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2

金管局資料簡介(2) HKMA Background Brief No. 2

香港銀行業監理

BANKING

SUPERVISION

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《香港銀行業監理》是「金管局資料簡介」系列的第二份小冊子。金管局推出資料簡介系列，是為了闡明香港貨幣與銀行體系的運作。系列中其他小冊子涵蓋有關貨幣、金融基礎設施，以及儲備管理課題。

本小冊子亦備有網上版本，讀者可於金管局網站查閱，網址為 www.hkma.gov.hk。

Banking Supervision in Hong Kong is the second of a series of HKMA Background Briefs designed to explain the workings of Hong Kong's monetary and banking systems. Other background briefs in the series cover monetary, financial-infrastructure and reserves management issues.

This booklet is also available on the HKMA website at www.hkma.gov.hk.



金管局 資料簡介 (2) HKMA BACKGROUND BRIEF NO. 2

金管局資料簡介 (2)
《香港銀行業監理》
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引言

銀行體系的穩定有賴妥善的管理及公眾的信心，而基礎穩固及有效的監管制度就是確保這兩項元素的關鍵。金管局負責監管香港的銀行業，確保銀行以有效的方法及負責、誠實與務實而有條理的態度經營業務，以及確保存戶的利益得到充分保障。

這份資料簡介闡明金管局如何協助確保香港銀行體系的安全及穩健。

銀行體系的架構

組成香港銀行體系的認可機構分為三級，即持牌銀行、有限牌照銀行及接受存款公司。這三類認可機構的主要分別是它們在《銀行業條例》下可經營的業務各有不同：

- 只有**持牌銀行**才可經營往來及儲蓄存款業務、接受公眾任何數額及期限的存款、支付或接受支票，以及不受限制地使用「銀行」此一名稱。根據《存款保障計劃條例》，只有持牌銀行可成為及必須成為該計劃的成員
- **有限牌照銀行**大多數從事批發銀行及資本市場業務，它們只可接受公眾50萬港元或以上的存款，存款期不受限制
- **接受存款公司**只可接受10萬港元或以上的存款，原定存款期最少為3個月。這些公司大部分由銀行持有或與銀行有聯繫，並從事多種專門業務，包括私人消費信貸、貿易融資及證券業務。

境外註冊銀行可以在香港設立本地代表辦事處，但有關辦事處不得從事任何銀行業務，它們的角色主要限於與香港的客戶之間的聯絡工作。

認可機構的數目時有改變，但過去10年間大約維持在200家左右。自2007年以來，所有認可機構的總資產超越10萬億港元。金管局網站載有關於香港銀行體系的詳盡統計資料，歡迎瀏覽。

銀行體系穩定的重要性

銀行與我們的日常生活息息相關。支取薪水、支付帳單、買樓置業、儲蓄貸款等均涉及銀行業務。各行各業亦要倚賴銀行體系來結算交易及滿足其他財務需求。銀行亦透過國際網絡互相聯繫，為本地以至境外客戶提供金融服務。鑑於銀行之間關係密切，加上銀行體系的穩定主要建基於公眾的信心，因此若一家銀行出現問題，很容易便會影響到其他銀行及金融機構。銀行體系的運作若受到任何重大干擾，都會對整體社會造成影響。因此，為盡可能減少銀行業的問題引起廣泛的經濟及社會影響，維持銀行體系穩定至為重要。

金管局透過規管銀行與接受存款業務及監管認可機構，來確保銀行體系的整體穩定及有效運作。金管局亦肩負推動及鼓勵銀行業採納適當的操守準則及穩健與審慎的經營手法的責任，並協助防止違法、不誠實或不當的行為。金管局獲《銀行業條例》賦予有關的監管權力。

銀行的發牌規定

根據《銀行業條例》，金管局有一般酌情權決定批准或拒絕在香港經營銀行業務或接受存款業務的認可申請。然而，若申請機構未能符合《銀行業條例》附表7指明的任何一項認可準則，金管局必須拒絕發牌予有關申請機構。認可準則在發牌時及發牌後均適用於有關機構，金管局會評估有關機構是否一直符合認可準則。根據《銀行業條例》附表8，若認可機構未能符合任何一項準則，即可構成撤銷牌照的理由。

