



REGULATION OF STORED VALUE FACILITIES

Media briefing
5 April 2016



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Part 1

Retail payment overview

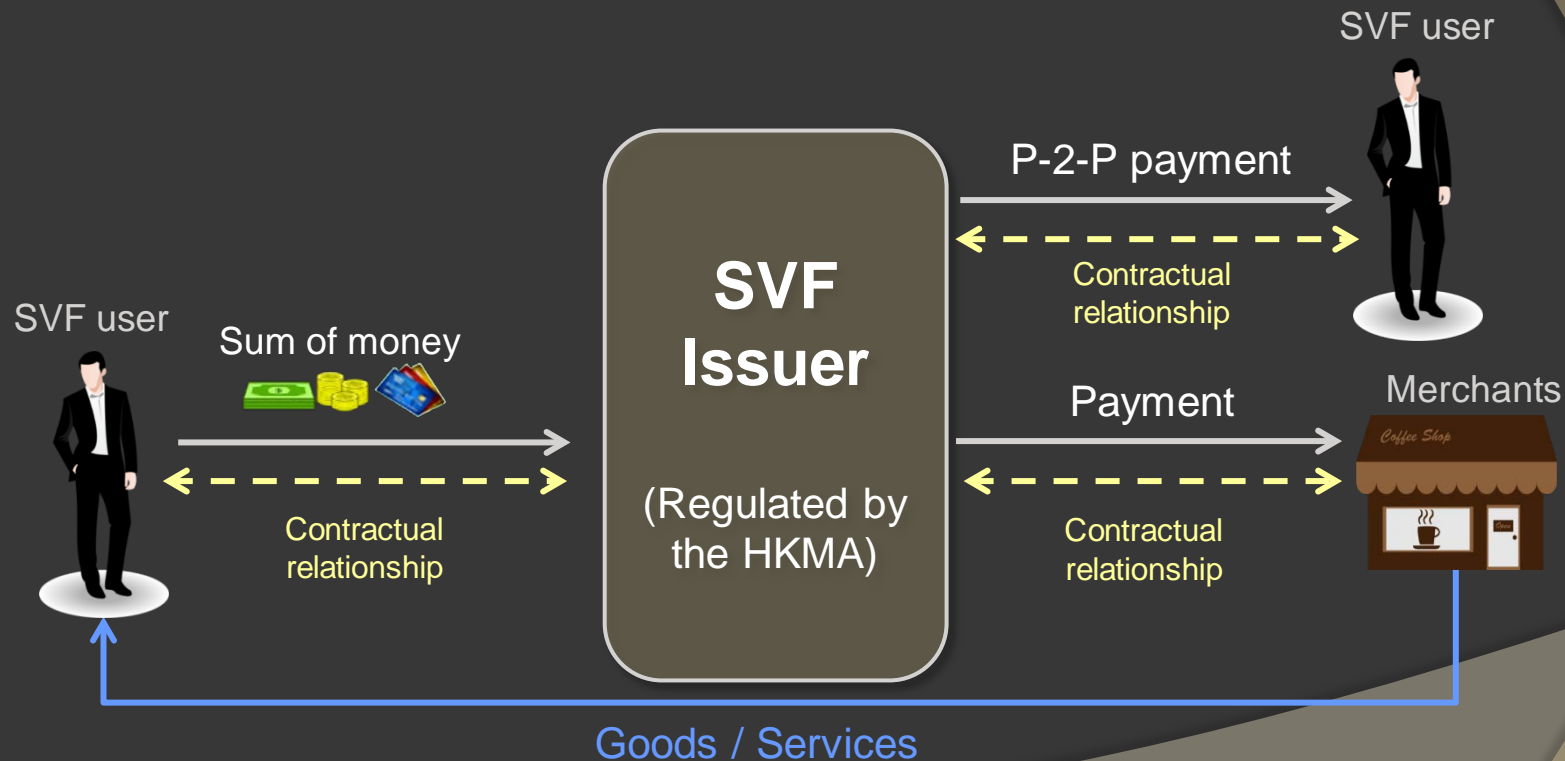


Multiple retail payment options in HK

- 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

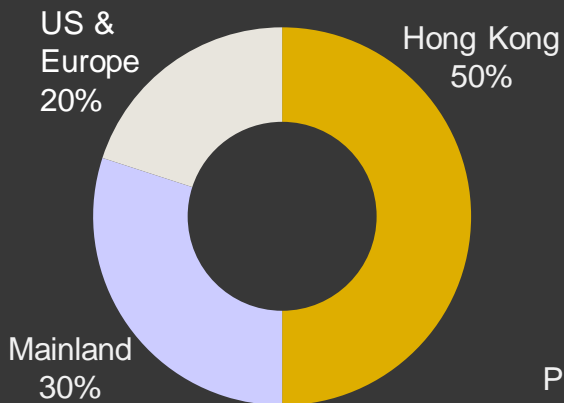




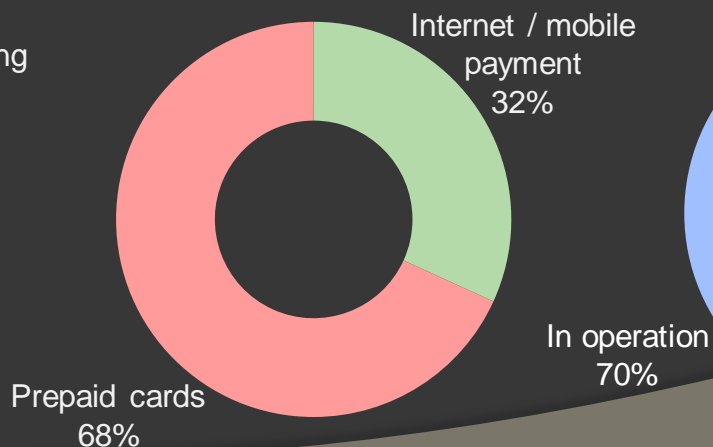
SVF - Industry overview

Among 20+ prospective SVF licence applicants

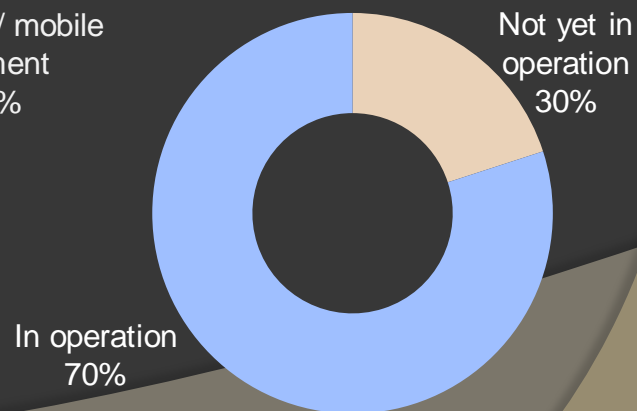
By domicile



By type



By business status



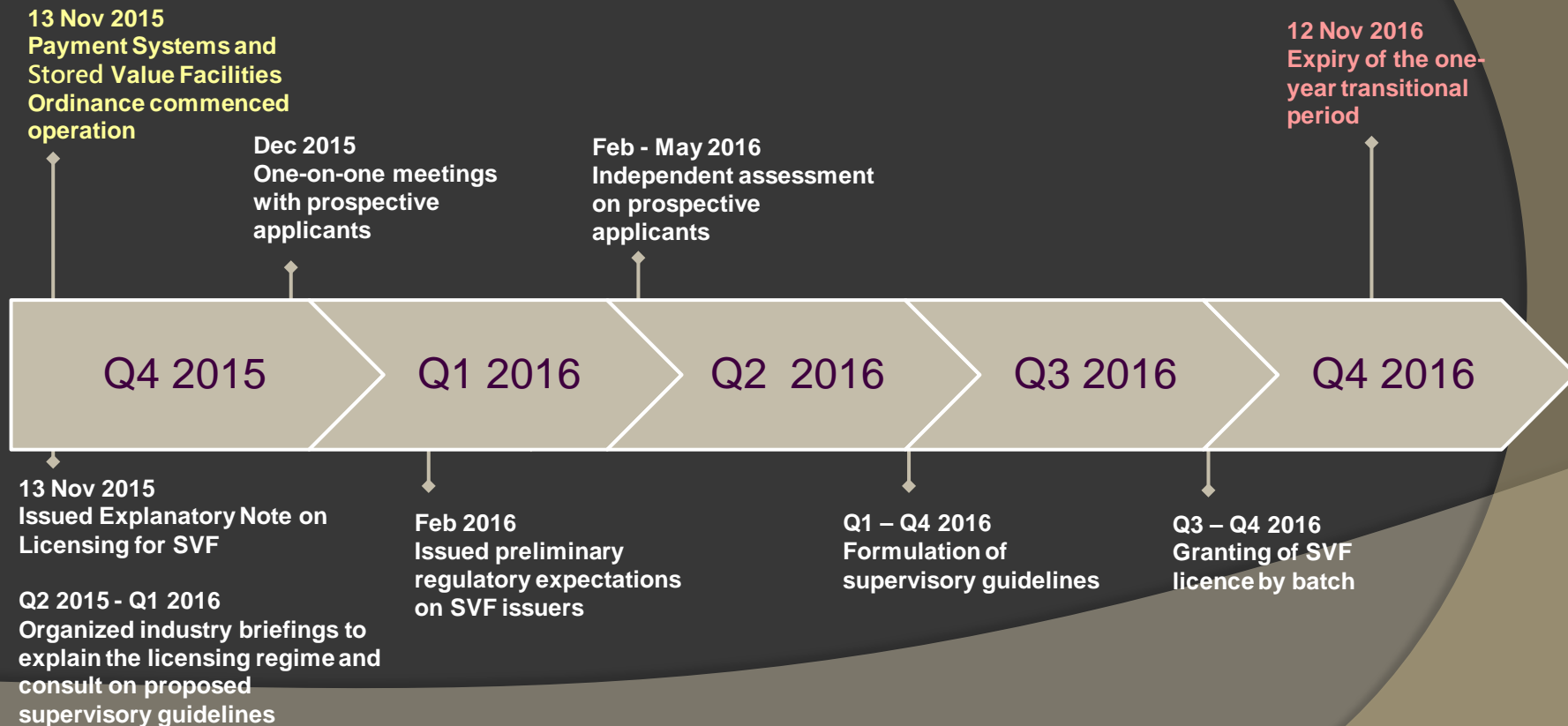


Part 2

Our work progress



Our work progress







