

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

ANNUAL REPORT 2012/13

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HONG KONG DEPOSIT PROTECTION BOARD

The Hong Kong Deposit Protection Board (the Board) is a statutory body established under the Deposit Protection Scheme Ordinance to oversee the operation of the Deposit Protection Scheme. The Scheme is designed to protect depositors and to help maintain the stability of Hong Kong's banking system.

The Board's mission is to maintain an efficient and effective deposit insurance scheme in accordance with the Ordinance and in line with international best practice.

Hong Kong Deposit Protection Board

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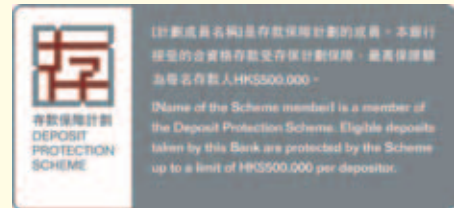
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DEPOSIT PROTECTION SCHEME AT A GLANCE

- The Deposit Protection Scheme (DPS) is a statutory scheme established to protect bank depositors. All licensed banks, unless otherwise exempted by the Board, are required to participate in the DPS as a Scheme member. All Scheme members display a membership sign prominently at their places of business.



- The DPS protects deposits up to a limit of HK\$500,000 per depositor per Scheme member.
- Eligible deposits held with Scheme members are automatically protected by the DPS. Depositors are not required to apply or pay for protection or compensation.
- Deposits denominated in Hong Kong dollar, renminbi or any other currencies are protected. Secured deposits are also protected.
- The DPS does not protect term deposits with a maturity longer than five years, structured deposits, bearer instruments, offshore deposits and non-deposit products such as bonds, stocks, warrants, mutual funds, unit trusts and insurance policies.
- A depositor's entitlement to compensation will be calculated on a net basis, that is, the liability of the depositor to a Scheme member will be deducted from the protected deposits he or she maintains with the Scheme member in determining compensation.
- A Deposit Protection Scheme Fund (DPS Fund) is being built up through collecting contributions from Scheme members. The target fund size is 0.25% of the total amount of protected deposits held with all Scheme members, or approximately HK\$3.8 billion.
- Contributions payable by Scheme members for building up the DPS Fund are assessed on a differential premium basis. Assessment is made annually with reference to the supervisory rating of each Scheme member.

ACCOMPLISHMENTS IN 2012-2013

Towards better deposit protection

The Board conducted a self-assessment against the international Core Principles for Effective Deposit Insurance Systems as part of its continuous efforts to ensure that Hong Kong's DPS is in accord with the recommendations in the Core Principles as far as practicable.

Through timely review of the latest international developments and reform experiences of other overseas deposit insurance systems, it helps contribute to a robust functioning of the financial safety net in maintaining banking stability.

In full readiness to payout

The Board conducted a comprehensive review specifically to appraise the effectiveness of its payout framework and benchmarked its payout practices against international standards. Based on the review results, the Board formulated a reform plan outlining the road map for achieving the objective along with faster payouts.

A large-scale payout rehearsal was also undertaken by engaging a complete network of the payout agents simulating the closure of a sizable retail bank. The rehearsal demonstrated that the Board could achieve a payout to depositors within the target payout timeframe.

With additional investment, the Board upgraded its capacity of the technology based payout system, the network of service providers and other infrastructure in building up the resources needed in preparation for different bank failure scenarios.

Heightened public awareness and confidence

The Board adopted a new theme using "bun" (buzz word meaning "coverage") in mass advertising campaigns and community education initiatives to strengthen recall on the scheme's coverage.

A territory-wide independent opinion survey was conducted in December 2012 which revealed that the general awareness level of the DPS has reached a new record high of 78%. The high awareness level is essential and conducive to the maintenance of public confidence and contribution to banking stability.

Sufficiency of funding and investment of the DPS Fund

The Board collected HK\$360 million in contributions from Scheme members, bringing the total assets of the DPS Fund to an aggregate of HK\$2.1 billion at the end of March 2013.

