

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

Our Ref.: D1/1C

18 October 2010

The Chief Executive  
All Scheme Members

Dear Sir/Madam,

**Amendments to the Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules**

Further to our circular of 27 August 2010, we are writing to bring to your attention that the amendments to the Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (the Rules) were published in the Gazette on 15 October 2010 and will be tabled before the Legislative Council for negative vetting on 20 October.

The amendments to the Rules seek to implement the enhancements to the disclosures made by Scheme members to customers on the protection status of their financial products as concluded in the review of the Deposit Protection Scheme (DPS) in 2009. The major enhancements to the representation requirements include requiring Scheme members to give notifications to customers on non-protected deposits on a transaction basis, to make positive disclosures in respect of deposits qualified for protection by the DPS, to restrict the use of the term “structured deposit” and to respond to customers’ enquiries on the protection status of their financial products in specified manners and within specified timeframe. The Hong Kong Deposit Protection Board has consulted the Hong Kong Association of Banks on the detailed rules for implementing the enhancements and has taken on board the Association’s comments, where appropriate.

Save for some minor drafting changes, a copy of the amended Rules has been provided to Scheme members in our circular dated 27 August 2010 to enable Scheme members to make the necessary preparations for achieving compliance with the amended requirements. All the amendments, except the restriction on the use of the term “structured deposit”, will take effect on 1 January 2011 to coincide with the commencement of the enhancements to the DPS (including the improvements to the level and scope of deposit protection) on the same date. The restriction on the use of the term “structured deposit” will take effect on 1 July 2011 to allow sufficient time for Scheme members to make relevant changes to their product names.

/.....2

Scheme members should aim at becoming substantially ready for compliance with the amended Rules by the end of November 2010 and to achieve full compliance by 1 January 2011. To facilitate the Board to monitor the progress of Scheme members' compliance, Scheme members are required to complete and submit the attached survey to the Board on or before 19 November 2010.

If you have any questions about the amended Rules or the survey, please do not hesitate to call the Board's hotline for the Rules at 2111 6731 or 2111 6730.

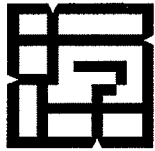
Yours faithfully,

---

Meena Datwani  
Chief Executive Officer

Encl.

c.c. Hong Kong Association of Banks



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

Our Ref.: D1/1C

19 November 2010

The Chief Executive  
All Scheme Members

Dear Sir/Madam,

**Amendments to the Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (the “Rules”)**

Further to our circular of 18 October 2010, I am writing to inform you that the negative vetting of the Rules by the Legislative Council (“LegCo”) was completed on 17 November 2010.

To address their concerns about the length of the time specified in the Rules for Scheme members to respond to depositors’ requests for information as to whether or not their deposits are protected, LegCo has introduced amendments to the Rules to shorten the time required by Scheme members to respond to such a request orally to within 3 business days from the original 5 business days, and in the case of a written reply to within 7 business days instead of 10 business days as originally specified. The amendments have been incorporated into section 7A of the Rules and a copy of the final Rules is attached for your reference.

LegCo also expressed concerns that depositors might not be aware of the protection status of their deposits if they miss the message contained in a negative disclosure made by telephone or where an automatic rollover of non-protected financial product is involved. To address these concerns, Scheme members will be required in such circumstances to issue a written negative disclosure, shortly before or within 7 days after the transaction has taken place. This additional requirement has been incorporated into the guidance note that the Hong Kong Deposit Protection Board (“the Board”) has issued to facilitate Scheme members’ understanding of the Rules. Please refer to the underlined text in the revised guidance note attached for ease of reference. Scheme members should put in place mechanisms for issuance of such written disclosure as soon as practicable, and in any case, no later than 31 March 2011.

If there are any questions about the above amendments to the Rules, please do not hesitate to call the Board's hotline at 2111 6731 or 2111 6730.

Yours faithfully,

Meena Datwani  
Chief Executive Officer

Encl.

c.c. Hong Kong Association of Banks