

REPORT OF MYSTERY SHOPPING
PROGRAMME FOR ACCOUNT OPENING
PROCESS OF ETHNIC MINORITY
CUSTOMERS

Hong Kong Monetary Authority

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I. EXECUTIVE SUMMARY

1. The Hong Kong Monetary Authority (HKMA) engaged a service provider in late 2017 to carry out a mystery shopping programme (MSP) in respect of the customer interface aspects of the account opening processes of authorized institutions (AIs) for ethnic minority customers. This report sets out the observations of the exercise and reiterates some of the HKMA's guidance having regard to these observations.
2. The exercise was performed by the service provider from 4 January to 31 March 2018. During this period, 500 samples¹ of branch visits were conducted by the mystery shoppers ("shoppers"²) on 20 AIs with retail banking business ("the AIs"). In addition to branch visits, telephone enquiries (63 samples) and online enquiries (52 samples) were made by the shoppers to the 20 AIs for making appointment of account opening, which were only used for checking the responsiveness, accessibility and user friendliness of these channels without asking the AIs any account opening questions as the branch visits did. Analysis of the field work results was carried out thereafter.
3. The exercise focused on AIs' customer interface aspects in respect of the account opening process for ethnic minority customers, through deploying mystery shoppers posing as prospective customers to conduct account opening enquiries with the AIs' bank staff (please refer to "Part II – Programme Introduction" of this report for more details). Key observations of the exercise were summarised as follows:
 - Many of the shoppers perceived their overall customer experience with the AIs during the account opening enquiry process to be excellent or good. Many of the shoppers also perceived that they had been treated fairly like the general public in Hong Kong in their enquiry process of the MSP with the AIs. Bank staff in many of the branch visit samples were perceived by the shoppers as having excellent or good attitude, and being able to articulate information clearly throughout the process or most of the time.
 - All shoppers were able to make account opening enquiries at bank branches without the need for an appointment. However, further

¹ "Sample" in this report refers to each instance where a "shopper" acts as a potential customer to gather information about the account opening process of an AI.

² "Shopper" in this report refers to a person engaged by the service provider to act as a prospective customer of the AI in question.

improvement was needed with respect to the responsiveness and customer experience of AIs' hotline as well as user-friendliness of their online channels, for facilitating prospective customers or applicants to make appointment request for account opening or related enquiries.

- Many bank staff did not explain to the shoppers the rationale for requiring certain documents (e.g. address proof, income proof, etc.) for opening bank accounts.
- The MSP revealed that, in general, many bank staff did not provide the shoppers alternatives that could help satisfy the customer due diligence processes when the required documents could not be provided by the shoppers.
- Some bank staff of the branch visit samples, upon the shoppers' enquiry, mentioned that buying wealth management products, investment or insurance products or having large amount of initial deposits would improve the chance of account opening with the AIs or it was one of the considerations in account opening.
- While many bank staff responded that there was no restriction on ethnicity and nationality of the customers for account opening, some bank staff responded that there was such restriction or it depended on which countries the customers were from.
- Regarding the review mechanisms for unsuccessful account opening applications, a few bank staff in the branch visit samples could provide details upon the shoppers' enquiry, while other bank staff, as perceived by the shoppers, were not familiar or aware of their AIs' review mechanisms.
- While almost all bank staff did not impose hurdles for account opening enquiry made upfront, shoppers in a few isolated branch visit samples experienced some difficulties from bank staff during the enquiry process though eventually the bank staff answered the shoppers' enquiries. In these isolated cases, the shoppers were given the impression that bank staff were unwilling to serve them and tried to hinder them by soft skills such as insisting on a real application or certain documents, setting long waiting time and suggesting them to go to other banks.

4. Based on the observations identified from the MSP exercise, we have the following recommendations:

- (i) AIs should review and enhance the responsiveness and customer experience of their hotline as well as the user-friendliness of their online channels for customers to make enquiries or appointments on account

opening. In particular, AIs should devise proper measures and allocate staff resources for responding to, within a reasonable timeframe, customers' appointment requests or enquiries on account opening process lodged with different channels. Moreover, the section for making appointment on account opening on AIs' websites should be designed in such a way that is more easily located by and accessible to customers. In addition, AIs should remind their staff members the principles of treating customers fairly in providing banking services to and addressing enquiries from their customers or prospective customers.

