MISSION

To promote the soundness of banks through the effective application of international regulatory and supervisory standards

PHILOSOPHY

Market principles and risk-management assessment underlie all activities and decisions, and we strive to project an image of professionalism, integrity, credibility and impartiality at all times. We subscribe to a service-oriented approach, which entails accessibility and integrity, and we place a high premium on ethical behaviour at all levels of activity. A relationship of mutual trust between this Department and all other key players is regarded as essential and is built up through regular open communication.

NEED TO STRENGTHEN CORPORATE GOVERNANCE IN BANKS

In recent months, a number of highly publicised failures of corporate entities, locally and abroad, have been ascribed mainly to a failure of their corporate-governance arrangements - the names Enron, Allied Irish Bank and, locally, Regal Bank spring to mind. Banking supervisors, as well as bankers, would therefore do well to note the following comments:

"... improving corporate governance is an important way to promote financial stability. The effectiveness of a bank's internal governance arrangements has a very substantial effect on the ability of a bank to identify, monitor and control its risks. Although banking crises are caused by many factors, some of which are beyond the control of bank management, almost every bank failure is at least partially the result of poor risk management within the bank itself. And poor risk management is ultimately a failure of internal governance.

Although banking supervision and the regulation of banks' risk positions can go some way towards countering the effects of poor governance, supervision by some external official agency is not a substitute for sound corporate governance practices. Ultimately, banking system risks are most likely to be reduced to acceptable levels by fostering sound risk management practices within individual banks. Instilling sound corporate governance practices within banks is a crucial element of achieving this." Promoting financial stability: the New Zealand approach - Address by Dr Donald T Brash, Governor of the Reserve Bank of New Zealand, to the Conference for Commonwealth Central Banks on Corporate Governance for the Banking Sector, London, 6 June 2001.

"Corporate governance is of course not just important for banks. It is something that needs to be addressed in relation to all companies ... I do however believe that sound corporate governance is particularly important for banks. The rapid changes brought about by globalization, deregulation and technological advances are increasing the risks in banking systems. Moreover, unlike other companies, most of the funds used by banks to conduct their business belong to their creditors, in particular to their depositors. Linked to this is the fact that the failure of a bank affects not only its own stakeholders, but may have a systemic impact on the stability of other banks. All the more reason therefore to try to ensure that banks are properly managed." The importance of corporate governance in banks – Speech by Mr David Carse, Deputy Chief Executive of the Hong Kong Monetary Authority, at the Year 2000 Millenium Dinner of The Association of International Accountants – Hong Kong Branch, Hong Kong Bankers Club, Hong Kong, on 17 March 2000.