

Promoting Banking Safety

The principal function of the HKMA as banking supervisor is to promote the general stability and effective working of the banking system in Hong Kong. The HKMA seeks to ensure that banks and deposit-taking companies in Hong Kong operate in an effective, responsible, honest and business-like manner to provide a measure of protection to depositors. The HKMA derives its powers as banking supervisor from the Banking Ordinance.

THE THREE TIERS OF BANKING IN HONG KONG

Hong Kong's banks are divided into three tiers of authorized institutions (AIs). The main distinctions lie in the deposit business each tier of institution is allowed to conduct under the Banking Ordinance.

The HKMA is the licensing authority for AIs under the Banking Ordinance. The HKMA's supervisory approach is based on a policy of continuous supervision. This involves ongoing monitoring of AIs through the use of a variety of techniques, including on-site examinations, off-site reviews, prudential meetings, meetings with boards of directors or board-level committees, co-operation with external auditors, and sharing of information with other supervisors. The aim is to try to ensure that any problems affecting AIs are detected and addressed at an early stage.

The HKMA uses a risk-based supervisory approach to ensure that AIs have the necessary risk management systems to identify, measure, monitor and control the risks inherent in their operations. This enables the HKMA to be more proactive in pre-empting any serious threat to the stability of the banking system.

 > Banking Stability

Three tiers of authorized institutions	Deposit business permitted
Licensed banks	<ul style="list-style-type: none"> • Current accounts, savings deposits and time deposits of any size and maturity
Restricted licence banks	<ul style="list-style-type: none"> • Time deposits of HK\$500,000 or more for any maturity • Savings and current accounts are not permitted
Deposit-taking companies	<ul style="list-style-type: none"> • Time deposits of HK\$100,000 or more for at least three months • Savings and current accounts are not permitted