Part 3

Supervisory approach

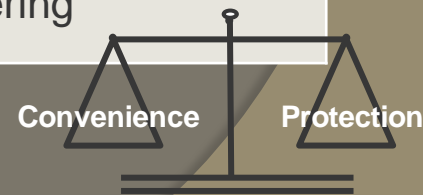
Supervisory approach according to business nature and risks

	Banks	SVF
		
Business nature	<ul style="list-style-type: none">• Deposit taking• Lending and other banking services	<ul style="list-style-type: none">• Provision of convenient retail payment services
Risks nature	<ul style="list-style-type: none">• Credit risk, interest rate risk, etc.	<ul style="list-style-type: none">• Operational risk• Business risk
Regulatory focus	<ul style="list-style-type: none">• Deposit protection• Public confidence in the banking system	<ul style="list-style-type: none">• Safe and efficient retail payment services• Protection of float



Balanced policy

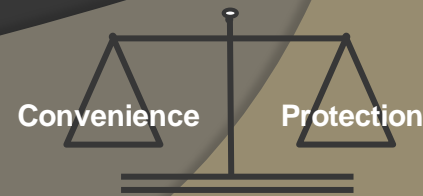
Regulatory requirement	Balance between
Minimum capital	Market participation vs Operation sustainability
Float management	Operational flexibility/competitiveness vs Safety of float
Data privacy	Product functionalities vs User privacy
Storage limit	User convenience vs Risk management
Customer due diligence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





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





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



Q & A