80% of the Code. In particular, 93% of the multi-branch banks showed a compliance level of over 90%.

When comparing to the previous results, licensed banks had reported increasing compliance level. This is an encouraging result as they are the main providers of retail banking services. Significant improvements have also been made regarding the major weaknesses identified in the 1st survey. Similar to the first survey, the common reasons for non-compliance are resource constraints and the need to effect system changes.

### *Chapter 1 - Relationship between Banks and Customers*

Concerning the relationship between banks and customers, considerable improvement had been reported by the AIs in compliance with the provisions of this Chapter. All the institutions claimed full compliance with the Code in relation

<sup>1</sup> 14 returns were submitted on a consolidated basis covering a total of 29 AIs.

to making available to customers the relevant terms and conditions of their banking services, informing customers promptly of the nature and amount of charges debited, not seeking repayment of debt from referees who are not guarantors, and not passing information about referees to debt collection agencies. In addition, almost all of them (99%) follow the general principles issued by the HKMA with respect to cold calls.

On the other hand, the survey results still highlight some serious non-compliance aspects:

- (a) 20% of the AIs did not provide the terms and conditions of their services in both Chinese and English (1st survey: 49%). Most non-complying institutions explained that the translation and production work has taken longer than expected;
- (b) around 88% of the AIs claimed that they had highlighted fees and charges, penalties, relevant interest rates and customers' liabilities and obligations in the terms and conditions (1st survey: about 90%). In view of the different interpretations by AIs of the word "highlight" as reflected in the 1st survey, we had clarified with the institutions our requirement on this provision that the specified information in the terms and conditions should be printed in a sufficiently clear manner to attract customers' special attention. With this interpretation and understanding, the AIs reported a slight decline in the compliance level on this provision this time;
- (c) 22% of the AIs did not have a schedule of the standard fees and charges displayed in the principal place of business and branches (1st survey: 36%). However, this percentage should be lower if we take into account remarks made by AIs with private banking businesses that this particular provision may not be applicable to them. This is especially true for AIs with a single office or limited number of branches;
- (d) 20% of the institutions failed to have an effective mechanism to inform customers of their right to stop the institutions using their

personal information for marketing purposes (1st survey: 32%); and

- (e) 46% of the AIs did not include fees and charges in the calculation of the Annualised Percentage Rate (APR) (1st survey: 48%).

#### *Chapter 2 - Accounts and Loans*

Compliance with Chapter 2 on Accounts and Loans is generally satisfactory. All the AIs make available general descriptive information on all deposit accounts, and provide the principal terms and conditions and the specified information upon application for a loan/overdraft/mortgage loan, or in a subsequent offer. Nearly all the AIs (99%) make available descriptive information about operation of individual and joint accounts, provide additional information on time deposit accounts, advise customers in advance of their right to impose penalties and charges when current accounts are overdrawn without prior agreement, provide revised particulars of instalments after every adjustment of interest rate, and follow the relevant industry guideline against fraud by persons misrepresenting as property owners.

However, there is still room for improvement in the following areas:

- (a) 27% of the AIs did not display in their principal place of business and branches the rates offered on interest-bearing accounts (1st survey: 44%). Once again, if we exclude AIs which provide private banking services and AIs which operate a single office or few branches from the basis of calculation, the non-compliance level will come down considerably; and
- (b) with respect to residential mortgage lending, 12% of AIs still did not provide an option for customers to choose the basis on which the insured amount was determined (1st survey: 21%).

#### *Chapter 3 - Card Services*

According to the survey, there are a total of 40 card issuers in Hong Kong which are AIs, comparing to the 42 AIs reported in the 1st

survey<sup>2</sup>. Most of them are licensed banks, reflecting the retail nature of their business. The card services that are offered are as follows:

<u>Card Service</u>	<u>Number of Issuers</u>
Credit Cards	30
Debit Cards	28
ATM Cards	37
Stored Value Cards (Smart Cards)	16

General compliance concerning the provisions on card services is highly satisfactory. All the card issuers show full compliance with the large majority of the provisions.

