

## LCQ3: Facilitating the development of electronic payment platforms

Following is a question by the Hon Mrs Regina Ip and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (November 15):

Question:

There are views pointing out that the increasing flow of people between the Mainland and Hong Kong has led to a growing demand for efficient and convenient electronic payment (e-payment) platforms. However, Octopus, as the e-payment platform with the highest customer penetration rate in Hong Kong, deploys specialised technologies which do not conform to the standards of the International Organization for Standardization (known in abbreviated form as "ISO") system, thus constraining its interoperability with e-payment platforms in the Mainland and hindering the development of cross-boundary e-payments. In this connection, will the Government inform this Council:

(1) of the Government's role in promoting the interoperability of e-payment platforms between the Mainland and Hong Kong, in particular the application of such platforms in the public transport systems, and the details of the relevant measures;

(2) as it is learnt that Octopus does not support Near Field Communication (known in abbreviated form as "NFC") mobile payments on certain models of mobile phones locally, whether the Government will, in respect of using mobile phones for NFC mobile payments, formulate the relevant certification standards; if so, of the details and implementation timetable; if not, the reasons for that; and

(3) as it is learnt that as Octopus is unable to upgrade its technologies in a timely manner and its stored value limit is capped at only \$3,000, the scope of its application is over-concentrated in Hong Kong, such as paying fares for public transport and making retail payments of a relatively small spending value, whether the Government will formulate measures to facilitate the technological replacement of the payment platform; if so, of the details and implementation timetable; if not, the reasons for that?

Reply:

President,

The HKSAR Government is committed to promoting the development of the local electronic payment (e-payment) market and providing the public with safe, efficient, convenient and diversified e-payment options by enhancing financial technology (fintech) infrastructure and implementing a robust regulatory regime. Hong Kong has a well-developed e-payment ecosystem with a number of non-cash payment options available to the public. A research report

(Note) shows that the penetration rate of e-payment in Hong Kong is over 90 per cent.

In consultation with the Innovation, Technology and Industry Bureau, the Transport and Logistics Bureau, the Hong Kong Monetary Authority (HKMA) and the Octopus Cards Limited (OCL), my reply to the three parts of the question is as follows:

(1) The HKSAR Government attaches great importance to the development of fintech and has introduced different measures to promote mutual access of e-payment between the Mainland and Hong Kong.

The major e-wallet and retail payment operators in Hong Kong, including the OCL, AlipayHK, WeChat Pay HK and UnionPay, have provided cross-boundary retail payment services to users so as to better meet the daily payment needs of Hong Kong people in the Mainland. According to the figures from the two e-wallets commonly used by the Mainland visitors (Alipay and WeChat Pay), each operator has an average of over 150 000 retail merchants in Hong Kong accepting its Hong Kong and Mainland versions of e-wallet. The merchant number is six-folded compared to that of five years ago.

As regards public transportation, the HKSAR Government has been promoting the introduction of a variety of e-payment systems by public transport operators to enhance the travel experience of the public and visitors, and facilitate the efficient integrated development of the Mainland and Hong Kong.

To provide further convenience to the Mainland visitors, the Chief Executive has put forward in the 2023 Policy Address that government services commonly used by the Mainland visitors, including leisure, immigration and medical services, will support payment with the Mainland e-wallets by Q3 2024. Cyberport will launch the Digital Transformation Support Pilot Programme to subsidise small and medium enterprises in the retail and beverage sectors to adopt e-payment and other digital packages.

Cross-boundary fintech collaboration is very important to promoting mutual access of e-payment between the two places. The Digital Currency Institute of the People's Bank of China and the HKMA are carrying out the second phase technical testing on the use of e-CNY in cross-boundary payments, involving more banks in Hong Kong and the use of the Fast Payment System to top up e-CNY wallets. e-CNY will provide residents of both places with an additional payment means for cross-boundary retail consumption which is safe, convenient and innovative, thereby enhancing efficiency and user experience of cross-boundary payment services.

As I announced at the Hong Kong FinTech Week 2023 earlier this month, the OCL and the Bank of China (Hong Kong) (BOCHK) will seek to explore new e-CNY application scenarios, with a view to benefitting both inbound Mainland visitors to Hong Kong and outbound Hong Kong residents visiting the Mainland. Earlier this year, the OCL has partnered with the Bank of China Shenzhen Branch to facilitate purchase of e-CNY hard wallets by Hong Kong residents, via Self-service Card Issuing Machines in Lo Wu, Shenzhen using the Octopus

mobile application. The BOCHK has also launched e-CNY services facilitating inbound Mainland visitors to pay retail merchants with e-CNY wallets in Hong Kong, and offering Hong Kong customers with a convenient option to top up e-CNY wallets from their Hong Kong personal bank accounts. Subject to regulatory approval and technical readiness, we welcome the OCL to provide an inbound solution facilitating Mainland tourists' use of e-CNY in Hong Kong through topping up Octopus cards in tourist mobile application.

(2) The second part of the question is about the compatibility of the mobile version of Octopus. As far as we know, the contactless technology deployed by the Octopus is in line with the specialised technology standard of the International Organization for Standardization (ISO). At present, the mobile version of Octopus can be used for Near Field Communication (NFC) mobile payments in the mobile phone brands commonly used by Hong Kong people, including Huawei, Apple and Samsung. The OCL will actively look into ways to overcome technical limitations, especially in Android mobile phones, with a view to further promoting universal access to the mobile version of Octopus and the application of NFC mobile payment.

(3) The third part of the question is about the stored value limit of Octopus, which is currently HK\$3,000. Currently, members of the public are generally not required to register user identity when purchasing and using Octopus cards.

As a stored value facility (SVF) licensee, the OCL has to comply with the relevant regulatory requirements including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615). According to the relevant requirements, if the maximum value of a stored value payment facility that can be stored on the device-based facility exceeds HK\$3,000, the relevant customer due diligence requirements will apply. This arrangement seeks to strike an appropriate balance between mitigating money laundering risk and providing customer convenience. In other words, SVF licensees are allowed to offer SVF products with maximum stored value exceeding HK\$3,000 to verified customers (i.e. whose identities have been obtained and verified). As such, the OCL may decide whether the stored value limit of Octopus cards held by verified customers should be adjusted having regard to the market needs, as well as its technical and other operational considerations.

Thank you, President.

Note: The "Fintech Adoption Index" published by the School of Accounting and Finance of the Hong Kong Polytechnic University and AskLora in April 2023.