



Supervisory Policy Manual

IN

Introduction

V. 1 - 19.01.01

This module should be read in conjunction with the [Contents](#) and with the [Glossary](#), which contains an explanation of abbreviations and other terms used in this Manual. If reading on-line, click on the blue underlined headings to activate hyperlinks to the relevant module.

1. Scope

- 1.1 This Manual sets out the HKMA's supervisory policies and practices, the minimum standards AIs are expected to attain in order to satisfy the requirements of the Banking Ordinance and recommendations on best practices that AIs should aim to achieve. It is intended mainly for the reference of AIs, their auditors and advisors and the HKMA's supervisory staff.
- 1.2 **This Manual covers only selected parts of the Banking Ordinance. Further, it is neither possible nor is it our intention in a publication of this type to cover all of the ground and provide guidance for all eventualities. AIs and their officers remain ultimately responsible for complying with applicable law. There is no substitute for AIs continuing to consult the relevant laws of Hong Kong and taking appropriate legal advice to ensure compliance with the standards expected of them.**
- 1.3 This Manual replaces the relevant supervisory guidelines and circulars issued previously by the HKMA. Each module issued details those guidelines which are superseded.

2. Purpose

- 2.1 The supervisory objectives of the HKMA are to provide a measure of protection to depositors and to promote the general stability and effective working of the banking system through the regulation and supervision of AIs and their business activities.
- 2.2 The HKMA adopts a risk-based supervisory approach which seeks to determine whether AIs have appropriate systems of risk management and internal control. This Manual supports the risk-based supervisory framework by promoting proper standards of



Supervisory Policy Manual

IN

Introduction

V. 1 - 19.01.01

business conduct and prudent risk management practices among AIs so that they operate in a safe and sound manner. This is achieved by:

- explaining how the HKMA interprets AIs' responsibilities under the Banking Ordinance;
- recommending current best practices to AIs for discharging their responsibilities; and
- laying down the minimum prudential standards which the HKMA expects AIs to attain.

2.3 The HKMA requires all AIs to comply with the minimum standards set out herein and encourages them to aim for the best practice to suit their business needs. An AI's management has the primary responsibility for ensuring that the AI has duly observed such standards and practices to control the risks of its business, safeguard its assets and comply with the Banking Ordinance and other applicable law. To facilitate readers' understanding of the legal requirements, the relevant section(s) of the Banking Ordinance or other Ordinances will be stated in the modules, wherever appropriate.

3. Organisation

3.1 This Manual consists of different modules organised under a number of broad sections, e.g. Credit Management. Within each section, there may be modules dealing with separate aspects, e.g. modules devoted to generally applicable lending principles and modules dealing with specific lending activities. The following are the standard items covered in each module:

- Purpose – setting out the objective(s) of the module;
- Classification – indicating the type of guideline the module falls under (see para. 3.2 below);
- Previous guidelines superseded by the module;
- Application – specifying to whom it applies; and
- Structure – detailing the list of contents included in the rest of the module.



Supervisory Policy Manual

IN

Introduction

V. 1 - 19.01.01

3.2 Modules included in this Manual fall into the following three broad categories:

- **statutory guidelines** issued by the MA under the Banking Ordinance, e.g. §§7(3), 16(10) and 118C(7) - these set out the minimum standards with which AIs are expected to comply to satisfy the requirements of the Banking Ordinance. In addition to minimum standards, statutory guidelines may also embody best practices or advisory standards. The HKMA will use different wording to differentiate these from minimum standards. For example, in describing best practices or advisory standards, the HKMA will normally use such phrases as AIs “should preferably”, “should ideally”, “may”, “are encouraged to” or “are recommended to” adopt such practices or standards whereas minimum standards will typically be described in more definitive terms as those standards which AIs “should”, “are expected to” or “must” follow. Statutory guidelines do not themselves have the force of law;
- non-statutory guidelines issued to AIs as **guidance notes** - these are best practice guides setting out the HKMA's recommendations to AIs in respect of the standards they should aim to achieve, subject to the AIs' size, complexity and scope of activities; and
- non-statutory guidelines issued to AIs as **technical notes** - these are usually technical in nature and are for the purpose of clarifying the HKMA's interpretation of regulatory and reporting matters.

The classification of each module is also indicated in the Contents under "Type" using the abbreviations SG, GN and TN respectively.

3.3 The HKMA will monitor AIs' compliance with these statutory guidelines, guidance notes and technical notes as part of its regular supervision. Any failure to adhere to any of these guidelines, whether statutory or non-statutory, may call into question whether the AI concerned continues to satisfy the minimum criteria for authorization under the Banking Ordinance. In addition, where such failure is in respect of any of the statutory guidelines, it may constitute a contravention of the relevant provision or requirement



Supervisory Policy Manual

IN

Introduction

V. 1 - 19.01.01

of the Banking Ordinance.

- 3.4 Each module is given an identification code, featured in the header, indicating the section within which it falls.
- 3.5 The header also contains a version number and an effective date. Readers can check that they have the latest version by comparing this date with that featured in the Contents.

4. Acknowledgement

- 4.1 The Hong Kong Monetary Authority wishes to express its gratitude to the Basel Committee on Banking Supervision for its permission to use or reproduce, in this Manual, terms, guidelines and principles that have been adopted or recommended in published papers on banking supervision of the Committee.

5. How to reach us

- 5.1 The HKMA has, in the preparation of this Manual, endeavoured to make its contents as clear as possible. In the event, however, that readers have any questions about those contents or their particular situation does not appear to be covered in the Manual they are welcome, and encouraged, to contact us. Als should address their enquiries to the officer in our Banking Supervision Department responsible for their supervision. Enquiries from other parties can be forwarded:

- by e-mail to: SupervisoryPolicyManual@hkma.gov.hk
- by facsimile to: fax number (852) 2878 1899
Attn: SM(BP)A2; or
- by mail to: Banking Policy Division,
Hong Kong Monetary Authority,
55/F, Two International Finance Centre,
8 Finance Street,
Central, Hong Kong
Attn: SM(BP)A2



HONG KONG MONETARY AUTHORITY
香港金融管理局

Supervisory Policy Manual

IN

Introduction

V. 1 - 19.01.01

[Contents](#)

[Glossary](#)

[Home](#)