

Our Ref. : B9/29C

6 July 2000

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

**Guidance Note on Management of Security Risks
in Electronic Banking Services**

I enclose a copy of the captioned Guidance Note which the Hong Kong Monetary Authority (“HKMA”) has developed for your reference.

The main purpose of this Guidance Note is to provide senior management of authorized institutions (“AIs”) with recommendations on the key principles and sound practices in managing the security risks in transactional electronic banking (“e-banking”) services delivered through the internet and/or wireless communication networks (e.g. mobile phones). It should be stressed that, given the rapid pace of technological development, the Guidance Note is not intended to lay down mandatory requirements or minimum standards, but to assist AIs in implementing appropriate measures to manage the security risks in transactional e-banking services. The recommendations in this Guidance Note are therefore advisory in nature and therefore have a different status from those contained in formal guidelines issued under the Banking Ordinance.

In developing this Guidance Note, the HKMA has consulted the two industry Advisory Committees as well as the Study Group on Electronic Banking. The latter is an informal group established by the HKMA to advise it on the latest technological and industry trends on e-banking developments. It comprises representatives of banks, practitioners in IT, telecommunications and the internet service industry.

It should be noted that while this Guidance Note is intended mainly for internet-based or mobile e-banking services, many of the principles and recommended sound practices regarding proper security risk management would also be applicable to AIs' information websites, online stock trading, or e-banking services delivered through other electronic channels.

Should you have any questions relating to the Guidance Note, please contact Mr Brian Lee at 2878 1651 or Mr Raymond Suen at 2878 1817.

Yours faithfully,

(D T R Carse)
Deputy Chief Executive

Encl

cc: Chairman, The Hong Kong Association of Banks
Chairman, The DTC Association
Chairman, Securities and Futures Commission