The most serious non-compliance is in relation to the maximum liability limit for lost cards. Only 2 credit card issuers set a maximum liability on lost cards at HK\$500 or less. The remaining 93% card issuers set the limit equivalent to the approved credit limit of the cards, which undermines the spirit of the Code and is inconsistent with international standards. Concerted efforts should be undertaken to work out a practical solution to improve the situation.

#### *Chapter 4 - Payment Services*

The level of compliance with this part of the Code is satisfactory. All the AIs provide customers with the specified information in making cross-border payments, and advise them of the procedures and fees and charges regarding foreign currency cheques drawn on overseas accounts.

However, particular concerns arise in the provision of telephone and computer banking services as set out below:

- (a) 15% of the AIs which provide telephone banking services did not record the verbal instructions of customers (1st survey: 22%). However, upon further checking, most non-complying institutions have actually adopted other control measures to record the transactions, e.g., verbal instructions to be followed by written confirmation from customers or use of log sheets to record

transactions conducted through touch-tone phones; and

- (b) 7% did not require customers to designate in writing a list of accounts of third parties other than utility companies to which funds could be transferred from the customer's account through telephone or computer banking services (1st survey: 34%).

The above practices are considered important controls that should be put in place to ensure smooth settlement of disputes and effective audit trail of transactions. AIs should take active steps to comply fully with these provisions as soon as possible.

#### *Chapter 5 - Recovery of Loans and Advances*

According to the 2nd survey, 62 AIs employ debt collection agencies (DCAs) to collect debts (1st survey: 60 AIs). Results also show that there was a general increase in the number of DCAs used by institutions.

The relevant guideline was issued in advance of the Code in 1996 and AIs should have achieved full compliance even before the Code took effect. However, non-compliance, though not to a significant extent, on various aspects is still observed. These include:

- (a) 6% failed to specify in the terms and conditions that AIs may employ third party agencies to collect overdue amounts (1st survey: 23%). Most of the non-complying AIs supplemented that their new terms and conditions would incorporate such requirements;
- (b) 5% failed to issue authorisation documents to the debt collection agencies to be presented to the debtor for identification purposes (1st survey: 13%); and
- (c) 11% failed to bring apparently illegal behaviour by DCAs to the attention of the Police (1st survey: 18%).

<sup>2</sup> Two AIs had closed their card business after the 1st survey was conducted.

Although improvements have been shown in the 2nd survey, the number of complaints received by the HKMA's hotline has increased in 1998, particularly since July. Also, the current economic downturn would inevitably lead to more frequent use of DCAs by AIs to recover overdue loans. The rising number of complaints has already aroused public concern about the improper behaviour of DCAs. Therefore, it is of utmost importance that AIs should take immediate actions to comply fully with the Code regarding the management of their DCAs.

### THE WAY FORWARD

As for the first survey, the HKMA would discuss with individual AIs which fail to report full compliance and their plans for rectifying the shortfalls. The HKMA would also work with the industry Associations to address the more important issues identified in the survey.

The industry Associations and the HKMA undertake to review the Code from time to time and at least every two years when the Code was first issued last year. The results of the compliance surveys will form the basis of the review to be conducted next year. In the meantime, the HKMA would keep on monitoring AIs' compliance with the Code as part of its on-going supervision. ☉

- Prepared by the Banking Development Division

## RESULTS OF THE 2ND COMPLIANCE SURVEY ON THE CODE OF BANKING PRACTICE

### Overall Compliance

#### *Coverage of the survey*

The survey results below are based on receipt of 185 returns, which cover a total of 200 authorised institutions (171 returns are on a solo basis and 14 returns on a consolidated basis covering 29 authorised institutions). The 185 returns came from 111 licensed banks, 30 restricted licence banks and 44 deposit-taking companies. Authorised institutions to which specific provisions of the Code are not applicable are excluded from the calculation relating to those questions.