除以下所述外，所有認可機構(即持牌銀行、有限制牌照銀行及接受存款公司)均須符合相同的認可準則：

- 持牌銀行的最低資本要求(包括繳足款股本及股份溢價帳結餘)為3億港元，高於有限制牌照銀行的1億港元及接受存款公司的2,500萬港元的要求
- 只有持牌銀行須遵守最低規模準則(即客戶存款總額30億港元及資產總額40億港元)。

《銀行業條例》附表7指明的其他準則涵蓋國際公認的審慎發牌制度應具備的原則：

- 若申請機構在境外註冊成立，則該機構是否為在其註冊地受到妥善監管的銀行
- 申請機構的行政總裁、董事、控權人及主管人員是否「適當人選」
- 有關委任在《銀行業條例》下稱為「經理」的高層人員的管控制度是否足夠
- 從資本、流動資金及資產質素三方面衡量申請機構是否財政穩健
- 申請機構的內部管控措施及會計制度是否足夠
- 申請機構現在是否及將來會否繼續以持正、審慎的方式與足夠的能力來經營業務。

在香港註冊的申請機構的資本充足比率須至少維持在8%的水平。境外銀行分行的資本充足比率主要由其註冊地監管當局負責監管，因此有關分行不受這項規定限制。然而，實際上金管局一般要求有意在港開設分行的境外銀行須至少維持8%的資本充足比率。

有關認可準則的詮釋及應用的詳盡指引見金管局網站刊載的《認可指引》(Guide to Authorization) 第4章。

金管局的銀行監管工作

金管局採用「持續監管」模式來監管銀行，主要目的是盡早發現及處理問題。

金管局以多種方法來監察認可機構的業務，包括：

- 現場審查
- 非現場審查
- 審慎監管會議
- 與董事局會面
- 與外聘審計師合作
- 與其他監管機構交換資料。

特別注重風險管理

每種行業都有其潛在風險，銀行業也不例外。有效的風險管理對維持個別機構以至整個銀行體系的穩定至為重要。金管局採用風險為本的銀行監管制度，以確保認可機構具備所需的風險管理制度，能鑑別、評估、監察及管控其業務運作所涉及的潛在風險，並盡早解決所發現的問題。金管局識別出8類主要潛在風險：

- 信用風險
- 利率風險
- 市場風險
- 流動資金風險
- 業務操作風險
- 法律風險
- 信譽風險
- 策略風險。

金管局透過比較認可機構的潛在風險水平及其風險管理制度的質素，來決定認可機構的風險狀況。金管局會就每家認可機構給予一個風險管理評級，有關評級會成為決定該機構的CAMEL評級的因素之一。CAMEL評級制度是一套國際公認的制度，用作評估銀行的資本充足程度（**Capital adequacy**）、資產質素（**Asset quality**）、管理（**Management**）、盈利（**Earnings**）及流動資金（**Liquidity**）。根據CAMEL評級制度得出的結果是一項以數字表示的監管評級，反映金管局對有關機構的整體安全與穩健程度的看法。

金管局利用監管審查程序將本地註冊認可機構的風險狀況輸入CAMEL評級制度。這個審查程序是於2007年引入香港的《資本協定二》資本制度的重要部分。¹監管審查程序的目的是確保銀行有足夠資本以抵禦其業務的潛在風險，並鼓勵銀行制定及運用更有效的風險管理方法來監察及管理這些風險。監管審查程序的最終結果是每家本地註冊認可機構必須遵守的最低資本充足比率。

過去發生的金融危機突顯了有效的風險管理制度的重要性。金管局透過《監管政策手冊》向認可機構發出指引，列載金管局預期認可機構應遵守的最佳風險管理方法，並闡明金管局監察認可機構遵守指引的情況的監管辦法。²《監管政策手冊》除涵蓋上述8類潛在風險外，亦載有關於企業管治、內部管控以至科技風險管理、電子銀行、證券及槓桿式外匯業務與防止清洗黑錢等其他事項的章節。

