

## ACCOMPLISHMENTS IN 2010-2011

### CONTINUING DEPOSIT PROTECTION

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- Depositors enjoyed additional protection under the enhanced DPS after the expiry of the full deposit guarantee (FDG) provided by the Hong Kong SAR Government at the end of 2010. The transition from the full guarantee to the enhanced protection arrangement under the new DPS was smooth.
- The enhanced protection limit of HK\$500,000 took effect in January 2011. Secured deposits have also come under the protection of the DPS starting from 2011.

### 90% OF DEPOSITORS FULLY PROTECTED

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- The Board completed the legislative process for implementing a number of major enhancements as concluded in the DPS review in 2009, including raising the protection limit and expanding its coverage. The Deposit Protection Scheme (Amendment) Bill 2010 (the "Bill") was passed by the Legislative Council (LegCo) in June 2010 to give effect to the enhancements on 1 January 2011. After the enhancements, 90% of the depositors in Hong Kong are fully protected by the DPS.
- The Board completed the legislative process in the form of negative vetting of the Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) (Amendment) Rules 2010 for implementing the remaining enhancements identified in the DPS review. The negative vetting was completed in October 2010.

### FULL READINESS TO PAYOUT

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- The Board continued its efforts in maintaining the readiness of its payout agents by conducting procedure walkthrough and rehearsal activities, as well as to ensure Scheme members' compliance with the information system requirements to facilitate an efficient payout.
- The Board verified its capability to undertake payout in accordance with the enhanced DPS through conducting six simulation tests on Scheme members of different business nature and size.

### CONFIDENCE OF THE PUBLIC

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- The Board launched massive publicity campaigns to promote public awareness and enhance their understanding about the expiry of the FDG at the end of 2010 and the commencement of the enhanced DPS at the start of 2011.
- A territory-wide opinion survey in December 2010 revealed that over 70% of the respondents were aware of the commencement of the enhanced DPS with effect from 1 January 2011, indicating that the publicity efforts were effective in informing the public of the impending change in the deposit protection arrangement ahead of time.
- The Board continued to monitor closely Scheme members' compliance with the DPS representation requirements through a self-assessment exercise and on-site examinations.

### SUFFICIENCY OF FUNDING AND INVESTMENT OF DPS FUND

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- The Board collected HK\$328 million contributions from Scheme members in 2011.
- The assets of the DPS Fund totalled HK\$1,548 million at the end of March 2011.
- The investment objective of the DPS Fund is mainly to preserve capital and ensure sufficient liquidity to meet the financial obligation of the Board. The DPS Fund achieved an investment return of 0.7% amidst a low interest environment.
- The Board secured an increase in the size of the standby credit facility provided by the Exchange Fund from HK\$40 billion to HK\$120 billion in January 2011 to meet the liquidity required for payment of compensation under the increased protection limit in the event of a bank failure.