The Board secured a HK\$120 billion standby credit facility with the Exchange Fund to meet the liquidity required for payment of compensation in the event of a bank failure.

The main investment objective of the DPS Fund is to preserve capital and ensure sufficient liquidity to meet the financial obligation of the Board. The DPS Fund achieved a positive investment return in FY2013 despite the highly volatile and uncertain investment environment.

MESSAGE FROM THE CHAIRPERSON



Mrs CHAN WONG Shui, Pamela, BBS, JP
Chairperson

The evolvement of deposit insurance has entered a new paradigm to become an indispensable cornerstone of the global financial stability framework. The financial crisis has reinforced the function of deposit insurance schemes (DIS), propelling them towards, not just as a means of protecting interests of depositors, but also becoming integral component of the financial safety net.

Deposit insurance is certainly not a new product instituted in response to the recent financial crises. The oldest operating DIS can be traced back to 1930s. And since the early 1990s the world has seen a proliferation of the schemes. According to international statistics, the number of countries providing such schemes grew more than sixfold, from 12 to 88, between 1974 and 2003.

Today, deposit insurance is a norm rather than an exception, with more than 110 schemes operating around the globe. Hong Kong, albeit a relatively new member, is fortunate to have established a DIS which helped us sail through the recent global financial crisis.

While the global economy is still struggling to navigate its way out of the tumultuous events unfolded during the crisis, deposit insurers around the world find themselves at the watershed moment in the evolvement of deposit insurance, researching and implementing positive changes.

First, valuable lessons have been learned by the regulators, deposit insurers and other safety-net players. There is now more in-depth understanding of the implications of the interconnectedness of the global financial markets, the contagion effect of systemic crisis and the gaps that existed between the financial safety nets and deposit insurance schemes. These have led to important multi-channel reforms in the regulatory, deposit insurance and resolution frameworks — all contribute to strengthen the crisis management and foundation of the financial system.

Second, Core Principles on Effective Deposit Insurance Systems (Core Principles) have been developed and are now part of the core safety net features of both the Group of Twenty Finance Ministers and Central Bank Governors and other economies. The Core Principles were incorporated by the Financial Stability Board into its Compendium of Twelve Key Standards for Sound Financial Systems officially recognised by the International Monetary Fund and the World Bank for use in Financial Sector Assessment Program. This development is instrumental to building stronger and more effective deposit insurance.

Third, increasingly, the main focus has been expanded across a vast spectrum of areas, from better coverage to faster payout, from removing co-insurance to greater adoption of gross payout

(as compared with deducting liabilities when determining compensation payment), which are crucial to deposit insurance effectiveness enhancement. Closer cross-border coordination and cooperation is also being established in respect of clearly defining and sharing responsibilities for compensation payment to depositors.

As the international trend is moving towards greater efficiency and faster payout so has it become the top priority in our own DIS in Hong Kong. The Board has conducted an extensive self-assessment against the Core Principles to ensure our DIS is closely in adherence of the international guidelines and best practices. To this end, we have developed a plan to improve payout efficiency and readiness in dealing with different payout scenarios — a small step forward but no less an important milestone towards a more effective deposit protection regime in Hong Kong.

We are also implementing, by phases, the different reforms identified from the regular drills and exercises conducted in the year under review. Already we have moved forward to upgrade our existing payout mechanism — through streamlining the payout processes and procedures, the availability of information to determine compensation. We have also on the agenda to explore diversified payment methods, strengthen communication framework, and enhance cooperation among safety-net players.

It has been said that the best way to prevent a crisis is to be prepared for it. That brings home the importance of fostering and maintaining depositors' confidence at normal times. The Board

is resolutely committed to enhancing public awareness and understanding of the protection afforded depositors under the DIS. Our efforts have been well rewarded, according to the latest independent survey, with a record high (78%) positive public response on the salient features of the DIS protection. No doubt we will continue to create and roll out more public education and publicity campaigns to keep up this momentum of public recognition and support in the year ahead. Our goal is for the DIS to ultimately take root at the community level across the territory of Hong Kong.

