

Press Release

LCQ10: Electronic payment services

Wednesday, January 31, 2018

Following is a question by the Hon Kenneth Lau and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (January 31):

Question:

Some members of the finance industry have relayed that financial technologies (Fintech) are becoming new engines of economic growth. Among such technologies, electronic payment services have become the major development projects around the world. The emergence of cashless cities is no longer a fiction. However, since the issuance of the first batch of stored value facilities (SVF) licences by the Hong Kong Monetary Authority (HKMA) in 2016, the development of electronic payment services in Hong Kong has progressed at a slow pace. According to HKMA's information, the total value of SVF transactions in the second quarter of 2017 was HK\$31.8 billion, representing an increase of only \$2.1 billion and a rate of increase of only 7 per cent over that of \$29.7 billion in the fourth quarter of the year before. Such members have also pointed out that although a number of mobile payment services are currently available on the market (e.g. TNG Wallet, Alipay, Apple Pay), quite a number of Hong Kong people are hesitant to use newly emerged electronic payment services. A Report on the Applications and Security of 10 Mobile Payment Services released by the Consumer Council last year also indicated that some mobile payment service providers had retained the particulars of their clients for as long as seven years, which has aroused concerns about the protection of consumers' privacy. In this connection, will the Government inform this Council:

(1) as the Government has indicated in the Policy Agenda published in October last year that the Government will set up an interdepartmental platform to promote e-commerce and proactively encourage the development of mobile payment channels, apart from HKMA's efforts in establishing a Faster Payment

System, how the Government will further promote the development of electronic payment services;

(2) given that Singapore has taken a step towards building a cashless city by launching in July last year an inter-bank fund transfer service named PayNow, under which payers can transfer funds through mobile phones simply by inputting the identity card numbers or the mobile phone numbers of the payees, whether the Government has drawn reference from the experience of various places around the world in developing electronic payment services, including local and cross-boundary electronic payment services, so as to formulate a work plan for the development of such services in Hong Kong; and

(3) how the Government currently regulates the electronic payment services provided by the operators concerned to ensure that such services comply with the requirements under the Personal Data (Privacy) Ordinance (Cap. 486); how HKMA and relevant organisations such as the Office of the Privacy Commissioner for Personal Data will cooperate to ensure that electronic payment services can provide convenience to consumers' lives on the one hand, and fully protect their privacy on the other?

Reply:

President,

Hong Kong has a well-developed and mature electronic payment ecosystem. Various electronic payment means, including conventional and contactless credit cards, Octopus and EPS, have long been available and are widely adopted by the public for making payments. Electronic payment now accounts for about 60 per cent of total private consumption expenditure.

Our reply to the three parts of the question is as follows:

(1) To promote wider adoption of mobile retail payments as well as provide greater convenience to both merchants and customers, the Hong Kong Monetary Authority (HKMA) and the industry have established a working group on common QR code standard for retail payments to explore how to enable merchants to use a single QR code to accept payments from different Stored Value Facilities (SVFs). The working group has completed the technical

standard setting, and will sort out the implementation details.

To facilitate the development of the SVF market, the Financial Services and the Treasury Bureau is exploring with a number of Government departments on a pilot scheme under which the public can pay government bills by scanning the barcodes on the bills and make payments through the e-wallet applications on mobile phones anytime and anywhere.

Regarding payments for public transport, the Transportation Department (TD) issued "Guidelines on the introduction of a new electronic payment system for the collection of fares in the public transport sector" in June last year. TD will continue to facilitate public transport operators' plans in introducing new electronic payment systems for public transport fare collection, having regard to the systems' reliability, user friendliness and efficiency. TD is also providing "stop-and-go" electronic payment facilities at the manual toll booths of government tolled tunnels and roads in Hong Kong progressively, providing motorists with an additional and convenient payment means for tunnel tolls.

TD will progressively install a new generation of parking meters from 2019-20. The new parking meters will support payment of parking fees through multiple means, such as contactless stored value cards, contactless credit cards and e-wallets on mobile phones. TD also recommends that the new parking meter system should include a "parking meter mobile application" to facilitate remote payment by motorists through the use of mobile phones.

(2) The HKMA has been keeping an eye on the development of electronic payment around the world and has introduced different measures and systems to facilitate the development of electronic payment in Hong Kong. For example, the introduction of Stored Value Facility Licensing and Faster Payment System (FPS) in recent years is among the forefront in the world in terms of their functionality and protection to users.

The FPS is scheduled for launch in September 2018. The FPS provides full connectivity between banks and SVF operators to facilitate retail payments among personal and corporate customers. The FPS will operate on a round-the-clock basis and support real-time payments. Funds transfers or payments to customers of different banks or SVFs can be made anytime and anywhere through using mobile phone numbers or email addresses.

(3) The HKMA supervises the SVF licensees in accordance with the Payment Systems and Stored Value Facilities Ordinance to ensure that their operations are conducted in a safe and sound manner. In respect of personal data and privacy protection, SVF licensees are required to put in place robust information security measures and to comply with the Personal Data (Privacy) Ordinance as well as any relevant guidelines issued by the Office of the Privacy Commissioner for Personal Data (PCPD) to ensure that their customers' personal information are handled in a proper manner. In its supervision, the HKMA also reminds the SVF licensees from time to time to communicate with PCPD should they have any question about the implementation of the Ordinance and relevant guidelines.

In addition, banks are required to comply with the relevant guidelines of the HKMA, including the "Risk Management of E-banking" module in the Supervisory Policy Manual when they launch mobile payment services. These guidelines seek to ensure adequate risk management and security measures, striking an appropriate balance between facilitating the development of mobile payment services and customer protection. Further, the HKMA requires that banks' mobile payment services should conform to other requirements including the Personal Data (Privacy) Ordinance. The Code of Banking Practice issued by the banking industry associations has also listed principles on protection of personal data and privacy.

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