







## Payment System Overview - Point of Sale Products for Merchants and Consumers -

## Appendix 1

POS Products	Credit / Charge* Cards		Debit Cards	Stored Value Cards	Cheque	Cash
<b>Issuer</b>	23 Banks and Fin Instit-n (includes EPSCO members)	20 Banks and Fin Instit-n (includes EPSCO members)	35 Banks (form EPSCO)	HSBC & Hang Seng (EPSCO member) BOC & STDC (EPSCO member) Creative Star Ltd **	Licensed Banks (include EPSCO member)	3 note-issuing banks: HSBC, STDC & BOC (EPSCO members)
<b>Network System</b>				  		
<b>Merchant Fee</b>	2 - 4% Individual issuing bank negotiates merchant transaction fee		0.75% No individual bank / merchant negotiation	0.5 - 0.6% Individual issuing bank negotiates merchant transaction fee	NA	NA
<b>Advantages for Merchant</b>	√ Efficient and secure: no worry of counting, balancing, storing and banking cash		√ Efficient and secure: no worry of counting, balancing, storing and banking cash √ Immediate fund transfer to merchant's account	√ Efficient and secure: no worry of counting, balancing, storing and banking cash √ Free terminal fee	√ Efficient: no worry of counting of cash √ No transaction fees	√ Immediate fund collection √ No transaction fees
<b>Merchant's Concerns</b>	<ul style="list-style-type: none"> <li>⊗ Delayed fund collection</li> <li>⊗ Merchant fee high, when compared to debit and stored value cards</li> <li>⊗ Terminal fee (\$200 per month but negotiable)</li> <li>⊗ Might have to be responsible for customer default on fake or stolen credit cards</li> </ul>		<ul style="list-style-type: none"> <li>⊗ Merchant fee</li> <li>⊗ Terminal fee***</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Merchant fee</li> <li>⊗ Tied to limited number of banks, therefore limited bank consumers</li> <li>⊗ Targeted for particular service</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Counting, balancing, storing and banking of cheques</li> <li>⊗ Possible default</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Security concerns</li> <li>⊗ Fake money</li> </ul>
<b>Advantages for Consumer</b>	<ul style="list-style-type: none"> <li>√ Able to purchase without carrying cash or adequate balance at bank account</li> <li>√ Secure and handy</li> <li>√ Interest free credit period</li> <li>√ Gain reward points</li> </ul>		<ul style="list-style-type: none"> <li>√ Able to purchase without carrying large sums of cash</li> <li>√ Secure and handy</li> <li>√ Usually no annual fee</li> <li>√ Maximum transaction value higher than stored value card</li> </ul>	<ul style="list-style-type: none"> <li>√ Able to purchase without carrying cash and coins</li> <li>√ Secure and handy</li> <li>√ Fast transaction time, e.g. for transport (no need to key in PIN number)</li> </ul>	<ul style="list-style-type: none"> <li>√ Able to purchase without carrying large sums of cash</li> <li>√ Secure</li> <li>√ No transaction limit</li> </ul>	<ul style="list-style-type: none"> <li>√ Acceptable almost anywhere</li> <li>√ No transaction limit</li> </ul>
<b>Consumer's Concerns</b>	<ul style="list-style-type: none"> <li>⊗ Credit limit</li> <li>⊗ High finance and late charge</li> <li>⊗ Annual fee (e.g. \$220 or above)</li> <li>⊗ Slow transaction time</li> </ul>		<ul style="list-style-type: none"> <li>⊗ Need adequate balance at the bank account</li> <li>⊗ No credit period</li> <li>⊗ No reward points</li> <li>⊗ Slow transaction time</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Limit on maximum value (usually less than \$3,000)</li> <li>⊗ Need adequate balance in the card</li> <li>⊗ No credit period</li> <li>⊗ No reward points</li> <li>⊗ Annual fee (HK\$100)</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Not widely accepted</li> <li>⊗ No credit period</li> <li>⊗ No reward points</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Need to carry large sums of cash for large transactions</li> <li>⊗ Security concerns</li> <li>⊗ No credit period</li> <li>⊗ No reward points</li> </ul>

\* American Express and Diners Club cards are "charge cards", as the balance has to be paid in full each month. However, they have now extended their product ranges to offer credit cards as well.

\*\* Except Octopus of Creative Star Ltd, issuers of all other POS payment products for consumers include, or are EPSCO member banks.

\*\*\* Complainants indicated to the Council that they paid a \$50 monthly terminal fee to EPSCO. However, EPSCO indicated to the Council that the terminals were provided free.

## **Payment System Overview**

### **- Point of Sale Product Network Members -**

#### **Credit / Charge Card:**

##### ***Visa International***

23 members in Hong Kong. Consolidated list of members not available.

##### ***MasterCard International***

20 members: Aeon, AIG Credit, BEA, BOC, Citibank, Dah Sing, Dao Heng, First Pacific, Fortis, Hang Seng, HSBC, HK Chinese, IBA, Chase, Online Credit, Wing Lung, Liu Chong Hing, Wing Hang, Shanghai Commercial and STDC.

##### ***American Express***

American Express Bank Limited.

##### ***Diners International***

Citibank.

#### **Debit Card:**

##### ***EPS***

35 member banks: American Express Bank Limited, BOA, BOC, Bank of Communications, Fortis Banque, Chekiang First, Chiyu Bank, Citibank, Dah Sing, Dao Heng, Hang Seng, HSBC, Hua Chiao Commercial, IBA, Kincheng, Kwong On, Liu Chong Hing, Nanyang, OTB, Po Sang, Shanghai Commerical, Sin Hua, STDC, BEA, Chase, China & South, China State, Ka Wah, Kwangtung Provincial, National Commercial, Yien Yieh, United Chinese, Wing Hang, Wing Lung and HK Chinese.

#### **Stored Value Card:**

##### ***Mondex***

HSBC and Hang Seng.

##### ***Visa Cash***

9 members including BOC and STDC.

##### ***Octopus***

Creative Star Limited jointly owned by: MTRC, KCRC, KMB, Citybus, NewWorld First Bus, New World First Ferry.

#### **Cheques:**

All licensed banks. At end-March 1999, there were 168 licensed banks in Hong Kong.

#### **Cash:**

3 note-issuing banks in Hong Kong: HSBC, STDC and BOC.