In closing, I would like to express my deep appreciation to all the major stakeholders, the government and the HKMA whose unwavering support and generous contribution is pivotal to our efforts in operating an effective deposit protection scheme and maintaining Hong Kong's banking stability, and to the depositor public for their confidence they have on DIS. To all the Members of the Board, Committees and Advisory Panel for their tireless guidance and devotion, and in particular a special tribute to outgoing Member Professor Yeung Yuet-bor for his invaluable support over the past 6 years, and a warm welcome to incoming Member Professor Wong Chak-kei, I owe them my gratitude. Last but not least, to the Chief Executive Officer and her brilliant management team for the ingenuity and competence they demonstrated consistently in achieving every single task with diligence and excellence.



CHAN WONG Shui, Pamela
Chairperson

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Ms DATWANI Meena, JP
Chief Executive Officer

It was another year of intense activities for the Deposit Protection Board that involved a detailed self-assessment, payout review and a full-scope rehearsal, in our constant endeavours to ensure Hong Kong's DPS is at the forefront of international best practice. All of these activities involved extensive planning, execution and coordination (including with our network of service providers from various professions and businesses). The outcome of these various exercises, I am pleased to report, has led to a reform plan, which will result in an upgraded and improved DPS.

The global economic and financial environment remains volatile and uncertain, therefore, we have to be ever vigilant and prepared to discharge our statutory functions — to payout compensation to depositors affected in a bank failure at short notice. We are confident that the DPS, as part of a robust financial safety net, has the confidence and support of the depositor public, and will help maintain the stability of Hong Kong's banking system in a financial crisis. We are nevertheless conscious that we cannot be complacent and need to review and introduce necessary enhancements to the DPS to meet new challenges from market developments.

I would like to take this opportunity to highlight some of the major work we have undertaken, with a good measure of success, over the past 12 months and some of the initiatives we will be taking in 2013–2014.

Self-Assessment Affirms DPS in line with International Standards

First and foremost, the Board conducted its first-ever overall self-assessment of Hong Kong's DPS in benchmark against the Core Principles on Effective Deposit Insurance Systems (Core Principles) jointly developed by the Basel Committee on Bank Supervision and the International Association of Deposit Insurance. The Core Principles set out the international standards and practices for enhancing the effectiveness of deposit insurance systems. The Core Principles incorporate valuable lessons gained from the recent financial crisis including practices adopted by major economies.

The assessment affirmed that Hong Kong's DPS is closely in line with the practices enshrined in the Core Principles; more importantly, the exercise enabled us to identify areas for enhancing payout efficiency. Having regard to the Core Principles, the Board has formulated a work plan to study in detail various options for enhancement as well as the costs and benefits of such options. With experience since 2006 and the new insight gained from the self-assessment, the Board is well positioned to play an active role in contributing to the upcoming International Monetary Fund — World Bank Financial Sector Assessment Program (FSAP) in its assessment of the financial safety net and crisis management arrangements of the financial sector in Hong Kong.

Review Concludes DPS on Target with Payout Timeframe

Secondly, the Board undertook a comprehensive review of our existing payout framework against international practice and reform experience of overseas countries. Payout readiness is one area requiring constant vigilance as the external environment is still volatile and vulnerable. The review, to our satisfaction, concluded that we are well placed to meet our payout timeframe. This is consistent with the results of our previous reviews which demonstrated that our infrastructure and contingency plan are adequate to support payout of banks of various sizes.

Notwithstanding this, the Board is committed to ensuring greater efficiency through faster payouts. On the basis of the review findings, we have formulated a reform plan outlining the road map for achieving the objective of a shorter payout period. In addition, we have stepped up our investment in technology and other infrastructure to upgrade our payout system to cope with a banking crisis. The imperative for speed in payout compels us to ensure that every single facet of our payout system is in tip-top condition.

