

DEVELOPMENT OF A SUPERVISORY POLICY MANUAL

The HKMA has recently commenced the development of a Supervisory Policy Manual to reflect the HKMA's latest banking supervisory standards and practices. This is a major project and is intended to support the risk-based supervisory approach being implemented by the HKMA. The article below details the background and objectives of the Manual as well as the approach to completing it.

Background

The HKMA's supervisory policies are currently set out in two series of documents, namely its guidelines and circulars. Many of these guidelines and circulars have been issued over a lengthy period of time and may not be as effective as they could be, largely owing to the following reasons:

- (i) the HKMA's guidance on some subjects is split between various documents;
- (ii) some guidelines and circulars have become obsolete over time or need to be substantially updated; and
- (iii) the format and style of existing guidelines are not standardised or user-friendly.

The HKMA has therefore decided to consolidate, re-organise and update the guidelines and circulars in the form of a Supervisory Policy Manual. It will also take the opportunity to ensure that the Manual reflects the HKMA's latest supervisory standards and practices and to introduce modules on new topics.

Objective

The HKMA sees this Manual as an important development for the general benefit of the banking sector in Hong Kong. It will support the risk-based supervisory framework being implemented by the HKMA by promoting proper standards of business conduct and prudent risk management practices among AIs so that they operate in a safe and sound manner.

The approach taken will be to set out firstly the minimum standards expected of each authorised institution (AI) in respect of the particular area, and then "best practices" which AIs should endeavour to move towards.

Sources

When developing the Manual, the HKMA will draw on its existing guidelines, circulars, examiners' manuals and the supervisory experience of its own staff. In addition, reference will be made to international standards, particularly those promulgated by the Basel Committee on Banking Supervision, guides from overseas banking regulatory authorities and any suggestions or input from the banking industry.

Target Audience

The Manual is intended mainly for the reference of AIs, their auditors and advisors and the HKMA's own supervisory staff, but the contents may also be of interest to other parties such as academics, students, other supervisory bodies, media financial commentators and other financial services professionals.

Contents

The Manual consists of modules organised under a number of broad sections. Within each section, there may be modules dealing with separate aspects. For example, the Credit Management section will have modules devoted to generally applicable lending principles and modules covering specific lending activities.


The proposed table of contents, subject to input from the banking industry associations, is extracted below:

Introduction
Supervisory Approach
Corporate Governance
Internal Controls
Capital Adequacy
Consolidated Supervision
Credit Management
Asset & Liability Management
Trading Activities
Electronic Banking
Securities & Leveraged Foreign Exchange Business
Mandatory Provident Fund
Private Banking
Prevention of Money Laundering
Financial Disclosure
Miscellaneous
Glossary

Presentation

In order to make the Manual as user-friendly as possible, readers will be able to access the Manual on-line through the HKMA's public or private web-sites, and parts of the text will be hyperlinked to other relevant modules to facilitate on-line reading and navigation through the Manual.

Roll-out of Manual

The Manual will be rolled out in stages, as batches of modules are finalised. The HKMA will formally consult the banking advisory committees and the industry associations before finalising modules that represent new or substantially modified guidelines. Modules that are primarily reproduced from existing guidelines will only be posted on the HKMA's private web-site for a specified period for authorised institutions' comment before they are finalised. The HKMA expects the whole project to be largely completed by the end of 2001. 

- Prepared by the Banking Policy Department