

Our Ref: B1/20C

19 May 2000

The Chief Executive
All locally incorporated authorized institutions

Dear Sir/Madam,

**Corporate Governance of
Locally Incorporated Authorized Institutions**

I write to inform you that, following consultation with the banking industry, the Hong Kong Monetary Authority (“HKMA”) has issued by notice in the Gazette today under section 7(3) of the Banking Ordinance (“Ordinance”) the Guideline on Corporate Governance of Locally Incorporated Authorized Institutions (“Guideline”). A copy of the Guideline is attached for your ease of reference. In finalising the Guideline, we have taken into account comments received from the industry Associations and the Advisory Committees, and have made a number of changes to the draft guidelines to address these comments. The views of the Hong Kong Institute of Directors have also been sought during the consultation process.

The Guideline, which supersedes the best practice guide issued by the HKMA in 1991 on the duties and responsibilities of directors of authorized institutions, will take immediate effect. It is applicable to all authorized institutions which are incorporated in Hong Kong. The HKMA expects all locally incorporated authorized institutions to review their current practices and make every effort to

adopt the minimum standards stipulated in the Guideline. The HKMA will monitor institutions' compliance with the Guideline through regular off-site reviews and on-site examinations. For this purpose, institutions are required to submit relevant information to the HKMA in accordance with the schedule set out at the List of Information Requirements attached.

This letter and the Guideline are also available in the HKMA's private website for authorized institutions (www.hkfin.net). Should you have any questions in relation to the Guideline, please feel free to contact Ms Rita Yeung on 2878 1388 or Mr D H Fung on 2878 1545.

Yours faithfully,

D T R Carse
Deputy Chief Executive

Encl.

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The Deposit-taking Companies Association
The President, The Hong Kong Society of Accountants
The Chief Executive Officer, The Hong Kong Institute of Directors
Secretary for Financial Services (Attn: Miss Clara Tang)
The Chairman, The Securities and Futures Commission of Hong Kong