HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
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4 September 2020

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Enhanced Disclosure Measures in respect of Digital Platforms for the Application of Unsecured Loan and Credit Card Products

I am writing to set out measures for enhancing disclosure and transparency in respect of the digital platforms where retail individual and small and medium-sized enterprises ("SME") customers apply for unsecured loan and/or credit card products of authorized institutions ("AIs").

Digitalisation keeps on changing the ways the banking industry is providing services to their customers, including the application process for credit products. With the implementation of technological solutions, paper-based application processes may be streamlined, face-to-face meetings with borrowers may be reduced or omitted, and the time required for approving loan applications may be shortened. While the convenience and speediness of digital platforms for providing financing to borrowers can bring benefits to both AIs and their customers, there are also certain customer protection concerns that AIs will need to address, including, among others, the potentially higher risks of impulsive borrowing, over-borrowing or inappropriate borrowing decision of the customers.

Supervisory Requirements

Taking into account feedback from the banking industry and references from the "Updated Effective Approaches for Financial Consumer Protection in the Digital Age" promulgated by the Organisation for Economic Co-operation and Development ("OECD"), the Hong Kong Monetary Authority ("HKMA") has developed the enhanced disclosure measures in respect of digital platforms for the application of unsecured loan and/or credit card products.

AIs are required to undertake proactive steps to ensure that their relevant digital application processes are designed in a manner which, in promotion of responsible business conduct and responsible borrowing, facilitate the prospective borrowers to understand the key product features as well as the terms and conditions of the credit products, and provide the prospective borrowers with adequate chance to consider the implications of their repayment obligations in order to enable them to make informed borrowing decisions. This would be in line with the spirit of the Treat Customers Fairly Charter including, among others, the principles of providing disclosure and transparency to customers and taking into account the interests of customers.

Specifically, when designing digital platforms for retail individual and SME customers to apply for unsecured loan and/or credit card products, AIs should consider the use of proper tools and designs to give customers a **"double reminder"** to consider their borrowing decisions during the application process. That is, AIs should provide clear and prominent disclosures and obtain customers' confirmations of understanding in respect of (1) key product features as well as terms and conditions of that credit product in **general**; and (2) key details on the **specific** credit product (i.e. unsecured loan and/or credit card product) that will be applicable to the borrower, or that the borrower applies for, and educational messages on responsible borrowing.

AIs are also encouraged to test digital disclosure approaches to ensure their effectiveness from customers' perspectives, taking into account factors such as screen sizes, reasonableness of font sizes, minimum scroll down time, prominence of the important information, clarity and conciseness of the information, ease of understanding, etc.

Coverage and Implementation Timeframe

For the purpose of this circular, digital platforms include those providing services through the Internet, mobile apps, self-service machines (such as Automated Teller Machines ("ATMs"), Virtual Teller Machines ("VTMs"), etc.) and other digital/mobile devices. Telephone channel or phone banking services are not included due to the nature of such channels, while AIs are reminded to comply with the relevant requirements/guidance. The definition of SME adopted by individual AIs for the purpose of this circular should be consistent with that being used for their own internal business segmentation and risk management purposes.

The HKMA has already required AIs to adopt the enhanced measures for the application of unsecured loans and credit card products adopting New Personal-Lending Portfolio ("NPP") arrangement (please refer to the HKMA's circulars on "Credit Risk Management for Personal Lending Business" issued on 9 May 2018 and 29 August 2019 for the definition on NPP), before launching such products or services through digital platforms. In the same spirit, the HKMA expects all AIs to extend the enhanced measures to those digital platforms which allow retail individual and SME customers to apply for unsecured loan and/or credit card products even if they do not adopt the NPP arrangement.

In relation to this, starting from 1 December 2020, AIs are expected to adopt the enhanced measures for all of their **new** digital platforms which allow retail individual and SME customers to apply for unsecured loan and/or credit card products. For the **existing** relevant digital platforms and those implemented prior to 1 December 2020, AIs should enhance their relevant systems to put in place the enhanced measures within 12 months from the issuance date of this circular (i.e. by 3 September 2021). Meanwhile, we expect AIs to take proactive steps to ensure that system enhancement will be completed as soon as practicable.

AIs are also reminded to comply with relevant requirements/guidance that are issued by the HKMA from time to time, and other applicable regulatory and legal requirements, including the Personal Data (Privacy) Ordinance ("PDPO") and any relevant codes of practice issued or approved by the Privacy Commissioner for Personal Data ("PCPD") giving practical guidance on compliance with the PDPO.

Should you have any questions regarding this circular, please feel free to contact Ms Stella Ma on 2878-8601 or Ms Teresa Chu on 2878-1563.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)