

## **Press release**

### **Consultation on proposed regulatory regime for stored value facilities and retail payment systems begins**

Wednesday, May 22, 2013

The Financial Services and the Treasury Bureau (FSTB) and the Hong Kong Monetary Authority (HKMA) jointly issued today (May 22) a public consultation paper to propose enhancing the regulatory regime for stored value facilities (SVF) and retail payment systems (RPS) in Hong Kong.

The Banking Ordinance (BO) currently contains a regulatory regime for multi-purpose stored value cards to regulate device-based stored value products. In light of the growing acceptance of innovative retail payment products and services, the Government considers it necessary to expand the current regulatory regime to cover SVF which are non-device based (e.g. including mobile network-based accounts and computer network-based accounts) and important RPS.

Having taken into account the practices adopted by major overseas jurisdictions and the market conditions in Hong Kong, the Government intends to amend the Clearing and Settlement Systems Ordinance (CSSO) to cater for the proposed new regulatory regime, which will comprise the following major components:

- (a) a licensing regime for SVF, under which no person shall issue or facilitate the issue of multi-purpose SVF in Hong Kong without being licensed by the HKMA;
- (b) requirements on SVF float protection;
- (c) a designation regime for RPS, which empowers the HKMA to designate important RPS to be subject to the HKMA's oversight;
- (d) powers of the HKMA to perform ongoing supervision of SVF licensees and oversight of designated RPS (including on-site examinations, investigations and enforcement); and
- (e) offences, sanctions and appeals under the proposed regulatory regime.

Since the proposed licensing regime will adequately cover both device-based and non device-based SVF, the existing regulatory regime under the BO for multi-purpose stored value cards will be migrated to the CSSO to be amended.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said, "The proposed regime will encourage innovation in retail payment products and services, and will enhance protection for users of such products and services. This will help further promote the retail payment industry in Hong Kong."

The Deputy Chief Executive of the HKMA, Mr Peter Pang, said, "The proposed new regulatory regime seeks to empower the HKMA to carry out the licensing, designation, supervisory and enforcement functions on SVF and RPS in order to enhance the protection of users' float and the safety and soundness of retail payment systems in Hong Kong. In addition, enhancement to the regulatory regime is essential to maintaining public confidence in retail payment products and systems which, in turn, may contribute to the stability and effective working of the financial and payment systems in Hong Kong as a whole."

To better understand the views of the industry players and the market conditions, the HKMA conducted an industry consultation in December 2012 and January 2013 with the Consumer Council and over 40 industry players including banks, non-bank payment service providers, credit card scheme operators, merchant acquirers and the information technology sector. In essence, they show support to the proposed new regulatory regime for regulating SVF and RPS, and see the need to have a robust regulatory regime to help foster innovation and development of the payment industry in Hong Kong.

The FSTB will work together with the HKMA to introduce an amendment bill into the Legislative Council after taking into account comments received from this public consultation.

The consultation period commences today and will last until August 22, 2013. The consultation paper can be downloaded from the websites of the FSTB ([www.fstb.gov.hk/fsb](http://www.fstb.gov.hk/fsb)) and the HKMA ([www.hkma.gov.hk](http://www.hkma.gov.hk)) respectively. The community is invited to offer views by post, email or fax.

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