



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

18 January 2023

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Complaints Watch

The Hong Kong Monetary Authority (HKMA) has today published the twenty-first issue of its Complaints Watch.

Complaints Watch is a half-yearly newsletter to share with the industry information on banking complaints received by the HKMA. It highlights the latest complaint trends, emerging topical issues, and shares good practices that authorized institutions (AIs) may find helpful. This constitutes the HKMA's work to promote proper standards of conduct and prudent business practices among AIs.

A copy of the twenty-first issue of the Complaints Watch is enclosed for your perusal. You may wish to forward it to members of your institution who have responsibilities for the selling of retail and investment products, risk management, compliance and complaint handling for reference.

The HKMA also encourages AIs to join hands in educational efforts through social media and other means in cautioning customers about different types of scams as noted from complaints handling.

Should you have any questions regarding this Complaints Watch, please contact us at bankcomplaints@hkma.gov.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

Encl.



COMPLAINTS WATCH

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Complaints Watch is published half-yearly by the Enforcement Divisions of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas that Authorized Institutions (AIs) and members of the public should be alert to. By publishing Complaints Watch, the HKMA aims to promote proper standards of conduct and prudent business practices among AIs and to increase public awareness of information about products and services offered by AIs.

Complaint Statistics

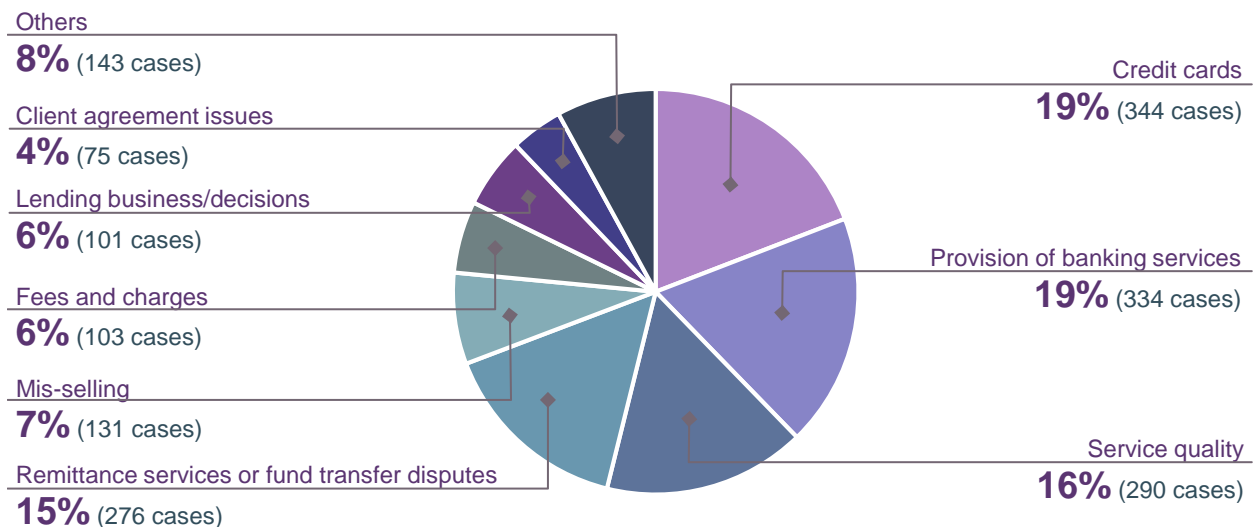
Table 1

Progress in HKMA handling of banking complaints

	Jul – Dec 2022		
	General banking services	Conduct-related issues	Total
Received during the period	1,586	211	1,797
Completed during the period	1,723	145	1,868

Chart 1

Types of banking complaints received in Jul – Dec 2022



Consumer protection against online shopping and phishing scams

In 2022, credit card-related complaints, including those about unauthorised transactions, rose by 19% compared to the previous year, amid an increase in the popularity of online shopping and a surge in online fraud such as phishing emails and SMS message scams. Fraud comes in many forms, such as bogus requests for postage/delivery fees for purchased items, fraudulent sale of concert tickets on social media, and claims to have entered the recipient into non-existent lucky draws or promotional offers. In all of these cases, fraudsters try to trick victims into disclosing sensitive information such as credit card details and one-time passwords (OTP) using unknown hyperlinks or fraudulent websites, and use that information to conduct unauthorised transactions.

