HKMA-SFC-OECD
Asian Seminar

The Role of the Financial Dispute Resolution Centre (FDRC)

Hong Kong

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Introduction

• Background
• FDRC’s Mission & Vision
• G 20 High Level Principles
• FDRC’s Guiding Principles
• How FDRC Works
• Mediation & Arbitration
Background

- SFC proposed in December 2008 an independent dispute resolution scheme that provides quick, simple, customer friendly services and “should avoid unduly legalistic procedures and discourage involvement of legal representatives”.

- HKMA recommended in its December 2008 report that an independent dispute resolution mechanism be established “to provide an efficient means to adjudicate or settle disputes between investors and intermediaries”.
Background

- Hong Kong Government proposed FDRC to resolve consumer’s monetary disputes with financial institutions
- Public consultation on 9 February 2010
- General public support and decision to establish FDRC announced in December 2010
- FDRC incorporated as a company limited by guarantee on 18 November 2011
- FDRC is non-profit and has charitable status for tax exemption purposes
FDRC’s Mission & Vision

**Mission**
- To provide independent and impartial “Mediation First, Arbitration Next” processes of dispute resolution to facilitate the resolution of monetary disputes between individual customers and financial institutions in Hong Kong

**Vision**
- To be the leading provider of financial dispute resolution processes to deal with differences between financial institution and their customers constructively before they escalate and to support Hong Kong as an international financial centre by extending our services and engaging stakeholders of the financial industry
Principle 9: Complaints Handling and Redress

• Consumers to have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient.

• Not to impose unreasonable cost, delays or burdens on consumers.
FDRC’s Guiding Principles

- **Independence**
  Resolution procedures are independent

- **Impartiality**
  Parties treated impartially

- **Accessibility**
  FDRC is accessible & user friendly

- **Efficiency**
  Disputes settled in timely & efficient manner

- **Transparency**
  Transparent within confidentiality and privacy obligations
# FDRC Fees

<table>
<thead>
<tr>
<th></th>
<th>Eligible Claimant</th>
<th>Financial Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mediation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specified Mediation Time (4 hr)</td>
<td>$200 application fee</td>
<td>No fee</td>
</tr>
<tr>
<td><strong>Amount of claim:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $100,000</td>
<td>$1,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Between $100,000 and $500,000</td>
<td>$2,000</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Extended Mediation Time</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of claim: Less than $100,000</td>
<td>$750/ hr or part thereof</td>
<td>$750/ hr or part thereof</td>
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<tr>
<td>Between $100,000 and $500,000</td>
<td>$1,500/hr or part thereof</td>
<td>$1,500/ hr or part thereof</td>
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<tr>
<td><strong>Arbitration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documents-only</td>
<td>$5,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>In-person hearing</td>
<td>$12,500</td>
<td>$12,500</td>
</tr>
</tbody>
</table>
G 20 High Level Principles

Principle 9: Complaints Handling and Redress

• Financial institutions to have mechanisms for complaints handling and redress.

• Recourse to independent redress process be available to address complaints not efficiently resolved via financial institutions’ internal dispute resolution mechanisms.
Role of FDRC

• Consumer has to first make a written complaint to the financial institution and if he has received a final written reply or it has been more than 60 days since his written complaint, then he can make an application to FDRC.

• If a consumer comes directly to FDRC with a claim without first engaging the financial institution’s dispute resolution process, they will be advised to make their written complaint to the financial institution.
Role of FDRC

- Enhance consumer trust and confidence in financial markets.
- FDRC is an external independent dispute resolution scheme.
- Focus on the importance of consumer awareness and accessibility.
- Engage financial institutions’ internal dispute resolution teams on processes.
How the FDRC Works

• Board of Directors
• Terms of Reference (TOR) for the Financial Dispute Resolution Scheme (FDRS)
• List of Mediators
• List of Arbitrators
• MOU with SFC & HKMA
Membership of FDRS

• All financial institutions regulated by HKMA and SFC (except those only providing credit rating services) are members of the FDRS administered by the FDRC and bound by the TOR.

• HKMA amended the licensing conditions for authorized institutions and SFC amended the Code of Conduct for persons licensed by or registered with the SFC.
Mediation

• Use “Mediation First, Arbitration Next”
• Claims up to HK$500,000
• Covers individuals and sole proprietors
• Claim of a monetary nature
• Time Limited Mediation (4 Hours)
• Extension of time with additional fees
• Experienced mediators with training in financial products and selling processes
Arbitration

- If mediation unsuccessful, claimant can decide to go to arbitration
- **Documents-only** arbitration
- In person hearing only if arbitrator and parties agree and additional fee paid
- **Arbitral award** is final and binding
- Appeal only on point of law
FDRC TV clip
Financial Dispute Mediation

Towards a win-win solution

Hotline: 3199 5199

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Thank You