	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
Overall Compliance	To what extent has the institution complied with the Code as of 14 July 1998 ?					
	(a) 100 %	33%	33%	36%	34%	21%
	(b) 90 - 99 %	56%	67%	52%	57%	32%
	(c) 80 - 89 %	8%	0%	3%	5%	28%
	(d) 79 % or below	3%	0%	9%	4%	19%

NB: LBs = Licensed Banks  
 RLBs = Restricted Licence Banks  
 DTCs = Deposit-Taking Companies  
 AIs = Authorised Institutions

## Chapter 1 Relationship between Banks and Customers

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
5.1	Does the institution make readily available to customers written terms and conditions of a banking service?	100%	100%	100%	100%	99%
5.3	Are the terms and conditions of personal banking services available in both Chinese and English?	85%	67%	76%	80%	51%
5.4	Are the following items highlighted in the terms and conditions so as to attract customers' special attention? (a) fees and charges (b) penalties (c) relevant interest rates (or basis of calculation) (d) customers' liabilities and obligations	89% 82% 84% 86%	93% 89% 93% 100%	93% 88% 91% 88%	91% 85% 87% 89%	91% 85% 89% 93%
5.7	Does the institution 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?  How much advance notice is given to customers for other variations?  (a) less than 7 days (b) 8 to 14 days (c) 15 to 30 days (d) more than 30 days  Does the notice show clearly the variation and the possibility of refusal and the consequences?	93%      87%	97%      90%	93%      93%	93%      89%	85%      78%
5.8	Does the institution provide a written summary of the key features of the revised terms and conditions involving substantial changes?	86%	90%	95%	89%	82%
5.9	Does the institution provide a consolidation of the revised terms and conditions in a single document if there are a lot of changes?	89%	93%	98%	92%	86%
5.10	What is the usual period given to customers for them to indicate refusal to variation to the terms and conditions?  (a) less than 7 days (b) 8 to 14 days (c) 15 to 30 days (d) more than 30 days  Does the institution repay the annual/periodic fee on a pro rata basis when a customer refuses to accept the variation to the terms and conditions?	5% 15% 43% 33%  91%	7% 33% 40% 13%  96%	5% 24% 46% 20%  97%	5% 20% 43% 27%  93%	4% 21% 39% 26%  70%
6.1	Is a schedule of the standard fees and charges displayed in the principal place of business and branches?	81%	63%	80%	78%	64%
6.2	Does the institution provide to customers' details of the basis of charges for services not subject to standard fees and charges at the time the services are offered or upon request?	99%	96%	98%	98%	97%
6.3	Does the institution give affected customers 30 days notice before any change in fees and charges take effect?	93%	90%	89%	91%	85%

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
6.4	Does the institution impose charges for handling retail cash deposits in Hong Kong dollars?	4%	3%	2%	3%	6%
6.5	Does the institution inform customers of the nature and amount of charges debited to their accounts promptly after any such charges are debited?	100%	100%	100%	100%	95%
	How soon does the institution inform customers after debiting such charges to customers' accounts?					
	(a) within 24 hours	45%	25%	40%	41%	40%
	(b) 1 to 2 days	48%	61%	45%	49%	50%
	(c) 3 to 7 days	7%	11%	12%	9%	11%
(d) more than 7 days	5%	4%	2%	4%	6%	
7.3	Does the institution notify customers specifically of the following classes of person to whom disclosure of customer information may be made?					
	(a) debt collection agencies	88%	88%	93%	89%	71%
	(b) computer firms to which the processing of personal information is to be, or may be, outsourced	87%	89%	85%	87%	70%
	(c) credit reference agencies	91%	91%	94%	92%	78%
(d) related companies within the same group to whom customers' names and addresses may be disclosed for marketing purposes	88%	100%	91%	90%	79%	
7.4	Does the institution obtain the prescribed consent of a customer before :					
	(a) providing bankers' references of the customer	90%	100%	90%	92%	80%
	(b) disclosing customers' information to unrelated companies for marketing purposes?	90%	90%	81%	88%	86%
7.5	Does the institution refuse to provide a customer with basic banking services if he/she objects to the institution, disclosing the customer information to unrelated companies for marketing purposes?	2%	0%	5%	2%	6%
7.6 & 7.7	Does the institution have an effective mechanism to inform customers of their right to request the institution to stop using their personal information for marketing purposes?	75%	96%	82%	80%	68%
8.3	Does the institution require applicants for banking services to confirm that they have obtained the prior consent of the referees?	87%	86%	96%	89%	76%
	If there is no confirmation, does the institution continue to process the application?	54%	42%	59%	54%	67%
8.4	Does the institution					
	(a) seek directly or indirectly repayment of debt from referees who are not guarantors?	0%	0%	0%	0%	1%
	(b) pass information about referees to debt collection agencies?	0%	6%	0%	1%	3%
9.2	Does the institution have a policy on installing specialised machines or software and providing physical access to facilitate the provision of banking services to persons with a disability?	27%	6%	16%	22%	16%
9.3	Does the institution comply with the relevant guideline issued by the industry association with respect to the provision of services for visually impaired customers?	77%	75%	59%	72%	52%

