

In conducting the day-to-day supervision of authorised institutions, the Monetary Authority often receives questions on regulatory issues. This column publishes the supervisory response to questions which cover matters of general interest.

Code of Conduct – Acceptance of personal benefits from a close personal friend

Q. The model Code of Conduct issued by the HKMA in 1986 seems to suggest that an employee of a bank is not allowed to accept personal benefit of more than HK\$2,000 from a close friend, even if such friendship is entirely unrelated to the business of the bank. Why?

A. As a general rule, the Code provides that no members of staff of an authorised institution shall solicit, accept or retain personal benefits from any customer of the institution, or any individual or organisation doing or seeking to do business with the institution. However, the Code does provide certain exceptions for acceptance but not soliciting of personal benefits, including where the customer in question is a close personal friend of a member of staff and where such friendship is entirely unrelated to the business of the bank. This is however subject to the limit of \$2,000 on the personal benefit, above which the matter must be referred to a more senior member of staff. This is a safeguard to prevent an employee from interpreting the circumstances in his own favour. Where the personal friend is not a customer of the bank, the reporting requirement and the limit would not apply.

The HKMA will review the limit of HK\$2,000 with reference to current standard of living.

Property lending – Treatment of exposures to the Hong Kong Housing Society

Q. For prudential reporting purposes, can banks exclude their exposures to the Hong Kong Housing Society to finance its development of various housing schemes from "property lending"?

A. Exposures to the Hong Kong Housing Society ("HKHS") should be reported as "property development" for the purposes of the prudential return that authorised institutions submit to the HKMA (Return on Loans and Advances and Provisions). Such exposures will therefore be included within the definition of an institution's total property lending which is subject to "40% guideline".

However, authorised institutions should be aware that the 40% guideline is intended to be regarded as an industry benchmark, rather than an upper limit. In assessing an individual institution against this industry average, the HKMA will take into account, among other factors, the proportion of total property lending arising from loans to the HKHS to finance government endorsed housing programmes. ☺