¹ 《資本協定二》是巴塞爾銀行監管委員會頒布有關銀行的資本充足程度的國際框架，由3項互相鞏固的「支柱」組成：信用、市場及業務操作風險的最低資本要求、監管審查程序及資料披露。

² 金管局的網站載有《監管政策手冊》及其他指引或建議文件。

現場審查

現場審查是有效監管認可機構的一個主要方法，由金管局的審查小組負責進行。所有認可機構無論是在哪裏註冊成立，都要接受現場審查。審查範圍更可能包括本地註冊認可機構的境外分行及附屬公司。現場審查讓金管局能直接了解認可機構的管理及管控情況，特別有助評估機構的風險管理制度及內部管控措施是否足夠。視乎認可機構的綜合CAMEL評級而定，金管局通常每1至3年對認可機構進行1次現場審查。

現場審查的形式可以是全面的風險為本審查或針對性的審查。全面的風險為本審查涵蓋認可機構的所有業務，針對性的審查則集中於金管局在非現場審查中發現需要特別關注的具體環節。金管局亦會對認可機構的專門業務，例如證券、保險及強制性公積金相關業務等進行專項審查，確保認可機構遵守相關法律、規例及操守守則，以及妥善管理該等業務。

金管局在完成現場審查後會向認可機構發出正式報告，並會監察認可機構實施所建議的糾正措施的情況。

非現場審查

為確保能達到「持續監管」的目的，除現場審查外，金管局還會對認可機構的財政狀況、管理質素及風險管控制度持續進行非現場監察。監察範圍包括定期分析認可機構的統計資料申報表，以及每年對機構業務表現與財政狀況進行全面檢討。

審慎監管會議

金管局在認可機構的年度非現場審查後，通常會與有關認可機構的高級管理層舉行審慎監管會議，藉此讓金管局了解認可機構的管理層如何管控機構的業務運作及評估機構的業務狀況與前景，以及與管理層澄清個別事項及商討在監管方面需要關注的事項。若認可機構隸屬某銀行集團，金管局可能會分別與集團的管理層及集團內個別附屬公司的管理層舉行審慎監管會議。此外，金管局亦會與認可機構的境外總辦事處進行討論。

為推動良好的企業管治，金管局每年都會派員與每家本地銀行的董事局（或審計委員會）會面，講解金管局對銀行的業務表現及風險管理與內部管控措施的質素的評估，以及提出需要關注的事項。

外聘審計

外聘審計師在監管過程中扮演重要角色。金管局與認可機構的外聘審計師的關係有幾種不同形式：

- 《銀行業條例》規定審計師須就認可機構提交的銀行業申報表是否正確無誤提出意見（通常每年1次）
- 審計師亦須就以下各項提交報告（通常每年1次）：
 - 認可機構就編製申報表的管控措施
 - 認可機構為確保遵守《銀行業條例》的各項規定而推行的管控措施
 - 如屬本地註冊認可機構，該機構就確保維持足夠準備金的管控措施

- 金管局可能會委託審計師對認可機構的某些內部管控制度進行特別檢討
- 金管局會每年與認可機構及其審計師舉行三方聯席會議，討論在年度審計期間發現的問題
- 金管局會收到審計師發給認可機構的「致管理層的查核情況說明文件」副本，若有任何在監管方面需要關注的事項，金管局會與認可機構及(如有需要)其審計師討論。

與其他監管機構交換資料

金管局定期與其他本地及海外監管機構溝通，就與認可機構有關的事宜交換意見。鑑於大型金融企業的業務遍布世界各地，具有很大的影響力，同時不同金融機構之間的聯繫日趨緊密，因此金管局與其他監管機構交換意見及資料更顯重要。《銀行業條例》賦予金管局法定權力向境外監管機構披露資料，以協助該等機構執行職務，不過條件是有關的監管機構必須具備妥善的保密規定。金管局亦可在類似情況下向證券及期貨事務監察委員會、保險業監理處及強制性公積金計劃管理局等其他本地監管機構披露資料。

