

MESSAGE FROM THE CHAIRPERSON



Mrs CHAN WONG Shui, Pamela, BBS, JP
Chairperson

The year under review was as challenging as it was fulfilling, heralding in a new era of deposit protection – and banking stability – in Hong Kong. It saw the historic transition, upon the expiry of the Government’s full deposit guarantee, to a new regime of enhanced deposit protection on 1 January 2011. Significantly, the new Deposit Protection Scheme raised, inter alia, the protection limit to HK\$500,000 and extended the coverage to secured deposits, covering 90% of the depositors in Hong Kong.

The Board went through a mandatory legislative process to give effect to the new Scheme, involving amendments to the Deposit Protection Scheme Ordinance and a subsidiary legislation, secured sufficient funding to meet demands for compensation payment in the event of a bank failure, and streamlined the payout process to ensure quick access to deposit compensation by depositors. These and other key operational areas were crucial to maintaining the Board at a high level of confidence in the efficient and effective administration of the deposit protection scheme.

That the transition was achieved so smoothly and successfully within a very tight timeframe is most gratifying and a true credit to the many parties involved – the legislature, the Financial Services and the Treasury Bureau, the Department of Justice, the banking industries and other stakeholders – for bringing it into fruition. Needless to say, the confidence and support of the general public who are the ultimate beneficiaries of the protection, is most pivotal.

The Board is fully aware that a credible deposit protection scheme is only as good as its readiness for payout and its ability to deliver on its mandate of making compensation payments promptly to affected depositors, on short notice, when there is a bank failure. Towards this goal, the Board has made good progress in improving its payout efficiency, with enhanced powers under the new scheme to make compensation in a more expeditious manner. Thanks to the Hong Kong Monetary Authority, a standby credit facility to the tune of HK\$120 billion from the Exchange Fund was made available to the Board. The Board has also adopted measures having a mitigating effect on the cost implication to the banking industry in their contributions to the target DPS fund size caused by the wider protection.



Another key area of our work is effective communication with the general public. We have never lost sight of the importance of building up consumer awareness and understanding to canvass their support and confidence in deposit protection. A massive publicity campaign and interactive dialogue with the public with specific focus on the transition and enhanced protection was drawn up and put into action to good effect. In a concerted effort, the Board was also active in urging the banking industry to proactively disclose to deposit account holders of their protection status under the new scheme. As evidenced by the smooth transition from full guarantee, our hard work overall has paid off abundantly.

In the past year, there were considerable personnel changes at the Board, Professor Andrew Chan, Chairman since 2004 has completed his six years service with the board, likewise three Members have retired. Ms Meena Datwani succeeded Mr Raymond Li as CEO of the Board. Taking this opportunity, I would like to express my heartfelt thanks to the outgoing members, namely, Mr Ian Chapman, Professor David Cheung, Mr Nicholas Etches as well as Mr Li for building up a solid foundation for the continuous development of deposit protection.

Last but not least, I am highly honoured and fortunate to have Professor Andrew Chan as my predecessor, during whose tenure of chairmanship, a significant proportion of the work was initiated and carried out to near conclusion. Professor Chan exhibited outstanding leadership and insight in shaping the protection scheme beneficial to deposit consumers, and in steering the growth of the Board since its inception in 2006. He has left a legacy of excellence that would be hard for me to match. I owe him my personal gratitude.

The general economic outlook of Hong Kong for the year ahead is positive despite uncertainties of the financial markets of some economies. On our part, the Board remains vigilant in discharging our functions by closely monitoring the global trends to offer protection to depositors. As we strive for improvements in the new era of enhanced deposit protection in Hong Kong, we will continue to rely on the wisdom and guidance of our members; the dedication and professionalism of its Chief Executive Officer and the staff. We also look forward to the continued support of our stakeholders and members of the depositor public to our efforts.



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Chairperson

