

IONG KONG MONETARY AUTHORITY 昏 港 金 融 管 理 局

REGULATION OF STORED VALUE FACILITIES

Media briefing 5 April 2016



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Part 1 Retail payment overview



Multiple retail payment options in HK

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

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



Payments with SVF





SVF - Industry overview

Among 20+ prospective SVF licence applicants





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Part 2 Our work progress



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Our work progress

Pay Sto Ord	Nov 2015 yment Systems a red Value Facili linance commer eration	ties		Feb - May 2016 Independent asse on prospective applicants	essment			12 Nov 2016 Expiry of the o year transition period	
	Q4 201	5	Q1 2016	Q2	2016	Q3 2	2016	> Q4 201	6
Issu	lov 2015 ed Explanatory ensing for SVF	v 2015 I Explanatory Note on sing for SVF Feb 2016 Issued preliminary regulatory expectations Supervisory guidelines Licence by batch	g of SVF	1					
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Part 3 Supervisory approach



Supervisory approach according to business nature and risks

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



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Balanced policy

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



Principle-and-risk-based supervision

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

• Ensure

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





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Part 4 What the public should know



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

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



What the public should know

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



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Q & A