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BLOG

Hong Kong Regulates Mobile and Contactless Payment Systems

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Hong Kong recently introduced a new regime to regulate stored value facilities (SVFs) and retail payment systems (RPSs) offered by non-financial institutions. The primary new legislation is the Payment Systems and Stored Value Facilities Ordinance ("Ordinance"), which amends and replaces the previous Clearing and Settlements System Ordinance. The Hong Kong Monetary Authority (HKMA) is now responsible for supervising the activities of non-financial institutions operating in this area.

Issuers of multi-purpose SVFs must now obtain a specific approval and license from HKMA for such SVFs regardless of whether they are operated through a device. However, SVFs which are used only for purchases from a single retailer, remain exempt from this requirement. In addition, while there is no automatic approval and license requirement for RPSs, HKMA is entitled to decide on which RPSs will be subject to its regulation.

The new regime seems to track the increasing use and proliferation of such new payment systems, as well as the increased risk of data loss and theft and fears that unnecessary personal data may be embedded and accessible within the chips in contactless cards.

TIP: Companies operating in this area should check whether the new requirements apply to them and commence applications for licenses if necessary. While there is a grace period until November 2016 before penalties can be imposed, it is unclear how long the administrative processes will take in practice and there is a risk of significant fines or suspension of business for failure to meet the deadline.

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