



香港存款保障委員會
HONG KONG DEPOSIT
PROTECTION BOARD

Enhancements to the Deposit Protection Scheme

Daryl Ho
Chief Executive Officer
Hong Kong Deposit Protection Board
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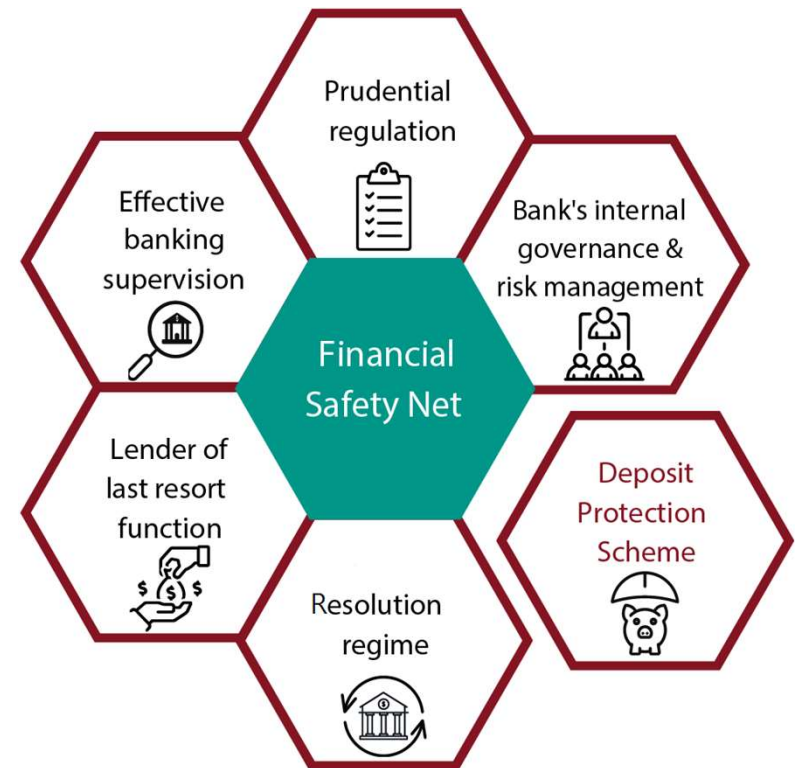
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Hong Kong's Financial Safety Net

- Deposit protection is a core part of the financial safety net that maintains financial stability
- Recent banking events in the West had a **limited impact** on Hong Kong – banking system remains stable with a high level of capital and liquidity buffers
- Since the launch of the DPS in 2006, Hong Kong **has not experienced any bank failure**





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Regular Review of DPS

- Objectives:
 - Ensure DPS remains effective in maintaining banking stability
 - Keep up with international best practice
- This review was initiated in 2021, not prompted by recent banking events in the West
- Outcome:
 - DPS is substantially in compliance with international standards
 - There is room for enhancing certain aspects



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Key Proposed Enhancements to DPS