- (ii) 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 or potential applicants for account opening.
- (iii) AIs should also review and ensure that their internal policies for handling account opening enquiries and processing are in line with the HKMA's relevant requirements, and provide suitable training and guidance to front-line staff to enhance their understanding of the relevant requirements. In particular, the HKMA would like to highlight that:
 - 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 requirement upon request and endeavour to assist customers in taking steps or providing alternatives that can help opening bank accounts;
 - AIs should adhere to the principles of treating customers fairly in addressing enquiries from and providing related services to their customers or prospective customers in respect to opening bank accounts. AIs should not assess the eligibility for opening bank accounts simply based on customers' nationalities; and
 - AIs must not make the purchase of wealth management, investment or insurance products or having a large amount of initial deposits a condition for opening a bank account, or link these activities with the chance of success or processing time of opening of bank accounts.

II. PROGRAMME INTRODUCTION

OBJECTIVES

5. The MSP was intended to complement the HKMA's supervisory activities by serving as an additional supervisory tool in assessing the effectiveness of the measures adopted by AIs to improve customer interfacing in account opening process for ethnic minority customers, as well as whether AIs follow the relevant HKMA's guidance and requirements incorporated in the relevant HKMA circulars such as "Account Opening for Ethnic Minorities" dated 28 January 2010, "Banking Services for Ethnic Minorities" dated 18 December 2014 and "De-risking and Financial Inclusion" dated 8 September 2016, as well as the relevant provisions in the Treat Customers Fairly Charter and the Code of Banking Practice.

METHODOLOGY

6. Mystery shoppers acting as potential customers were deployed by the service provider to conduct visits to the branches of AIs, make telephone enquiries to AIs' hotlines and make online enquiries via AIs' websites. The shoppers were instructed to express interest in opening bank accounts to the AIs' staff concerned and enquire about such account opening process without involving any submission of documents, actual application for or actual opening of bank accounts. Each shopper was required to record their experience in each branch he/she visited, each telephone enquiry and online enquiry he/she made by completing a questionnaire jointly designed by the service provider and the HKMA. Audio-recording was also performed by the shoppers for telephone enquiries and branch visits.
7. During the mystery shopping exercise, the service provider carried out quality control tests and checked all questionnaires completed by the shoppers against the relevant audio-recordings to ensure the completeness and accuracy of the results.
8. Shoppers of different ethnicities (including Pakistan, Indian, Filipino, Nepalese and Thai), age groups (ranging from 18 to 59 years old) and education levels were deployed by the service provider to make enquiries to the AIs selected for the MSP. They were all permanent residents in Hong Kong.

COVERAGE

9. The field work was carried out from 4 January to 31 March 2018. Analysis of the field work results was carried out thereafter.
10. Twenty AIs active in retail banking business were selected for the exercise. The shoppers conducted 500 branch visits to these AIs and among them, 3 visits³ were not conducted successfully while the rest of 497 samples were conducted successfully at branches, that is, the shoppers could go through the complete list of the prescribed questions with the bank staff during the enquiry process. In this connection, the findings of this report on branch visits were based on the 497 successful branch visit samples, unless otherwise specified. Shoppers also conducted 63 samples of telephone enquiries and 52 online enquiries for making appointment of account opening, which were only used for evaluating the responsiveness, accessibility and user friendliness of these channels for making appointment without asking the AIs any account opening questions as the branch visits did.

³ In these branch visits, the bank staff were unwilling to answer the shoppers' account opening enquiries or requests. Please refer to paragraph 14 of this report for details.

III. MAJOR OBSERVATIONS

OVERALL EXPERIENCE

11. Many (67%) of the shoppers perceived their overall customer experience with the AIs during the account opening enquiry process to be “excellent” or “good”, with 27% rated as “average”. Shoppers in many (88%) of the branch visit samples perceived that they had been treated fairly like the general public in Hong Kong in their enquiry process with the AIs. Shoppers in many of the branch visit samples perceived the bank staff as having excellent or good service attitude (73%) and being able to articulate information clearly throughout the process or most of the time (83%).