收集資料的權力

金管局有權向認可機構收集作審慎監管用途的資料。此項權力亦適用於認可機構的控股公司、附屬公司或姊妹公司。認可機構定期提交的法定申報表所涵蓋的資料，包括資產與負債、損益、資本充足狀況、流動資產狀況、大額風險、貸款分類、外匯持倉、利率風險、市場風險，以及證券、保險與強制性公積金有關的業務。金管局亦可要求認可機構提交內部管理資料，例如財務報告、債務報告、特定業務範疇的內部政策聲明，以及有關附屬公司的資料。

綜合監管

金管局有權阻止被視為對認可機構不合適的聯營或企業架構的設立。本地註冊認可機構計劃開設境外分行、附屬公司及代表辦事處前，必須先取得金管局批准。在決定是否給予批准前，金管局會考慮機構的業務計劃、財政影響，以及機構是否有足夠能力管理及妥善管控有關業務。金管局亦會一併考慮認可機構擬開設的境外業務所在國家的經濟與政治情況，以及該國的銀行與資料保密規則及金融機構監管模式。

金管局對在香港註冊的認可機構的資本充足程度、風險集中情況及流動資金水平採取綜合監管模式，藉此評估在有關銀行或金融集團內是否存在任何可能會影響認可機構本身的問題，以及按需要採取防禦或補救措施。

在監管銀行集團時，金管局以靈活方式釐定綜合監管的範圍。一般而言，有關集團的本地與境外辦事處及附屬金融公司都會在監管之列。從事分期付款、信用卡或租賃等「金融業務」的非銀行類公司，亦屬綜合監管範圍。若非銀行類附屬公司(如證券或保險公司)已受到其他監管機構妥善監管，金管局會把工作重點放在與這些機構合作方面，以確保有關銀行集團獲得有效全面的監管。

認可機構證券業務的監管

在現行監管架構下，證券及期貨事務監察委員會（證監會）是證券行業的「主導監管機構」，負責制定中介人須遵循的原則及監管要求。認可機構若有意經營證券中介業務，必須向證監會註冊。在認可機構申請獲得註冊的過程中，金管局會就該認可機構是否符合有關的適當人選條件向證監會提供意見。金管局作為認可機構證券業務的「前線監管機構」，負責監管認可機構的證券業務，如有需要，會因應金管局的監管經驗及認可機構的業務性質向認可機構發出通告，以補充證監會的監管要求。

認可機構必須委任至少兩名經金管局同意的「主管人員」，負責監督其受規管的證券業務。申請人必須得到金管局信納具備適當人選的條件，並在該認可機構獲授充分權限以擔任主管人員的角色，才可獲金管局同意其委任。金管局備存有關為認可機構執行受規管證券業務的「有關人士」（包括銷售人員）的紀錄冊，供公眾查閱。認可機構必須確保「有關人士」符合證監會的《適當人選的指引》及《勝任能力的指引》所規定有關能力、資歷及適當人選方面的資格。

為配合認可機構證券業務監管的合作，金管局與證監會已簽訂《諒解備忘錄》，列明彼此的角色與責任。

存款保障

香港存戶的存款受到存款保障計劃保障，並於2010年底前受到由香港特別行政區政府外匯基金提供的擔保所保障。

存款保障計劃於2006年9月25日由香港存款保障委員會根據《存款保障計劃條例》設立，一旦有銀行倒閉，存戶可獲賠償。推行存款保障計劃的目的是為存戶提供一定程度的保障，以及協助維持香港銀行體系的穩定。