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
9.5	Does the institution provide suitable training to front-line staff to raise their awareness of the principles and guidelines relating to equal opportunity and the provision of assistance to customers with a disability?	91%	92%	84%	89%	77%
10.3	Does the institution indicate the annualised percentage rate of interest and other relevant fees and charges in all advertising and promotional material for a banking service that includes a reference to an interest rate?	90%	87%	88%	89%	79%
10.4	Does the institution follow the general principles of the stated HKMA guideline in making cold calls?	98%	100%	100%	99%	97%
11.1 & 11.2	Is the formula set out in the industry guideline being adopted in the calculation of annualised percentage rate?	85%	90%	91%	87%	85%
	Are the applicable fees and charges included in the calculation of the APR?	55%	53%	52%	54%	52%
	Does the institution quote the annualised percentage rates of interest on the following accounts/products?					
	(a) deposit accounts	94%	86%	98%	93%	93%
	(b) loan products	95%	96%	95%	95%	91%
(c) credit card accounts	93%	0%	100%	90%	88%	
	Is the institution, especially front-line staff, able to respond to inquiries from customers concerning annualised percentage rates?	92%	97%	95%	94%	92%
12.1	Are there established procedures for handling customer complaints in a fair and speedy manner?	99%	93%	91%	96%	94%
12.2	Does the institution make available to customers details of how to invoke complaint procedures?	90%	80%	80%	86%	82%
12.4	Does the institution provide an acknowledgement upon receiving a written complaint within 7 days?	95%	90%	93%	94%	93%
	Does the institution give a written response to a written complaint within 30 days?	98%	93%	98%	97%	96%
	Is the language of correspondence in accordance with that of the complaint?	93%	90%	95%	93%	90%



## Chapter 2 Accounts and Loans

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
15.1	Does the institution make readily available to customers general descriptive information about the operation of their accounts?	99%	100%	97%	99%	92%
15.2	Does the institution make readily available to customers who have joint accounts general descriptive information about the operation of their accounts?	99%	100%	97%	99%	89%
15.3	Does the institution provide customers with statements of accounts at monthly intervals unless otherwise specified?	98%	92%	97%	97%	90%
15.4	Does the institution allow a period of at least 90 days for customers to report any unauthorised transactions in the monthly statement of account?	90%	100%	89%	91%	73%
16.1 & 16.2	Does the institution make available to customers clear and prominent notice of any rights of set-off claimed by the institution on the following accounts? (a) individual accounts (b) joint accounts	98% 97%	100% 100%	95% 95%	97% 97%	97% 96%
16.3	How soon does the institution inform customers after exercising rights of set-off? (a) within 24 hours (b) 1 to 2 days (c) 3 to 7 days (d) more than 7 days	50% 41% 14% 1%	50% 29% 11% 4%	56% 23% 13% 3%	51% 35% 13% 2%	46% 39% 11% 4%
17.1	Does the institution publicise or display in their principal place of business and branches the rates offered on interest-bearing accounts?	83%	40%	65%	73%	56%
17.2	Does the institution make readily available to customers the necessary information on all deposit accounts as specified in section 17.2?	100%	100%	100%	100%	93%
17.3	Does the institution make readily available to customers the additional information on time deposits as specified in section 17.3?	100%	100%	98%	99%	93%
17.4	Does the institution inform customers of changes in deposit interest rates (other than those which change on a daily basis) and the effective date?	100%	90%	97%	98%	80%
17.5	Does the institution make a risk disclosure statement in promoting deposit accounts which are linked to risky products?	91%	91%	91%	91%	79%
18.2	Does the institution provide upon application for a loan or overdraft, or in a subsequent offer the principal terms and conditions and the other information specified to customers?	100%	100%	100%	100%	99%
18.3	How soon does the institution notify customers of any changes in the reference rate of interest (e.g. best lending rate) for a loan or an overdraft? (a) within 7 days (b) 8 to 14 days (c) 15 to 30 days (d) more than 30 days	73% 8% 17% 2%	77% 8% 12% 4%	82% 8% 5% 5%	75% 8% 14% 3%	71% 9% 16% 4%