ACCESSIBILITY OF ENQUIRY CHANNELS

12. According to the HKMA’s circular dated 8 September 2016 on “De-risking and Financial Inclusion”, AIs should have appropriate arrangements in place to facilitate customers’ initiation of the account opening process. In addition, bank staff should adhere to the principles of treating customers fairly in addressing enquiries from and providing related services to their customers or prospective customers in respect to opening bank accounts.
13. The MSP showed that all shoppers were able to make account opening enquiries at bank branches without the need for an appointment. However, further improvement was needed with respect to the responsiveness and customer experience of their hotline as well as the user-friendliness of their online channels, for facilitating prospective customers or applicants to make appointment request for account opening or related enquiries. Specific observations were as follows:
 - Branch – Shoppers of all 497 branch visit samples were able to walk-in to make enquiry without an appointment. In 74% of the branch visits, shoppers could even be provided with immediate service by walk-in with waiting time less than 2 minutes.
 - Hotline – Shoppers in 38 out of 63 telephone enquiries samples (around 60%) were contacted by the AIs within the same day after the appointment requests were made through hotline, and among these 38 cases, 55% of which (21 samples out of 38) could arrange the appointment to be held within the same day of raising such requests through hotline. However, in around 38% (24 samples out of 63) of telephone enquiries on making request for account opening appointment, the AIs did not contact

the shoppers in 3 working days⁴ after the request were made. On the other hand, shoppers in 14 out of 63 telephone enquiries samples (around 22%) were informed by the bank staff that the shoppers could directly go to bank branch for account opening application, without the need of making appointment.

- Online – Shoppers in 10 out of 52 online enquiries samples (around 19%) indicated that the section for making appointment was not easily located on the AIs' websites. Shoppers in 20 out of 52 online enquiries samples (around 38%) were contacted by the AIs within 2 working days after the appointment requests were made through online channel, and among these 20 cases, 19 cases (95%) of which could arrange the appointment to be held within 2 working days after the shoppers had raised such requests through online channel. However, in around 60% (31 samples out of 52) of online enquiries samples for making request for account opening appointment, the AIs did not contact the shoppers in 3 working days⁵ after the requests were made.

14. The MSP revealed that almost all bank staff did not impose hurdles for account opening enquiry upfront. However, in 3 isolated cases (about 0.6%) out of the 500 branch visits, the shoppers could not conduct the enquiries successfully during the visits as the bank staff were unwilling to answer the shoppers' enquiries or account opening requests due to the shopper's nationality (please also see details in paragraph 23), unavailability of the documents or simply asking the shoppers to go to another branch.
15. In 7 cases (about 1.4%) among the remaining 497 successful branch visit samples, shoppers encountered some difficulties from bank staff though eventually the bank staff answered the shoppers' enquiries on account opening. In these cases, the shoppers were given the impression that bank staff were unwilling to serve them and tried to hinder them by soft skills such as insisting on a real application or certain documents, setting long waiting time and suggesting going to other banks.

DOCUMENTATION REQUESTS AND EXPLANATIONS

16. As a general principle, AIs should ensure the transparency of their account opening process. In particular, the information and documentation

⁴ For the purpose of the MSP, the shoppers have monitored their cases relating to hotline channel for 3 working days after the request for account opening appointment were made.

⁵ For the purpose of the MSP, the shoppers have monitored their cases relating to online channel for 3 working days after the requests for account opening appointments were made.

requirements should be clearly set out and easily accessible to new and existing customers. AIs should, where appropriate, adopt a flexible and pragmatic approach in the process of requesting and collecting documentary proof from applicants for opening bank accounts. AIs should explain to customers the rationale for the information requested and endeavor to assist customers in taking steps or providing alternatives that can help satisfy the customer due diligence processes.