存款保障計劃詳情載於存款保障委員會網站。

投訴銀行

銀行客戶若想投訴某銀行，應先致力與銀行解決有關爭議，讓有關銀行有機會盡早作出糾正及改善服務。若客戶仍感不滿，可向金管局提出書面投訴。

金管局預期銀行會迅速及徹底處理客戶投訴，並已發出指引要求銀行設立有效的投訴處理程序，但金管局無權決定個別投訴是否有理據或命令某銀行作出賠償。

詳情可參閱金管局網站所載「投訴銀行產品或服務須知」資料單張。

總結

銀行的經營環境不斷在變。面對金融市場日益全球化、金融產品推陳出新，以及科技發展，銀行必須與時並進，不斷檢討及更新風險識別與管理手法。金管局在持續發展香港的監管制度過程中非常重視有效的風險管理，以履行協助保障存戶利益及維持銀行體系的整體穩定與有效運作的監管職能。

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Introduction

The stability of a banking system depends on sound management and public confidence underpinned by a well established and effective supervisory regime. The HKMA is responsible for regulating the banking industry in Hong Kong to ensure that banks operate in an effective, responsible, honest and business-like manner and the interests of depositors are adequately protected.

This background brief explains how the HKMA helps maintain the safety and soundness of Hong Kong's banking system.

Structure of the banking system

Hong Kong's banking sector comprises three tiers of authorized institutions (AIs): licensed banks, restricted licence banks and deposit-taking companies. The main distinction between these three types of AIs lies in the activities they are allowed to conduct under the Banking Ordinance:

- Only **licensed banks** may provide current and savings accounts; accept deposits of any size and maturity from the public, pay or collect cheques; and use the name "bank" without restriction. According to the Deposit Protection Scheme Ordinance, only licensed banks can, and are required to, join the Scheme as Members
- **Restricted licence banks**, many of which are engaged in wholesale and capital market activities, may only take deposits from the public in amounts of HK\$500,000 or above without restriction on maturity
- **Deposit-taking companies** are restricted to taking deposits of HK\$100,000 or above with an original term to maturity of at least three months. These companies are mostly owned by, or otherwise associated with, banks and engage in a range of specialised activities, including consumer and trade finance, and securities business.

An overseas incorporated bank may establish a local representative office in Hong Kong, but it is not allowed to engage in any banking business and its role is confined mainly to liaison between the bank and its customers in Hong Kong.

The number of AIs fluctuates over time, but in the past decade it has stayed at around 200. Since 2007, total assets of all AIs have exceeded HK\$10 trillion. Detailed statistical information about Hong Kong's banking sector can be found on the HKMA website.

Why banking stability is important

Banks are closely linked with our everyday lives and activities. Drawing salaries, paying bills, buying homes, building up savings and taking out loans all involve transactions with banks. Businesses also rely on the banking system for settlement of their transactions and meeting other financial needs. Banks also interact among themselves in an international network to deliver financial services to their overseas as well as local customers. The links among banks and the fact that banking stability is essentially founded on public confidence mean that problems of one bank can easily spread to other banks and financial institutions. Any large disruption of banking operations will affect society as a whole. Banking stability is, therefore, crucial to minimising the extensive economic and social impact that may arise from problems in the industry.

The HKMA ensures general stability and effective working of the banking system through the regulation of banking and deposit-taking business and the supervision of AIs. The HKMA has responsibility to promote proper standards of conduct, encourage sound and prudent business practices, and to help prevent illegal, dishonourable or improper practices in the banking industry. The HKMA derives its regulatory powers from the Banking Ordinance.

Licensing requirements for banks

The HKMA has a general discretion under the Banking Ordinance to grant or refuse an application for authorization to operate a banking business or the business of taking deposits in Hong Kong. The HKMA is, however, obliged to refuse to authorize an applicant if any of the criteria specified in the Seventh Schedule to the Banking Ordinance is not fulfilled. The authorization criteria apply to institutions both at the time of, and after, authorization. The HKMA assesses whether these criteria are being complied with on a continuing basis, and failure to meet any of the criteria is a ground for revocation of authorization under the Eighth Schedule to the Ordinance.

