



Our Ref: B1/15C

14 August 2012

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Meetings with Candidates for Appointment to the Boards of Authorized Institutions or as Chief Executive or Alternative Chief Executive**

On 3 August 2012, the Hong Kong Monetary Authority (HKMA) issued a revised Supervisory Policy Manual on Corporate Governance (the revised SPM). Paragraph 10.3.1 of the revised SPM states:

*“To enable the HKMA to consider whether a proposed candidate for appointment to an AI’s board or as its chief executive, alternative chief executive or executive officer (within the meaning in the Banking Ordinance) is fit and proper to carry out his/her duties, the HKMA may, where the HKMA considers it appropriate, conduct a face-to-face meeting with the candidate. This will allow the HKMA to assess first-hand the candidate’s personal qualities, skills, knowledge and understanding of the AI’s business and key regulatory and supervisory requirements (such as requirements relating to risk management practices, capital adequacy and liquidity) and whether he will be able to fulfil adequately the role for which he is being considered.”*

I am now writing to inform you that the HKMA will begin meeting selected candidates for appointment as director, chief executive (CE) and alternate chief executive (ACE), and to set out the objectives and format of such meetings.

The objectives of the meetings are to facilitate the consideration by the HKMA of the fitness and propriety of applicants for the posts applied for in accordance with section 71 of the Banking Ordinance, and to give the HKMA an opportunity to get to know future directors, CEs and ACEs, and to make clear the HKMA’s expectations with regard to their roles. The meetings are intended to support, not replace, the normal vetting of candidates for senior positions already undertaken by the HKMA. They will support the continuing supervision of the industry by allowing the HKMA to assess candidates’ competence, fitness and propriety in person and in greater depth.

I would like to emphasise that, as stated in the revised SPM, the primary responsibility for ensuring that board members and senior management are fit and proper for their roles rests with AIs. A secondary objective of the meetings is therefore to assess the effectiveness of AIs' systems of control for doing so.

Meetings will take place at the offices of the HKMA and will normally be chaired by an Executive Director from the Banking Departments of the HKMA. In some cases the Deputy Chief Executive (Banking) may chair a meeting, if the AI concerned is of particular systemic importance. Candidates will be asked to attend the meeting alone. The meeting will generally last between one and one-and-a-half hours and will be conducted in either English or Chinese (Cantonese or Putonghua) as appropriate. From time to time, a second meeting may be required to follow-up on matters not adequately covered during the first meeting, although the HKMA expects such cases to be rare.

Topics for discussion will include:

- The requirements and responsibilities of the role in respect of which the MA's consent is being sought.
- The candidate's knowledge, skills and experience and their relevance to the role.
- The candidate's views of the main risks and challenges facing the industry in Hong Kong and the AI in particular, and how the candidate proposes to address them.
- The HKMA's expectations of the person in the role.

Because of resource constraints, it will not be possible to meet all applicants for director, CE and ACE posts. Meetings will therefore be conducted selectively based on a number of factors, including the HKMA's assessment of the AI's systemic importance to the Hong Kong banking sector, the nature and scale of its business, the background and experience of the candidate and whether the candidate is already well-known to the HKMA. Beyond these factors, no significance should be read into the fact that a particular candidate is invited to a meeting while another, who may be applying for consent in respect of a similar position at the same or another AI, is not. In other words, the fact that a candidate is invited to a meeting should not be taken to imply that the HKMA has formed any particular view with regard to the candidate, or the AI, in advance.

Meetings will not be recorded (audio or video). Brief notes will be taken for the HKMA's internal record purposes but will not normally be sent to the candidate or the AI.

In the event that the MA decides not to give consent for the person to take up the role applied for, either following a meeting or as a result of the normal vetting procedures, the candidate and the AI will be informed in writing of the decision and the reasons for it. The candidate and/or AI may then wish to lodge an appeal in accordance with section 132A of the Banking Ordinance. In such cases, the candidate and/or the AI will be offered an opportunity to be heard, either through written representations or in person.

Should you have any questions regarding the face-to-face meetings, please contact Mr Trevor Keen, Head (Payment Systems Oversight and Licensing) on 2878 1128 or Mr Raymond Lam, Senior Manager (Licensing) on 2878 1509.

Yours faithfully,

Meena Datwani  
Executive Director (Banking Conduct)

c.c. The Chairman, Hong Kong Association of Banks  
The Chairman, The DTC Association