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
18.4	Does the institution advise customers in advance of its right to impose penalties and charges if customers overdraw their current accounts without prior agreement?	99%	N/A	N/A	99%	98%
	How soon does the institution notify customers after exercising such rights?					
	(a) within 24 hours	54%	N/A	N/A	54%	53%
	(b) 1 to 2 days	34%	N/A	N/A	34%	34%
	(c) 3 to 7 days	5%	N/A	N/A	5%	6%
(d) more than 7 days	9%	N/A	N/A	9%	7%	
19.1	Does the institution provide the specified information to customers and prospective customers upon application for a mortgage loan or in a subsequent offer?	100%	100%	100%	100%	95%
19.2	Does the institution provide customers with revised particulars of instalments after every adjustment of the interest rate?	100%	100%	96%	99%	92%
19.3	Does the institution operate a system of approved <u>solicitors</u> ?	91%	100%	88%	92%	87%
	How many solicitors is on the approved list?					
	(a) less than 10	32%	50%	45%	38%	41%
	(b) 11 to 30	11%	20%	23%	15%	14%
	(c) 31 to 50	13%	0%	5%	9%	10%
	(d) more than 50	44%	30%	27%	38%	35%
	Does the institution operate a system of approved <u>insurers</u> ?	84%	95%	77%	84%	87%
	How many insurers are on the approved list?					
	(a) less than 10	57%	44%	55%	54%	56%
	(b) 11 to 30	9%	22%	10%	12%	15%
(c) 31 to 50	7%	0%	10%	6%	5%	
(d) more than 50	27%	33%	25%	28%	24%	
Does the list of insurers include those which are not related to the institution?	100%	95%	95%	98%	93%	
19.4	Does the institution inform customers whether they may choose to employ <u>solicitors</u> other than those on the approved list?	85%	90%	77%	85%	<u>solicitors/</u> <u>insurers</u> 75%
	Are there any extra costs involved?	22%	12%	17%	19%	19%
	Does the institution inform customers whether they may choose to employ <u>insurers</u> other than those on the approved list?	86%	89%	75%	84%	-
	Are there any extra costs involved?	20%	6%	10%	15%	-
19.5	Does the institution inform customers or prospective customers that they have the right to employ separate legal representation for themselves?	93%	90%	96%	93%	90%
	Are there any extra costs involved?	33%	17%	33%	30%	25%

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
19.6	Does the institution provide an option for customers to choose the basis on which the insured amount is determined (either on the loan value or the cost of reinstating the property)?	88%	85%	88%	88%	79%
	Will the institution consider customers' request to adjust the sum insured in line with the declining balance of the loan amount?	97%	80%	96%	94%	92%
	Does the institution require customers to take out a separate insurance policy if a Master Insurance Policy is already in place?	18%	28%	8%	17%	19%
19.7	Does the institution follow the relevant industry guideline to guard against fraud by persons misrepresenting themselves as owner(s) of the property?	100%	100%	96%	99%	99%
20.1	Does the institution provide an individual proposing to be a guarantor/surety with a copy or summary of the contract evidencing the obligations to be guaranteed or secured?	95%	96%	100%	96%	86%
	Does the institution obtain the borrower prescribed consent before doing the above?	98%	100%	95%	98%	95%
20.2	Does the institution advise the surety in writing the information specified in section 20.2?	98%	93%	92%	96%	86%
20.3	Is the above information (specified in section 20.2) included in or attached to the guarantees and other third party security documentation?	98%	96%	97%	98%	89%
20.4	Does the institution provide the surety with a copy of any formal demand for overdue payment sent to the borrower in case of default?	94%	100%	95%	95%	90%
	Does the institution obtain the borrower prescribed consent before doing the above?	86%	93%	75%	85%	70%
20.5	Does the institution provide the surety a copy of the latest statement of account provided to the borrower if requested to do so?	96%	100%	89%	95%	89%
	Does the institution obtain the borrower consent before doing the above?	96%	93%	88%	94%	92%

