



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/103/2C

14 June 2019

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

**Observations of Mystery Shopping Programme (MSP) in respect of
Account Opening by Authorized Institutions (AIs) in Hong Kong**

The Hong Kong Monetary Authority (HKMA) engaged a service provider to undertake a mystery shopping programme (MSP), focusing on the customer interface aspect of the account opening processes of 20 AIs active in retail banking business for small and medium-sized enterprises (SMEs) and ethnic minority (EM) customers. The MSP complements the supervisory activities in assessing the effectiveness of AIs' improvement measures and practices on the ground, and whether AIs follow the relevant HKMA's guidance and requirements (e.g. the HKMA's circulars on "De-risking and Financial Inclusion" dated 8 September 2016, on "Banking Services for Ethnic Minorities" dated 18 December 2014, and on "Account Opening for Ethnic Minorities" dated 28 January 2010).

The MSP revealed that a large proportion of mystery shoppers, who posed themselves as prospective customers to enquire bank staff about the process of opening of bank accounts, perceived their customer experiences with the AIs to be excellent or good. Many shoppers were able to make enquiries at branches on account opening without the need for an appointment, with very short waiting time (average waiting time of less than 2 minutes). A large proportion of shoppers posing as EM customers perceived that they had been treated fairly like the general public in Hong Kong in their enquiry process with the AIs. That said, the MSP showed that further improvement was required in certain areas, such as, the pragmatism of the requirements and documents requested by bank staff; familiarity and awareness of bank staff on their AIs' review mechanisms for unsuccessful application for account opening; and that, upon

shoppers' enquiry, some bank staff mentioned to the shoppers that buying wealth management, investment or insurance products might or would improve the chance of successful opening of bank accounts.

The HKMA would like to highlight to AIs that, among others:

- (a) AIs should ensure that the customer due diligence measures and the information and documents required for account opening are reasonable, relevant and pragmatic with respect to the customers' background and circumstances. Bank staff should also be able to properly explain to customers the rationale for the requirements upon request and endeavour to assist customers in taking steps or providing alternatives that can help opening bank accounts;
- (b) AIs should recognise that some commonly used original identification documents (such as electronic copy of Certificate of Incorporation issued via the Companies Registry's e-Registry) can be in electronic form, and therefore, AIs should take appropriate measures to ensure the reliability of the electronic documents instead of simply not accepting the print copies of these original documents which are in electronic form;
- (c) AIs should inform customers of their review mechanisms during the application process and upon rejection of applications to improve their transparency. AIs are also required to enhance staff training to ensure that their staff have a clear understanding of the AIs' review mechanisms and can properly explain the same to the applicants for account opening;
- (d) AIs should avoid practices that are disproportionate to the likely risk level of the customers, such as requiring two or more, or even all, of the directors or beneficial owners to be present at the time of account opening, unless there are good, risk-based reasons for doing so; and
- (e) AIs must not make purchase of wealth management, investment or insurance products or having large amount of initial deposits a condition for opening bank accounts, or link these activities with the chance of success or processing time of opening of bank accounts.

Reports summarising the observations of the MSP of SMEs and EM customers are attached at Annexes 1 and 2 respectively. All AIs should study the reports carefully and give due regard to the observations and recommendations set out in the reports. AIs should review their policies and controls, and ensure that appropriate measures (including, among others, staff training, compliance

monitoring and appropriate internal procedures) are in place to enhance the customer interface aspects of account opening.

The HKMA has started following up with the concerned AIs on the observations of the MSP, and will continue the follow-up work and require the concerned AIs to take appropriate actions to address the potential issues identified in the MSP. The HKMA will continue to monitor the effectiveness of the measures adopted by AIs related to customer interface aspect of the account opening process.

Should you have any questions regarding this letter, please feel free to contact Mr. Ken Lee on 2878-1357 or Ms. Teresa Chu on 2878-1563.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.

c.c. Secretary for Financial Services and the Treasury
(Attn: Ms Eureka Cheung)