Our Ref.:   B1/1C
              B1/15C

6 November 2012

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Enhanced Exception Reporting for the Code of Banking Practice

The HKMA introduced the exception reporting requirement for the Code of Banking Practice ("the Code") in January 2010, requiring authorized institutions ("AIs") to notify the HKMA of any breaches of any provisions within Chapters 1 and 2 of the Code.   This arrangement has facilitated the HKMA to monitor the rectification actions of the AIs concerned and ensure proper measures are put in place to strengthen their compliance with the Code.

The HKMA considers it appropriate to expand the exception reporting requirement to further enhance the HKMA's monitoring of AIs' compliance with the Code.   With immediate effect, all chapters of the Code will be subject to the exception reporting requirement.   AIs should notify the HKMA of any breaches of any provisions of the Code as soon as practicable.   AIs should adopt the standard reporting format and follow the submission instructions in Annex when making an exception report.

If you have any questions on this letter, please feel free to contact Ms Yvonne Chan on 2878-1452 or Ms Joey Chan on 2878-1216.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl

c.c.   The Chairman,   The Hong Kong Association of Banks
       The Chairman,   The DTC Association
       The Chairman, Code of Banking Practice Committee   (Attn: Ms Ronie Mak)
       Secretary for Financial Services and the Treasury (Attn: Ms Thebe Ng)

Standard reporting format for exception report:

Code of Banking Practice – Exception Report

- Name of AI:
- Date of report:
- Date of identification of incident of non-compliance:
- Provision not complied with:
- How breach was identified (e.g. by customer complaint or internal compliance unit):
- Brief description of circumstances of non-compliance:
- Approximate number of customers affected:
- Rectification action or plan (including timetable):
- Name, title and contact details of the person whom the HKMA may contact in relation to this exception report:

Submission instructions for exception report:

- Send a softcopy of the exception report to the HKMA
- Attach the file to an email via the STET system and send it to: bcd_caseteam@hkma.finnet.hk