## Chapter 3 Card Services

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
21.1	What kind of cards does the institution issue? (can choose more than one answer)					
	(a) credit cards	27 AIs	1 AIs	2 AIs	30 AIs	32 AIs
	(b) debit cards (EPS cards)	28 AIs	-	-	28 AIs	22 AIs
	(c) cash cards (ATM cards)	37 AIs	-	-	37 AIs	39 AIs
	(d) stored value cards (smart cards)	16 AIs	-	-	16 AIs	16 AIs
22.1	Does the card issuer market <u>credit cards</u> to full-time students?	81%	0%	50%	77%	75%
	What are the usual credit limits of student <u>credit cards</u> ?					
	(a) less than \$5,000	0%	0%	0%	0%	0%
	(b) \$5,001 to \$10,000	4%	0%	0%	4%	4%
	(c) \$10,001 to \$20,000	100%	0%	100%	100%	100%
	(d) \$20,001 to \$30,000	0%	0%	0%	0%	0%
	(e) over \$30,000	0%	0%	0%	0%	0%
22.4	Does the card issuer make readily available to cardholders all the general descriptive information on the use of cards as specified in section 22.4?	100%	100%	100%	100%	69%
22.5 (a)	Does the <u>credit card</u> issuer provide the primary and secondary cardholders with the general descriptive information on their respective liabilities for debts incurred on the cards issued?	100%	100%	100%	100%	97%
22.5 (b)	Does the <u>credit card</u> issuer inform primary cardholders means of stopping further use of a subsidiary card if they fail to return the subsidiary card?	100%	100%	100%	100%	81%
	Does the card issuer take prompt action to prevent further use of the subsidiary card if so requested by the primary cardholder?	100%	100%	100%	100%	91%
	Are there any costs involved	56%	0%	50%	53%	53%
	Does the card issuer inform subsidiary cardholders how to cancel a subsidiary card?	96%	100%	100%	97%	94%
22.6	If cardholders request the card issuer not to issue PINs, does the card issuer comply with that request?	97%	100%	100%	97%	97%
22.7	Does the card issuer give cardholders at least 30 days to cancel the card from the date of renewal without them having to pay the renewal fee?	100%	100%	100%	100%	88%
23.1(a)	Are the terms and conditions of card services available in both Chinese and English?	100%	100%	100%	100%	95%
23.1(b)	Are the following items highlighted in the terms and conditions so as to attract customers' special attention?					
	(a) fees and charges	94%	100%	50%	92%	95%
	(b) penalties	88%	100%	50%	86%	83%
	(c) relevant interest rates (or basis of calculation)	88%	100%	50%	86%	81%
	(d) customers' liabilities and obligations	86%	100%	50%	85%	95%
23.1(c)	Does the institution 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?	100%	100%	100%	100%	95%

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
23.1(d)	What is the usual period given to customers for them to indicate refusal to variation to the terms and conditions? (a) less than 7 days (b) 8 to 14 days (c) 15 to 30 days (d) more than 30 days	3%	0%	0%	3%	0%
	Does the institution repay the annual/periodic fee on a pro rata basis when a customer refuses to accept the variation to the terms and conditions?	100%	100%	100%	100%	93%
23.1(f)	Does the institution quote the annualised percentage rates of interest on the <u>credit card</u> products according to the formula set out in the industry guideline?	93%	0%	100%	90%	88%
24.3	How soon does the institution inform customers after exercising rights of set-off? (a) within 24 hours (b) 1 to 2 days (c) 3 to 7 days (d) more than 7 days	20%	0%	0%	18%	19%
		27%	100%	100%	33%	31%
		7%	0%	0%	6%	6%
		47%	0%	0%	42%	47%
25.3	Does the card issuer advise cardholders that certain combinations of numbers are not suitable as PIN?	95%	100%	100%	95%	90%
27.1	Does the card issuer allow 60 days from the statement date for cardholders to examine their statements of <u>credit cards</u> and report any unauthorised transactions?	96%	100%	100%	97%	69%
27.3	Does the card issuer (a) impose any interest or finance charges on such disputed amount? (b) make any adverse credit report against the cardholder during the investigation period?	4%	0%	0%	3%	3%
		0%	0%	0%	0%	0%
28.2	Are cardholders reminded of the means of reporting lost or stolen card or unauthorised use of a card by notice in the periodic statements sent to them (or any other regular means)?	97%	100%	100%	98%	95%
28.3	Is the card issuer liable for losses due to non-notification caused by the unavailability of the notification facilities?	95%	100%	100%	95%	93%
29.3	Does the card issuer set a maximum liability of cardholder for <u>credit card</u> loss due to unauthorised transactions before the cardholder has reported the loss?	7%	0%	0%	7%	13%
	What is the limit of this maximum liability? - less than HK\$500	100%	0%	0%	100%	100%
	Does the card issuer give clear and prominent notice to cardholders of this limit?	100%	0%	0%	100%	100%
29.5	Does the card issuer remain liable to any loss arising from the use of the card either caused or contributed by another party to a shared electronic system?	100%	100%	100%	100%	93%