All AIs (that is, licensed banks, restricted licence banks and deposit-taking companies) are subject to the same authorization criteria except that:

- the minimum capital requirement (including paid-up share capital and balance of share premium account) for licensed banks (HK\$300 million) is higher than that for restricted licence banks (HK\$100 million) and deposit-taking companies (HK\$25 million)
- only licensed banks are required to observe the minimum-size criteria (HK\$3 billion customer deposits and HK\$4 billion total assets).

Licensing requirements for banks

The other criteria specified in the Seventh Schedule to the Banking Ordinance cover the internationally accepted principles of a prudent licensing system, including:

- in the case of an applicant incorporated outside Hong Kong, whether the applicant is a bank adequately supervised in its home country
- whether the chief executive, directors, controllers and executive officers of the applicant are “fit and proper”
- the adequacy of the systems of control for appointment of senior executives, who are referred to as “managers” under the Banking Ordinance
- the financial soundness of the applicant, in respect of capital, liquidity and asset quality
- the adequacy of internal controls and accounting systems
- whether the business of the applicant is, and will continue to be, carried out with integrity, prudence and competence.

Applicants incorporated in Hong Kong are required to maintain a capital adequacy ratio of at least 8%. Branches of foreign banks are not subject to this requirement, since the primary responsibility for supervising capital adequacy rests with the home supervisor. In practice, however, the HKMA generally requires any foreign bank that wishes to establish a branch in Hong Kong to maintain a capital adequacy ratio of at least 8%.

Detailed guidelines on the interpretation and application of the authorization criteria can be found in Chapter 4 of the *Guide to Authorization* published on the HKMA website.

How the HKMA supervises banks

The HKMA adopts a “continuous supervision” policy to supervise banks, and its main objective is to detect and address a problem at an early stage. This involves monitoring the businesses of the AIs through a variety of techniques, including

- on-site examinations
- off-site reviews
- prudential meetings
- meetings with the board of directors
- co-operation with external auditors
- sharing information with other supervisors.

Focusing on the management of risks

Every business carries inherent risks, and banking business is no exception. Sound risk management is essential to maintain stability in individual institutions and the system as a whole. The HKMA adopts a risk-based approach to banking supervision to ensure that AIs have the necessary risk management systems to identify, measure, monitor and control risks inherent in their business operations, and address any problem at an early stage. The HKMA has identified eight major types of inherent risk:

- credit risk
- interest rate risk
- market risk
- liquidity risk
- operational risk
- legal risk
- reputation risk
- strategic risk.

How the HKMA supervises banks

The risk profile of an AI is determined by balancing the level of its inherent risks with the quality of its risk management systems. A risk management rating is assigned and factored into a CAMEL rating. CAMEL is an internationally recognised framework for assessing **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings and **L**iquidity. The output of the CAMEL system is a supervisory rating expressed through the use of a numerical scale to reflect the HKMA's view of the overall safety and soundness of the institution.

The HKMA uses a supervisory review process to feed the risk profile of locally incorporated AIs into the CAMEL rating system. This review process is an integral part of the Basel II capital framework introduced into Hong Kong in 2007.¹ It is designed to ensure that banks have adequate capital to support the risks inherent in their business, and to encourage banks to develop and use better risk management techniques to monitor and manage these risks. The end-product of the supervisory review process is a minimum capital adequacy ratio that each locally incorporated AI must maintain.

Financial crises over the years have highlighted the importance of sound risk management systems. The HKMA issues guidance to AIs through its *Supervisory Policy Manual*, setting out the best practice in risk management it expects the AIs to follow and elaborating on its supervisory approach to monitoring compliance.² In addition to covering the eight types of inherent risk mentioned above, the *Supervisory Policy Manual* includes modules on corporate governance, internal controls and other issues such as technology risk management, electronic banking, securities and leveraged foreign exchange business, and the prevention of money laundering.

¹ Basel II is an international framework for the capital adequacy of banks promulgated by the Basel Committee on Banking Supervision comprising three mutually reinforcing "pillars": minimum capital calculation for credit, market and operational risks, supervisory review process and disclosure.

² The HKMA publishes its *Supervisory Policy Manual* and other guidelines or guidance notes on its website.

