Our Ref: B9/29C

21 April 1998

The Chief Executive
All authorized institutions

Dear Sir / Madam,

Basle Committee on Banking Supervision's Paper on
"Risk Management for Electronic Banking and Electronic Money Activities"

You will recall that in July 1997, I wrote to you setting out the initial views of the HKMA on electronic banking and the issues which the HKMA would like to discuss with institutions which are planning to provide such services, in particular through the internet.

The Basle Committee on Banking Supervision has recently drawn up a paper to provide banks and supervisors with guidance on risk management for electronic banking (mainly retail and small value electronic banking products and services) and electronic money activities. The paper is designed to be used both by banks in managing their electronic banking and electronic money activities and by supervisors in assessing whether banks are managing their risks in a prudent manner.

The paper is a good reference for authorized institutions and I enclose herewith a copy of the paper for your reference. Authorized institutions should take into account the risk management issues and measures mentioned in the paper before offering electronic banking and electronic money products and services.

Yours faithfully,

(D T R Carse)
Deputy Chief Executive