In this report, we share for AIs' reference some good practices we have observed when handling these types of complaints:

- a) **Fine-tune prevention and detection measures:** It is important to keep abreast of the latest trends in fraud cases to ensure control measures remain up-to-date and effective. AIs should refer to alerts issued by the Fraud and Money Laundering Intelligence Taskforce to enhance the collaborative industry response to fraud and other financial crime.
- b) **Strengthen customer interface:** AIs generally follow the HKMA guidance that OTP messages sent to pre-registered phone numbers must not be forwardable and should provide key information (merchant name, transaction type, amount and currency) in a clear and easy-to-understand format to allow customers to authenticate transactions. It is important to keep a proper audit trail of customer communication and notifications to facilitate future follow-up and assist criminal investigations by law enforcement agencies in the unfortunate event that customers become victims of fraud.
- c) **Consumer education:** Relevant educational messages and reminders include (i) “數碼 KEY 睇緊啲，揸 LINK 前 要三思” (ii) “一次性密碼 先對啱，後輸入” and (iii) “望清 SMS，慎用 AutoFill” promoted on the HKMA's social media platforms. It is important for cardholders to safeguard sensitive personal and card information. Apart from reminding cardholders to read and check OTP SMS messages before entering the OTP as authorization, it is useful to alert them that using the “AutoFill” function of mobile phones may compromise the authentication process. Consumers should only download and upgrade Apps from official App stores or other reliable sources.

Disclosure regarding Investment Products

The HKMA regards proper pre-sale disclosure of the features, risks and other key information of investment products as a fundamental investor protection requirement. While industry practitioners generally understand this principle and have put in place related policies and procedures, the HKMA has noted complaints of inaccurate disclosure by individual sales staff.

In one case, bank staff mistakenly advised a customer that two funds were principal-protected and redeemable at par upon maturity. In another case, staff wrongly informed certain customers that structured notes were redeemable on a monthly or daily basis at par plus accrued interest, whereas the AI concerned actually offers secondary-market trading on a monthly and best efforts-only basis. In both cases, the AIs found the complaints substantiated and resolved matters with the affected customers in a fair and timely manner.

To safeguard customers' interests, AIs should ensure sales staff have sufficient knowledge of and accurately understand the features and risks of investment products and that key product information is disclosed accurately, comprehensively and clearly during the sales process. The following are some examples of good practices:

- a) A summary of major terms and conditions of each product is prepared in the form of a product note or fact sheet in plain language highlighting the main features, risks and other important information to guide frontline staff in understanding and explaining the product to customers. Frontline staff are provided with sales scripts highlighting the key features, risks and other important information for use during solicitation and order confirmation;
- b) For new products, supervisors confirm that frontline staff understand the product features and risks; and
- c) Regular product training is provided to staff with emphasis on the importance of giving accurate information to customers. Practical observations and examples shared in this article may be incorporated as appropriate.

AIs are encouraged to make reference to the above practices, and keep their product disclosure arrangements under continuous review to ensure they are comprehensive and effective in protecting customers' interests. In all circumstances, AIs should exercise due skill, care and diligence and ensure that representations made and information provided by their staff to customers are accurate.

Investors are reminded to take time to study product documents, such as the prospectus, investment fund explanatory memorandum and key facts statements, and make sure they fully understand product features and risks before making investment decisions. Investors should not rush into an investment if in any doubt.

Tips for Banks' Complaint Handling Officers

Do's

✓ Be empathic

- *try to understand the circumstances of each case*
- *take reasonable steps to address every concern raised by complainant*

✓ Keep procedures under review

- *draw insights from complaint handling to optimise AIs' control systems*
- *keep consumer education messages up-to-date and relevant*

Don'ts

✗ Become impatient or defensive

✗ Overlook useful supplementary information or evidence

Case Sharing

Bank staff dealing with complaints should always try to obtain as much information as possible about the problems the complainant has encountered. In a case involving banknotes becoming trapped in a new model of Cash Deposit Machine (CDM), this involved collecting and reviewing all relevant information and records, including the reconciliation of journal records and making a physical inspection of the CDM. Footage from CCTV systems installed for surveillance proved useful in corroborating statements by different parties.

In this case it was found that banknotes had been trapped in the CDM and taken by the next customer in line. The bank was able to resolve the monetary dispute with the complainant through its internal mechanism. If this had not been the case, an alternative would have been to invite the complainant to use the mediation or arbitration services of the Financial Dispute Resolution Centre as an effective way to reach a timely, fair and efficient resolution. As a result of the case, the bank would enhance customer communication in respect of the new model of CDM, which members of the public might not be familiar with, to avoid similar problems occurring again.

Comments and feedback on Complaints Watch are welcome.

Please email them to bankcomplaints@hkma.gov.hk.