On-site examinations

A key supervisory tool for effective supervision of AIs is on-site examination conducted by the HKMA's own examination teams. All AIs are subject to examination irrespective of their place of incorporation. Overseas branches and subsidiaries of locally incorporated AIs may also be covered. On-site examinations enable the HKMA to obtain first-hand knowledge of how an institution is managed and controlled, which is particularly useful for assessing the adequacy of its risk management systems and internal controls. The frequency of on-site examinations usually ranges from one to three years, depending on an AI's overall CAMEL rating.

An examination may be either a general risk-based examination or a targeted examination. The former covers the full range of an AI's operations, while the latter focuses on specific areas of concern that the HKMA has identified during its off-site supervision. Specialised examinations of AIs' specific business areas, such as securities, insurance and Mandatory Provident Fund related businesses are conducted to ensure that they comply with the laws, regulations and codes of conduct and are adequately managed.

On completion of an on-site examination, the HKMA will issue a formal report to the AI and will monitor the implementation of any corrective action it recommends.

Off-site reviews

To ensure continuous supervision, on-site examinations are supplemented by off-site surveillance of the financial conditions of AIs and the quality of their management and systems for controlling exposures and limiting risks. Off-site surveillance includes regular analyses of statistical returns and annual comprehensive reviews of the performance and financial positions of AIs.

Prudential meetings

The annual off-site review of an AI is usually followed by a prudential meeting with its senior management to enable the HKMA to understand how the AI's management controls its operations, views its business situation and prospects, and to clarify specific issues and discuss prudential concerns with the management. If an AI belongs to a banking group, prudential meetings can be held at the group level or with individual subsidiaries of the group. The HKMA may also hold discussions with an AI's overseas head office.

To promote good corporate governance, HKMA representatives also meet the board of directors (or the audit committee) of each local bank every year to give an assessment of the bank's performance and the quality of its risk management and internal controls, and raise any issues requiring attention.

External audit

External auditors play an important role in the supervisory process. The HKMA's relationship with an AI's external auditors takes several forms:

- auditors are required under the Banking Ordinance to certify, usually once a year, that an AI's banking returns have been compiled correctly
- auditors are required, usually once a year, to report on the following areas:
 - controls relating to the compilation of prudential returns
 - controls for ensuring compliance with provisions in the Banking Ordinance, and
 - controls for ensuring the maintenance of adequate provisions for AIs incorporated in Hong Kong

- auditors may be commissioned to review certain internal control systems of an AI on an ad hoc basis
- annual tripartite discussions among the HKMA, an AI and its auditors to discuss issues identified during the annual audit
- the HKMA receives a copy of the auditors' management letter to an AI and may discuss any cause for prudential concern with the AI and, if necessary, its auditors.

Information exchange with other supervisors

The HKMA maintains regular contacts with other local and overseas supervisors to exchange views on matters relating to AIs. Sharing information with other supervisors is important, given the significance of financial conglomerates with an international presence and the links among different financial institutions. The HKMA has the legal authority under the Banking Ordinance to disclose information to supervisors outside Hong Kong to help them exercise their functions, subject to the condition that the supervisors have adequate secrecy provisions to safeguard confidentiality. The HKMA may also disclose information to other supervisors, such as the Securities and Futures Commission, the Office of the Commissioner of Insurance and the Mandatory Provident Fund Schemes Authority under similar circumstances.

Power to collect information

The HKMA has the authority to collect prudential data from AIs. This power extends to any holding company, subsidiary or sister company of an AI. Regular statutory returns submitted by AIs cover information about their assets and liabilities, profit and loss, capital adequacy, liquidity, large exposures, loan classification, foreign exchange positions, interest rate risk, market risk and their activities relating to securities, insurance and Mandatory Provident Fund businesses. The HKMA may also require AIs to submit internal management information, such as financial reports, debt reports, internal policy statements on particular areas of operation and information about their subsidiaries.