17. The MSP observed that many bank staff did not explain to shoppers the rationale for the information requested for account opening, for example:
 - Among those bank staff who informed the shoppers that address proof⁶ was required for account opening, almost all of them (i.e. 97%) did not provide any reasons for such requests; and
 - Among those bank staff who asked shoppers for income proof and other documents (e.g. student ID, working visa, employment contract, birth certificate, etc.), many of them (i.e. 72%) did not provide reasons for the request.
18. When shoppers mentioned to bank staff that they could not provide address proof as required by bank staff⁶, bank staff in 32% of these branch visit samples offered other solutions that might help the shoppers to open an account. For example, some bank staff suggested that the AIs could mail a letter to the address provided by the shoppers so that the shoppers could use that letter as an address proof. However, bank staff in 55% of these branch visit samples responded that the application of account opening would or might not be successful when shoppers mentioned that they could not provide documents other than HKID card (e.g. address proof, income proof, etc.), without offering shoppers other alternatives.
19. While almost all bank staff in the branch visit samples were regarded by the shoppers as being able to offer them clear (98%) and consistent (91%) advices relating to enquiries on document requirements for account opening, they were generally not proactive in providing information to the shoppers regarding the

⁶ During the period of the MSP fieldwork which was conducted in Q1 2018, address verification was a requirement in the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT Guideline) issued by the HKMA, though the HKMA's circular on "Guideline on Anti-Money Laundering and Counter-Terrorist Financing – Address Verification Requirements" issued in October 2017 mentioned that such requirement would be removed and AIs might choose to adopt such change as soon as practicable. The AML/CFT Guideline was subsequently revised and the requirement for the address verification was removed with effect from 1 November 2018.

approximate turnaround time required for an account to be opened (96%) and the alternatives if the required documents could not be provided (97%).

CRITERIA FOR OPENING ACCOUNTS

Wealth Management / Investment / Insurance Products and Deposit Amounts

20. AIs must not make the purchase of wealth management, investment or insurance products or having large amount of initial deposits a condition for opening a bank account, or link these activities with the chance of successful opening of bank accounts.
21. When shoppers asked if buying wealth management, investment or insurance products or having large amount of initial deposits could improve the chance of account opening with the AIs, bank staff in 76% of the branch visit samples mentioned that it would not improve the chance of account opening with the AIs while 8% of the bank staff responded that it would improve the chance of account opening or it was one of the considerations in account opening with AIs.

Ethnicity / Nationality

22. AIs should adhere to the principles of treating customers fairly in addressing enquiries from and providing related services to their customers or prospective customers in respect to opening bank accounts. AIs should not assess the eligibility for opening bank accounts simply based on customers' ethnicities or nationalities.
23. When being asked by the shoppers, bank staff in 63% of the branch visit samples replied that there was no restriction on ethnicity and nationality of the customers for account opening. However, bank staff in 6% of the branch visit samples responded that there was such restriction or it depended on which countries the customers were from. In one isolated case, the bank staff advised the shopper that due to the bank's policy⁷, the bank could not open a bank account for the shopper because of the shopper's nationality.

REVIEW MECHANISMS

⁷ The HKMA followed up with the concerned bank which advised that there was no such bank's policy and the bank staff in this case might have misrepresented or miscommunicated to the shopper.

24. According to the HKMA's circular on 'De-risking and Financial Inclusion' dated 8 September 2016, AIs should introduce review mechanisms for unsuccessful account opening applications.
25. However, it was observed that many bank staff were not familiar with or aware of their AIs' review mechanisms on unsuccessful account opening applications. Specifically, when the shoppers asked the bank staff of the review mechanisms, bank staff in 48% of 398 samples only provided answers that were ambiguous or irrelevant; bank staff in 21% of the samples were not aware of or did not know about the review mechanisms, and only 1.5% of the bank staff in the samples could provide details of the review mechanisms.

OTHER OBSERVATIONS

26. Bank staff in 87% of the branch visit samples claimed that bank accounts could be opened within the same day provided that the shoppers could provide the AIs with all the required documents, whereas bank staff in 7% of the branch visit samples claimed that the account application process would be completed within one to two weeks.
27. Bank staff in 93% of the branch visit samples stated that application fee was not required for opening an account. For the remaining few cases, bank staff did not provide relevant answers to the enquiries and in one isolated case, a bank staff indicated incorrectly that application fee was required for account opening.