



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Basel Committee Report Outlines Risk Management Principles for Electronic Banking

WASHINGTON -- The Electronic Banking Group of the Basel Committee on Banking Supervision, chaired by Comptroller of the Currency John D. Hawke, Jr., set forth fourteen risk management principles on electronic banking for financial institutions in a report issued today.

“Our goal is to alert financial institutions and their supervisors to the nature of risks in electronic banking,” said Comptroller Hawke. “We expect bankers will put these principles to use as they develop their own customized approaches to risk mitigation.”

The Electronic Banking Group’s risk management principles address three broad risk categories: board and management oversight, security controls and legal and reputation risk management. Of primary importance is the principle on effective management oversight of electronic banking activities.

“After all is said and done, management recognition of the risks inherent in e-banking and the need for an integrated risk management system are fundamental if the specific risks that are addressed in the other 13 principles are to be properly controlled,” said Comptroller Hawke.

At the same time, the report acknowledges that the risk profile for each institution is different and depends on the scale of electronic banking activities, the significance of risks undertaken and other factors.

Today’s guidance follows a report by the Electronic Banking Group in October 2000 on electronic banking risk management and supervisory issues. The Group is also preparing a report that will address principles for cross-border cooperation among bank supervisors on electronic banking.

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The Electronic Banking Group formed in November 1999 seeks a cooperative approach to the supervision of electronic banking by international bank supervisors to avoid conflicting regulation among different countries and supervisors. The goal is to promote the development of a cooperative supervisory framework for electronic banking activities. The group consists of bank supervisors from the Group of 10 (G-10) leading economies as well as observers from Hong Kong, Australia and Singapore.

Today's report is available at www.occ.treas.gov.

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