

## Client Alert

# Finance and Insolvency

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## Code of Banking Practice Update

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On 10 December 2021, the Hong Kong Association of Banks (**HKAB**) and the DTC Association (**DTCA**) jointly released a revised Code of Banking Practice (**Code**) which has been endorsed by the Hong Kong Monetary Authority (**HKMA**). The latest updates provide enhanced measures to protect bank customers in the light of financial technology (**fintech**) developments and the evolving needs of digital banking services. The amended Code is effective from 10 December 2021.

Authorized institutions (**AIs**) are expected to achieve full compliance with the revised provisions within 6 months from the effective date, with an extension to up to 12 months (for amendments requiring system changes) and 18 months (for amendments concerning provision of information in non-paper based format or alternative means).

Although the Code has no statutory force and is expressed to be “voluntary”, AIs are nonetheless expected to follow the Code and ensure that they do not breach its principles in their dealings with personal customers. Failure to do so may give rise to a regulatory review by the HKMA as regards whether the AI in question has met the required criteria for authorization as an AI.

Some of the major changes are set out below.

1. Enhancement of protection measures in digital banking services
  - Where digital marketing media or channels are used, AIs should consider the appropriate means to disclose product information effectively and clearly, e.g. incorporate images, infographics or other means of conveying the necessary information to customers
  - AIs should maintain channels to allow members of the public to verify the authenticity of the marketing materials of the AIs and third parties engaged by them. The channels should remain available for verification for a reasonable period of time after the conclusion of the marketing activities
  - AIs should issue warnings to customers about cyber threats, frauds, scams, bogus advertisements and other customer security risks as soon as practicable and should suggest protective measures that the customers should adopt
  - All fees and charges in relation to an AI's internet banking services and the rates offered in respect of its accounts should be made available on its website and principal internet banking platforms
  - Where information is provided to customers in a non-paper based form, AIs should ensure that it is in a format that allows customers, within a reasonable time period, to download and store the relevant information for future reference and retention; the information must remain unchanged during that period
  - Non-paper based statements should be stored on an AI's internet banking platforms to allow for customers' retrieval for at least 7 years. Similar requirements apply for credit cards under paragraph 36.5
  - Expansion of the application of the Code to cover internet and mobile banking services.

## 2. Enhancement of transparency in general banking services

- Card issuers should make available a form for cardholders to initiate an error/dispute resolution process and provide information on the chargeback mechanism on their websites and internet platforms. Frontline staff should be able to provide prompt and appropriate assistance in response to customers' queries about chargeback requests
- Enhanced information disclosure by AIs as regards cross-boundary and local payments, e.g. the time when an outgoing payment instruction will be effected and received, the time required for the funds to be transferred back to the customer if transfer of funds is unsuccessful, total fees and charges incurred by the customer or beneficiary, the identity of the intermediary institutions and correspondent banks involved, their fees and processing time, etc.
- Paragraph 44.4 of the Code expressly requires AIs to observe the procedures set out in "Handling Procedures for Following up Mis-transfer of Funds Reported by Customers" jointly issued by the HKAB and DTCA when handling reports from customers as regards mistaken fund transfers
- Ensure reasonable opportunity is given to customers to review product application and transaction information – where electronic devices are used to present the relevant information, AIs should provide customers with alternative means to review the relevant information upon request
- Provide effective and timely notification (e.g. via written notice, message on the statement of account, e-mail or SMS) to customers as regards changes to promotional interest rates.

## 3. Enhancement of treatment to customers with impairment or special needs

- AIs should take into account the needs of customers for physical banking services (e.g. elderly and those with impairments) when closing, relocating or performing a material change to the scope of services of their branches and take measures to minimise the impact on customers
- Paragraph 10.3 of the Code expressly requires AIs to observe the following guidelines jointly issued by the HKAB and DTCA when providing services to customers with impairment or special needs – "Practical Guideline on Barrier-free Banking Services" and "Guideline on Banking Services for Persons with Intellectual Disabilities".

For a full copy of the revised Code, please see: [https://www.hkma.gov.hk/media/eng/doc/code\\_eng.pdf](https://www.hkma.gov.hk/media/eng/doc/code_eng.pdf)

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