Consolidated supervision

The HKMA has powers to prevent the forming of affiliations or corporate structures that are considered to be undesirable for an AI. Locally incorporated AIs planning to establish overseas branches, subsidiaries and representative offices must seek prior approval of the HKMA. In determining whether to grant an approval, the HKMA takes into account the institution's business plan, the financial implications and the institution's ability to manage and exercise adequate controls over the operation. The economic and political situations of the country in which the AI proposes to set up its overseas operation will also be considered, together with the country's banking secrecy, data privacy rules and its methods of supervising financial institutions.

Capital adequacy, concentration of exposures and liquidity of AIs incorporated in Hong Kong are supervised on a consolidated basis to enable the HKMA to assess any weaknesses within a banking or financial group that may have an impact on the AI itself, and to take defensive or remedial actions when necessary.

When supervising banking groups, the HKMA takes a flexible approach to determining the scope of consolidated supervision. As a general rule, the group's local and overseas offices and financial subsidiaries are covered. Non-bank companies are included in the consolidation if they undertake "financial" business, such as hire purchase, credit cards or leasing. Where non-bank subsidiaries (for example, securities firms or insurance companies) are adequately supervised by other supervisors, the HKMA will rely heavily on their co-operation to ensure effective overall supervision of the banking group.

Supervision of AIs' securities business

Under the present regulatory framework, the Securities and Futures Commission (SFC), which is the "lead regulator" for the securities industry, sets out the principles and regulatory requirements for all intermediaries to follow. An AI wishing to engage in securities intermediary activities must register with the SFC. When an AI applies to be registered, the HKMA will advise the SFC whether the AI is fit and proper for this purpose. Being the "frontline regulator" of AIs' securities business, the HKMA is responsible for supervising the securities business conducted by the AIs, and where necessary, issuing circulars to AIs to supplement the SFC's regulatory requirements on the basis of the HKMA's supervisory experience and the nature of operations of the AIs.

An AI must appoint, subject to the HKMA's consent, at least two "executive officers" to supervise its regulated securities activities. The HKMA will only give its consent if it is satisfied that the applicants are fit and proper and have sufficient authority within the AI to perform their roles. The HKMA maintains a public register of the "relevant individuals" (including the sales staff) through whom AIs conduct their regulated securities activities. AIs must ensure that their "relevant individuals" meet the requisite levels of competence, qualifications and fitness and properness stipulated in the *Fit and Proper Guidelines* and the *Guidelines on Competence* issued by the SFC.

To facilitate co-operation on supervising AIs' securities business, the HKMA and the SFC have entered into a Memorandum of Understanding setting out their roles and responsibilities.

Deposit protection

Depositors in Hong Kong are protected by the Deposit Protection Scheme and, up to the end of 2010, a guarantee provided by the Hong Kong Special Administrative Region Government's Exchange Fund.

The Scheme was established by the Hong Kong Deposit Protection Board on 25 September 2006 in accordance with the Deposit Protection Scheme Ordinance to provide compensation to depositors when a bank fails. The objectives of the Scheme are to provide a measure of protection to depositors and to contribute to the stability of the banking system.

Details of the Deposit Protection Scheme can be found on the website of the Deposit Protection Board.

Complaints against banks

A customer who wants to complain against a bank should try to resolve the disagreement with the bank first to give it the chance to put things right at an early stage. If the customer is still not satisfied, a written complaint may be filed with the HKMA.

The HKMA expects banks to deal with customer complaints in a thorough and prompt manner and has issued a guideline requiring banks to have effective procedures to handle them. But the HKMA does not have the power to decide whether the complaint is justified or to order a bank to pay compensation.

More details can be found in the HKMA's leaflet "What to do if you have a complaint about banking products or services" published on the HKMA website.

Conclusion

Banks operate in a constantly changing environment. Because of the increasing globalisation of financial markets, financial product innovation and technological development, banks need to constantly review and update the means by which they identify and manage risks. The HKMA supports and underpins effective risk management as it continues to develop Hong Kong's supervisory framework in pursuit of its mandate: to help safeguard the interests of depositors and promote the general stability and effective working of the banking system.

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