HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

12 Dec 2007

Supervisory Policy Manual (SPM) SR-1 : Strategic Risk Management

Our Ref.: B1/21C
B1/15C

12 December 2007

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Supervisory Policy Manual (SPM)
SR-1 : Strategic Risk Management

I am writing to inform you that, following consultation with the two industry Associations, the Monetary Authority is issuing the above SPM module as a guidance note today.

The purpose of the module is to provide AIs with a better understanding of the HKMA's supervisory approach to strategic risk and with more comprehensive guidance on how such risk should be managed. The module is also designed to draw AIs' attention to the importance of strategic risk management, especially in view of the constantly changing environment in which they operate, and promote their adoption of a more formalised and structured approach to managing strategic risk.

AIs are expected to develop their strategic risk management framework consistent with the guidance laid down in the module, and ensure that their framework is commensurate with the nature, size and complexity of their business and is appropriate for their individual circumstances and needs. AIs will not be precluded from adopting alternative approaches if they can satisfy the HKMA that such approaches fulfil similar risk management purposes.

Recognising that enhancing strategic risk management is an ongoing process, the HKMA will not require existing AIs to meet all recommended risk management practices immediately after the module is issued. However, they are expected to identify areas where such practices should be applied to their strategic risk management framework, and make steady progress towards applying them within a reasonable timeframe. The HKMA will monitor their progress in enhancing such framework and take into account the progress achieved in determining its supervisory priorities.

It is recognised that the content of AIs' strategic plans is very sensitive. AIs can be assured that the HKMA has appropriate procedures in place to safeguard the confidentiality of such information.

On-line access to the module is available under the icon of "Supervisory Policy Manual" in the HKMA's public (http://www.info.gov.hk/hkma) and private (http://www.stet.finnet.hk) websites.

Should you have any questions relating to the module, please feel free to contact Ms Rita Yeung at 2878-1388 or Ms Polly Yan at 2878-1528.

Yours faithfully,

Simon Topping
Executive Director (Banking Policy)

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Ms Angelina Kwan)

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