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
30.1	Does the card issuer forfeit any unclaimed credit balance?	7%	0%	50%	9%	9%
31.1	Does the card issuer specify in the direct mailing agreements with suppliers the conditions for refunds to cardholders and the period within which such refunds should be effected?	100%	100%	100%	100%	96%

## Chapter 4 Payment Services

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
33.1	Does the institution make readily available to customers general descriptive information about the use of cheques as specified in section 33.1?	99%	N/A	N/A	99%	99%
33.2	Does the institution advise customers of the additional protection that is afforded through the use of crossed cheques?	99%	N/A	N/A	99%	92%
34.1	Does the institution provide customers with the types of information specified in section 34.1 in making a cross-border payments?	100%	100%	100%	100%	96%
34.2	How soon does the institution notify the customer if an outgoing cross-border payment cannot be effected? (a) within 24 hours (b) 1 to 2 days (c) 3 to 7 days (d) more than 7 days	88% 13% 3% 1%	67% 17% 11% 0%	70% 30% 0% 0%	83% 16% 3% 1%	84% 15% 2% 1%
34.3	How soon does the institution notify the customers/beneficiaries upon receipt of an incoming cross-border payment? (a) within 24 hours (b) 1 to 2 days (c) 3 to 7 days (d) more than 7 days	72% 35% 3% 0%	78% 28% 0% 0%	60% 35% 5% 0%	71% 34% 3% 0%	68% 36% 3% 1%
34.5	Does the institution advise customers of the procedures and any fees and charges for the purchase or collection of foreign currency cheques drawn on overseas accounts?	100%	100%	100%	100%	98%
35.1	For other payment services, does the institution make readily available general descriptive information about the following?					
35.1 (b)	whether a customer can specify the maximum amount of each payment and the date on which such payments should cease	97%	100%	100%	97%	85%
35.1 (c)	whether a customer may alter or stop a transaction under a particular payment service	98%	100%	100%	98%	90%
35.1 (d)	the deadline for giving instructions to alter or stop a payment, where appropriate	98%	100%	100%	98%	79%
35.2	Where customers may gain access to their accounts through <u>telephone banking services</u> , does the institution tape record the verbal instructions of customers as part of transaction records?  For how long are the records kept? (a) less than 1 month (b) 1 - 3 months (c) 4 to 6 months (d) 7 to 12 months (e) others	86%  2% 34% 32% 23% 7%	80%  0% 75% 0% 25% 25%	67%  0% 50% 50% 0% 0%	85%  2% 38% 30% 22% 8%	78%  5% 37% 32% 19% 11%
35.3	In providing <u>telephone or computer banking services</u> for transfer of funds to the accounts of third parties other than utility companies, does the institution require customers to designate in writing a list of accounts to which funds can be transferred?	93%	100%	-	93%	66%

