HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C
B1/21C
B9/29C

2 September 2015

The Chief Executive
All authorized institutions

Dear Sir / Madam,

Supervisory Policy Manual ("SPM")
Revised Module TM-E-1: "Risk Management of E-banking"

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

The revised module consolidates and updates all relevant guidance issued by the HKMA in the past in relation to electronic banking (e-banking) services offered by authorized institutions (AIs). The revised module sets out the sound risk management principles and practices applicable to AIs' e-banking services, including areas involving strengthened controls. In the light of technological advancement and industry development, the HKMA considers it also appropriate to allow more flexibility for AIs to offer e-banking services. These include, among others:

(i) The option for customers to effect small-value funds transfers to third-party payees through Internet banking, without the need of using 2-factor authentication to re-authenticate the customer's identity. Such funds transfers should be subject to the transaction limit(s) determined by the customer and bounded by prudent cap(s) established by AIs. At this stage, AIs' prudent cap(s) should not exceed the aggregate rolling total value of HK$3,000 over 2 days per Internet banking account; and

(ii) The ability of customers to use mobile devices (such as smartphones or tablet computers) to conduct a wide range of transactions including funds transfers to unregistered third-party payees and the above mentioned small-value funds transfers. AIs should take adequate security measures to address the risks specific to the mobile channel.

As in the case of other services, it is the primary responsibility of AIs to ensure that the risks posed by e-banking are properly managed and to educate and protect their customers. To this end, AIs should complete by the end of 2015 an assessment to identify any material gaps of their existing risk management controls (including customer protection and education programme) against the revised module and any other relevant guidance. On the basis of the assessment, AIs should establish action plans to implement appropriate measures promptly to strengthen their risk management controls whenever necessary. As regards new or enhanced e-banking services, AIs should ensure that the risk management controls of the new service or enhancement concerned are in line with the revised module and any other relevant guidance before its launch.

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

Should you have any questions regarding this revised module, please feel free to contact Mr George Chou on 2878-1599 or Mr Tsz-Wai Chiu on 2878-1389.

Yours faithfully,

Henry Cheng
Executive Director (Banking Supervision)

Encl.

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn. Mr Jackie Liu)