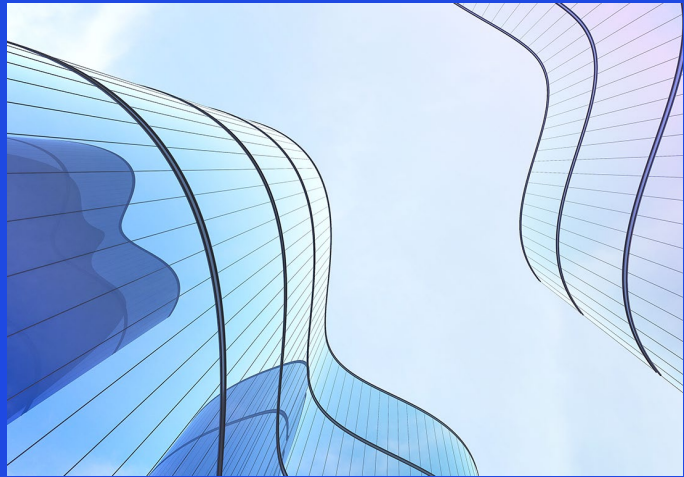


Enhancement to the Code of Banking Practice

January 2024



The latest enhancement to the Code of Banking Practice (CoBP) provides greater customer protection in digital banking services, empowers customers to have more control over their financial matters, and ensures that proper safeguards are in place to cover innovative service arrangements. The revised CoBP was issued on 7 December 2023 by the Hong Kong Monetary Authority, the Hong Kong Association of Banks and the DTC Association.

Purpose of revisions

1

Strengthen and establish good banking practices in response to recent developments and adoption of innovative services and products

2

Enhance customer protection and give customers more flexibility in controlling and managing their banking activity

When will it be effective?

The revised CoBP took effect on 7 December 2023. Authorised institutions are expected to achieve full compliance with the new provisions within six months of the effective date, with an extension of up to 12 months for provisions requiring more extensive system enhancements. For provisions involving complex system changes, the implementation can be extended for up to 18 months.

What are the changes?

Key area of enhancement	Regulatory expectations of authorised institutions	Action to be taken by authorised institutions
Further enhancing consumer protection in digital banking services	<ul style="list-style-type: none"> • Providing important information when customers apply for banking services or conduct transactions through e-banking • Providing security advice to customers on new technologies adopted in banking services, and educate customers on the risks and protection measures of e-banking services. Authorised institutions should: <ul style="list-style-type: none"> – Warn customers of the obligation to keep any device or authentication factors used for accessing e-banking services secure and secret – Issue passwords and other log-in information separately and ensure they are personally collected by customers – Regularly review their security advice to ensure it remains adequate and appropriate – Ensure transactions of e-banking services can be traced and checked by the systems • Retaining marketing materials used in digital channels for handling subsequent customer enquiries or disputes 	<ul style="list-style-type: none"> ✓ Enhance customer communication process to ensure customers receive and understand information about the relevant product or service prior to application or use ✓ Strengthen customer education on the risks associated with e-banking services and how to mitigate them ✓ Maintain proper record-keeping standards for customers' e-banking activities and digital marketing materials

What are the changes? (cont.)

Key area of enhancement	Regulatory expectations	Action to be taken by authorised institutions
Further enhancing consumer protection in digital banking services (cont.)	<ul style="list-style-type: none"> Customers should be warned that they will be liable for all losses if they have acted fraudulently or have failed to inform institutions as soon as reasonably practicable after they find that their authentication factors or devices have been compromised, lost or stolen, or that unauthorised transactions have been conducted using their accounts. 	<ul style="list-style-type: none"> ✓ Provide practicable measures, in a clear and prominent manner, to remind customers of their liability for loss due to fraudulent acts. ✓ Remind customers of the notification protocol as soon as the customers report that their devices or authentication factors have been compromised.
Empowering customers in financial management	<ul style="list-style-type: none"> Providing information to customer on the risk and repayment obligations of loan products Offering loan calculators on the internet banking platform to enable customers to assess the borrowing cost and their repayment ability Increasing customer credit card limits only after obtaining customer agreement Informing customers at least 60 days before making significant changes to the terms and conditions of loan products Advising customers with potential financial difficulties in a timely manner of possible options 	<ul style="list-style-type: none"> ✓ Strengthen the communication process to ensure customers receive accurate information in good time ✓ Enhance loan monitoring process ✓ Ensure there are sufficient channels for customers to communicate with banks if they experience financial difficulties, and ensure that possible solutions are provided to them
Ensuring fair treatment of customers	<ul style="list-style-type: none"> Ensuring fair treatment of customers through: <ul style="list-style-type: none"> – Provision of channels for customers to request banks to review the relevant decisions – Provision of comprehensive protection and support to customers with disputes on products and services, or during banks' loan recovery process – Disclosure of promotional benefits of banking products including eligibility criteria and replacement benefits 	<ul style="list-style-type: none"> ✓ Enhance customers' access to their records ✓ Enhance customer complaint handling process with audio or video recording ✓ Strengthen customer communication process ✓ Strengthen controls over debt collection process
Continuous promotion of international good banking practices in Hong Kong	<ul style="list-style-type: none"> Observing the new themes of the updated G20/OECD High-Level Principles on Financial Consumer Protection, including: <ul style="list-style-type: none"> – Quality financial products – Access and inclusion – Financial well-being – Digitalisation and technological advancements – Sustainable finance 	<ul style="list-style-type: none"> ✓ Take into account the updated G20/OECD High-Level Principles on Financial Consumer Protection in banking practices to ensure they reflect global best practices

How KPMG can help

Perform gap analysis of current state policies and procedures against revised CoBP	Review and advise on processes and controls in relation to: <ul style="list-style-type: none"> • Opening, maintenance and closure of bank accounts • Internet banking platform • Customer communication and notification • Complaint handling • Account monitoring • Debt collection • Record keeping 	Review and advise on frequency , content and distribution channels for security advice provided to customers, especially any new authentication technologies adopted
Provide training on the regulatory updates and market practices		Review and advise on security measure enhancement to protect customers using e-banking services

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