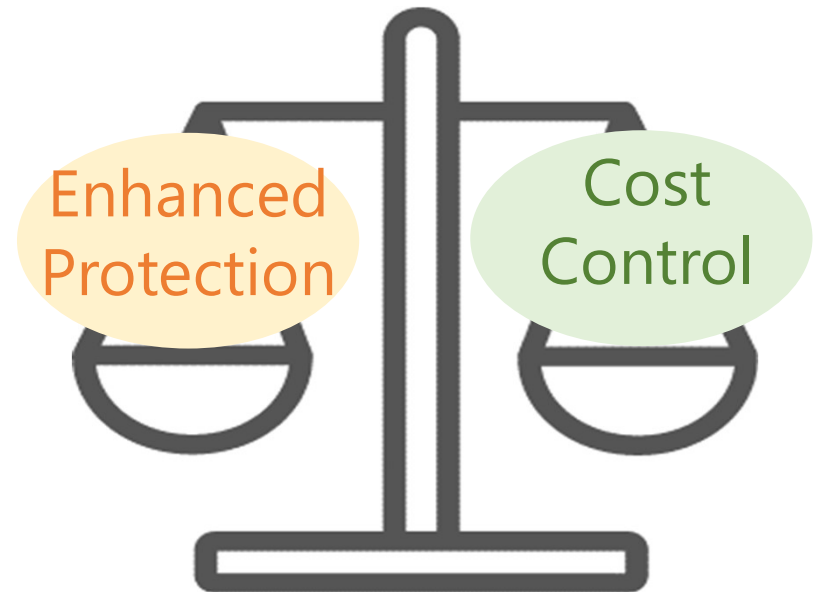
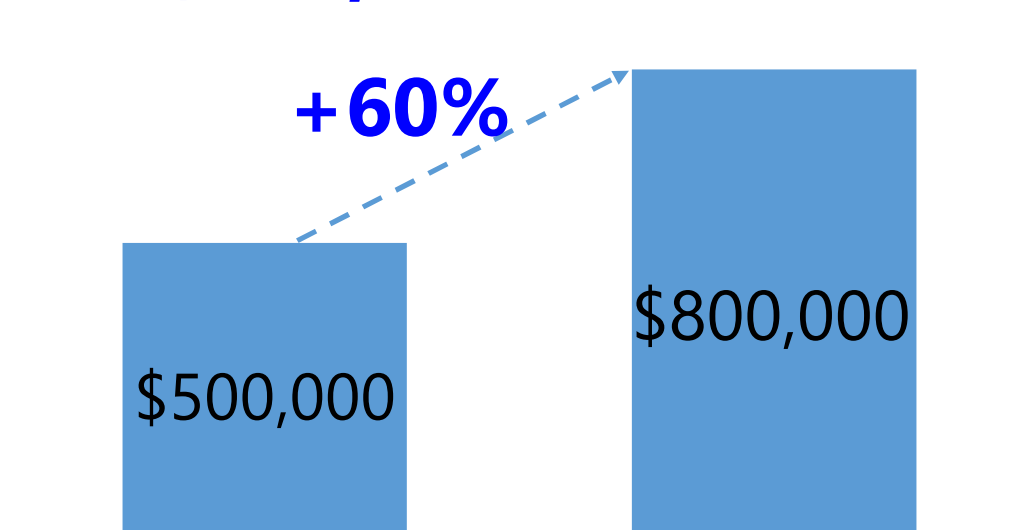
- (1) **Protection limit** — increase to HK\$800,000 from the current HK\$500,000
- (2) **Levy system** — technical amendment to ensure DPS target fund size can be reached within a reasonable timeframe
- (3) **Deposit protection arrangements in the event of a bank merger** — provide enhanced protection for 6 months
- (4) **Representation regime** — (i) display DPS membership sign on digital channel; (ii) streamline negative disclosure requirements for private banking customers



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Proposal 1: Protection Limit

- Protection limit per depositor per bank: propose to be raised to **HK\$800,000**





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Protection Limit at HK\$800,000

- Not only keep up with cumulative inflation, but **real value of protection limit will also increase by 21%**

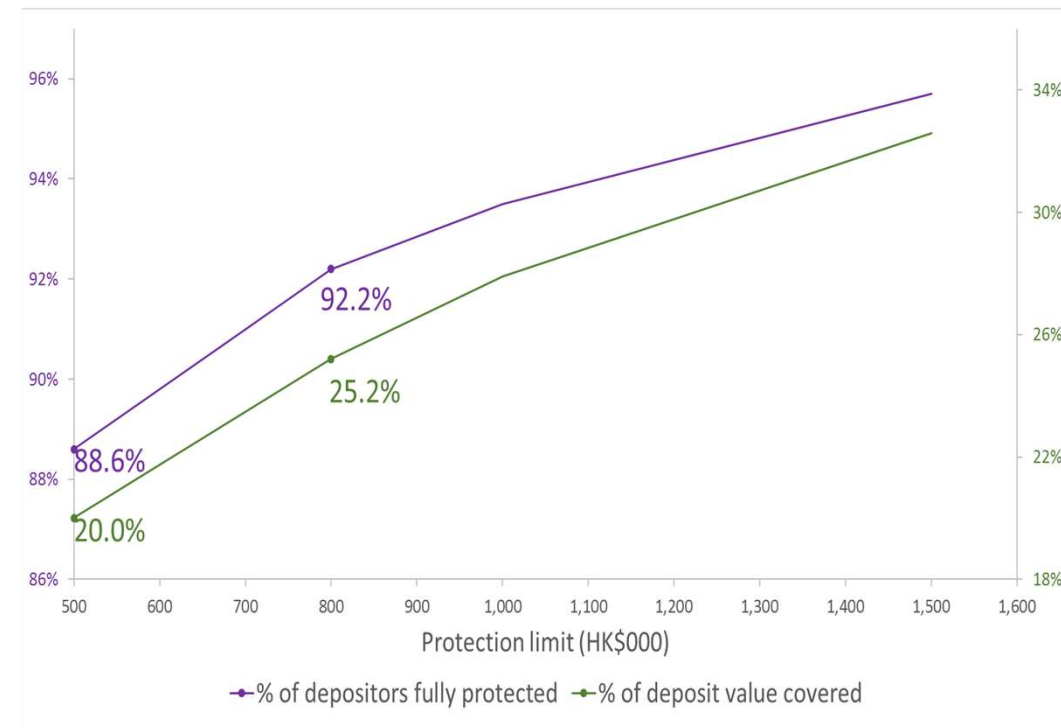
	% increase
Increase in nominal value of protection limit	+60%
Cumulative inflation since January 2011	39%
Increase in real value of protection limit	+21%