## Chapter 5 Recovery of Loans and Advances

Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
General	Does the institution employ/use the services of debt collection agencies (DCAs)?	36 AIs	8 AIs	18 AIs	62 AIs	60 AIs
	If yes, how many DCAs are used?					
	(a) 1 to 5	50%	50%	94%	63%	72%
	(b) 6 to 10	47%	25%	6%	32%	27%
	(c) 11 to 15	3%	25%	0%	5%	1%
36.3	Does the institution specify in the relevant contracts or by written instructions that its DCA should not try to recover debts from third parties such as referees if they are not guarantors?	100%	100%	100%	100%	90%
36.4	Does the institution pass information about referees or third parties other than debtors or guarantors to their DCAs?	0%	11%	0%	2%	3%
	Are referees approached only by staff of the institution if necessary?	94%	100%	83%	94%	88%
36.5	Does the institution specify in the terms and conditions of credit facilities that they may employ third party agencies to collect overdue amounts owned by customers?	100%	88%	83%	94%	77%
	Is a warning clause included in the terms and conditions if the institution wish to reserve the right to require customers to indemnify them for the costs and expenses they incur in the debt recovery process?	100%	100%	94%	98%	93%
36.6	Does the institution remain accountable to customers for any complaints arising out of DCAs?	97%	100%	94%	97%	95%
36.7	Does the institution send customers advance notice of their intention to commission a DCA to collect a debt?	100%	100%	94%	98%	90%
	Does the written notice include the specified information?	97%	100%	94%	97%	83%
36.9	Does the institution require its DCAs to identify themselves and the institution for whom they are acting?	100%	100%	100%	100%	98%
	Does the institution issue authorisation documents to their DCAs to be presented to the debtor for identification purposes?	94%	100%	94%	95%	87%
36.10	How often does the institution update its DCAs on the amounts of repayment made by customers?					
	(a) immediately upon every repayment	86%	100%	72%	84%	80%
	(b) every week	3%	0%	6%	3%	2%
	(c) every month	8%	0%	11%	8%	15%
	(d) others	3%	0%	11%	5%	3%
36.11	Does a customer have the right to give instructions to apply repayment to a particular debt if he/she owes several debts to the institutions?	100%	100%	83%	95%	90%
37.2	Does the institution have in place effective procedures to monitor continuously the performance of their DCAs?	97%	100%	100%	98%	95%



Reference in the Code	Particulars	Responses from AIs				
		2nd survey				1st survey
		LBs	RLBs	DTCs	All AIs	All AIs
37.3	Does the institution require DCAs to inform customers that all telephone communication with customers will be tape recorded and the purpose of doing so?	92%	100%	89%	92%	87%
	Are the tape and records kept for a minimum of 30 days after the contact is made?	97%	100%	94%	97%	88%
37.4	Does the institution make unscheduled visits to the DCAs to inspect their professionalism, operational integrity, etc.?	100%	100%	94%	98%	95%
	How often are these visits made?					
	(a) monthly or more often	44%	13%	12%	31%	14%
	(b) bi-monthly	0%	0%	0%	0%	5%
	(c) quarterly	25%	38%	18%	25%	30%
	(d) bi-annually	14%	13%	29%	18%	21%
(e) others	17%	38%	41%	26%	30%	
37.5	Does the institution maintain a register of complaints about improper actions by DCAs?	100%	100%	100%	100%	93%
	How many complaints have been recorded in the first half of 1998?					<u>1997</u>
	(a) nil	31%	38%	78%	45%	34%
	(b) 1 to 10	56%	38%	17%	42%	48%
	(c) 11 to 50	14%	25%	6%	13%	16%
	(d) 51 to 100	0%	0%	0%	0%	2%
	How soon does the institution respond to complainants after receiving a complaint?					
(a) within 7 days	82%	86%	69%	79%	75%	
(b) 8 to 14 days	16%	14%	19%	16%	19%	
(c) 15 to 30 days	3%	0%	13%	5%	6%	
(d) more than 30 days	0%	0%	0%	0%	0%	
37.7	Does the institution specify in their contracts with debt collection agencies that the agencies should not sub-contract the collection of debts to any other third parties?	100%	100%	94%	98%	95%
37.8	Where the institution is aware that their debt collection agencies perform similar functions for other institutions, does it encourage the sharing of information as to the debt collection agencies' performance, approach, attitude and behaviour?	53%	100%	89%	69%	60%
37.9	Does the institution bring apparently illegal behaviour by DCAs to the attention of the Police?	92%	88%	83%	89%	82%