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Protection Limit at HK\$800,000

- More depositors fully covered
- Coverage ratio by depositor will increase from 88.6% to **92.2%** (above the international guidance of at least 90%)





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Protection Limit at HK\$800,000

- Protection limit as a percentage of per capita GDP will increase from the current 129% to **206%**
- In the middle of the range as compared to other major economies

Jurisdiction	Protection limit		Protection limit as a percentage of per capita GDP
	In local currency	In USD*	
Mainland China	RMB500,000	72,240	575%
Malaysia	MYR250,000	56,767	511%
United States	USD250,000	250,000	356%
United Kingdom	GBP85,000	102,853	221%
Germany	EUR100,000	107,044	209%
Hong Kong	HKD800,000 (proposed)	102,459	206% (ranked 6 th)
Japan	JPY10 mn	76,268	194%
Denmark	EUR100,000	107,044	157%
Canada	CAD100,000	73,815	142%
Hong Kong	HKD500,000 (current)	64,037	129% (ranked 9 th)
South Korea	KRW50 mn	39,632	113%
Ireland	EUR100,000	107,044	107%
Singapore	SGD75,000	55,947	77%

*The protection limits in USD terms are calculated based on exchange rates as at end-2022.



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Protection Limit at HK\$800,000

- Due to larger protected deposits, annual contributions by the industry will increase by **26%** on average
- Assuming the new protection limit will take effect at the beginning of 2025, time required to reach the **new target fund size** (HK\$6.3 bn → **HK\$8.2 bn**) will be **3 years** (i.e. 2027)

Protection Limit (in HK\$)	500,000 (Current)	800,000
Estimated protected deposits (in HK\$ bn)	2,609	3,298
Estimated annual contribution (in HK\$ mn)	581	734
Increase in annual contribution vs status quo		+26%
No. of years needed to reach the new target fund size (counting from the beginning of 2025) *		~3 years

* The underlying assumption is that the new protection limit will take effect at the beginning of 2025 and Scheme members will continue to pay annual contributions based on the existing build-up levy rates. The actual time needed to reach the new target fund size would also depend on the actual rates of deposit growth.



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Proposal 2: Levy System

- The industry will start paying expected loss levy in 2024 (only ~40% of build-up levy rates)
- To cater for a higher protection limit, [propose](#) to make a technical amendment so that the [build-up levy](#) can be charged again, with no change in build-up levy rates
- Ensure new target fund size can be reached within a reasonable timeframe

Supervisory rating assigned by the HKMA	Build-up levy	Expected loss levy
	(as % of protected deposits of individual banks)	
1	0.0175%	0.0075%
2	0.028%	0.01%
3	0.0385%	0.015%
4 or 5	0.049%	0.02%



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Proposal 3: Deposit Protection Arrangements in the event of a Bank Merger

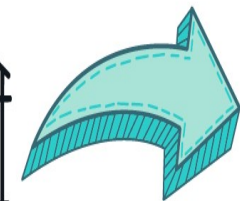
- Current: Maximum protection limit per depositor per bank (including merged bank) is the standard protection limit (assume HK\$800,000 in the example)
- Proposal: If a depositor has deposits with more than one of the merging banks, he/she will be entitled to compensation up to the maximum limit of HK\$800,000 at each bank (a total of HK\$1.6 mn in the example), as if the merger had not occurred, for a period of 6 months upon a bank merger



Max. HK\$800,000
protection limit



Max. HK\$800,000
protection limit



Max. **HK\$1,600,000**
protection limit



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Proposal 4: Representation Regime (DPS membership sign)

- Current: A bank must display the DPS membership sign at its place of business (e.g. physical branch entrance) in a manner clearly visible to customers
- Proposal: A bank will also need to display the DPS membership sign on digital channel (e.g. website, mobile app)



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[計劃成員名稱]是存款保障計劃的成員。本銀行接受的合資格存款受存款保障計劃保障，最高保障額為每名存款人HK\$500,000。

[Name of the Scheme member] is a member of the Deposit Protection Scheme. Eligible deposits taken by this Bank are protected by the Scheme up to a limit of HK\$500,000 per depositor.



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Proposal 4: Representation Regime (Negative Disclosure Requirements for Private Banking Customers)

- Current: A bank is required to make a negative disclosure and obtain acknowledgement from the customer before completing each non-protected deposit transaction
- Proposal: A bank can make a **one-off negative disclosure** and obtain acknowledgement from a private banking customer
- Same treatment as institutional customers
- No change in treatment of retail customers





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Consultation Arrangements

- Consultation period will last for **3 months until 12 October 2023**
- Consultation paper is available at the **DPB's website** (www.dps.org.hk)
- Members of the public and interested parties are welcome to submit views and comments via **mail, email or fax**