Full Rehearsal Validates DPS Capacity under Stress Test

Thirdly, a full scope rehearsal was conducted during the year which involved a complete network of the service providers necessary to operate a payout operation. This “close-to-actual” rehearsal covered the whole scope of payout procedures from the triggering of the DPS to the eventual delivery of both interim and final payments to depositors. The operation effectively put to test the combined efforts of a complete network of service providers and agents ranging from accounting, legal, IT, security printing, call centre and business continuity establishment, and public relations, who were all mobilized in accordance with the policy and procedures of the

Board for the purposes of effecting a payout. Also actively involved throughout the rehearsal were Members of the Board who provided critical decisions and supervisory oversight relating to the payout and publicity arrangements.

The rehearsal demonstrated again the certainty of our payout system in meeting the target payout timeframe in the event of bank failure. Its strength to support a sizable payout operation was validated by the stress test encompassing both user operations and intensive batch processing. Valuable recommendations were also put forth by the Project Manager to further enhance the payout infrastructure, public communication strategy and contingency planning model.

Compliance Checks on Information Readiness of Scheme Members Satisfactory

Fourthly, an essential prerequisite for efficient payout is the availability of complete, adequate and accurate depositor records from the Scheme members concerned in a timely manner when the DPS is triggered. To this end, the Board’s Guideline on Information Required for Determining and Paying Compensation (the IS Guideline) prescribes the format and contents of the information that Scheme members should maintain at all times. Regular compliance reviews have been conducted since 2008 with generally satisfactory results.

During the year, the Board conducted a survey to collect from Scheme members relevant statistics and system documents to monitor their general compliance status. The survey revealed certain deficiencies as well as opportunities to collect additional information to help facilitate a faster payout. Amendments to the IS Guideline which seeks to verify conformity with the data maintenance requirements have been proposed and will soon be undergoing industry consultation.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Riding on the Success of New Thematic Advertising Campaign

Last but not least, following hot on the heels of the new thematic “Bao, Bao, Bao” TV commercial which has enjoyed enormous popularity since its launch earlier in the year, the Board has embarked on new initiatives to target specific sectors of the community, including a series of interactive consumer events and an innovative comic design contest.

Under the guidance of the Advisory Panel on Communication and Public Education, a myriad of publicity drives through the creative use of different channels and advertising media were staged to further exploit the publicity generated by the “Bao, Bao, Bao” advertising. This strategy paid off as borne out in the latest independent opinion survey: the level of public awareness of DPS rose and reached a record high of 78%; among these respondents 74% were aware of the expanded HK\$500,000 protection limit of the DPS. The Board is conscious that a high level of public awareness is essential to building public confidence and banking stability.

Looking Ahead and Planning for 2013 — 2014

Much still remains to be done to implement the various enhancement initiatives identified from the self-assessment against Core Principles and payout rehearsal. Our priority, in the coming year, will be to focus on further enhancing the current payout framework and process to enable faster compensation payment. Additionally, the Board will take advantage of the forthcoming FSAP to identify further enhancements in ensuring that the DPS is in line with the Core Principles and other international best practices.

We will continue with our educational and publicity efforts to increase public awareness and understanding of DPS. In addition to the mass publicity campaigns, we will roll out a diverse range of programs tailor-made to engage target audiences such as housewives, the elderly and the young, through establishing and maintaining a direct and sustained communication link with the relevant bodies and associations in the districts. Our goal is to expand and strengthen the credibility of the DPS at the community level across the territory.

A Vote of Thanks

We are indebted to the advice and guidance from the great many individuals and organizations who so generously offered their time and expertise to the Board in its endeavours to increase the effectiveness of the deposit protection regime in Hong Kong. Without their assistance and support we would not have achieved what we did last year. I would also like to express my most sincere appreciation to the Scheme members, the HKMA, the government and our payout agents and service providers for their invaluable contribution. But no words can adequately express my deep personal gratitude to the Chairperson and Members of the Board whose wisdom and exemplary service is a source of constant inspiration to me and my team as we strive to enhance the effectiveness of the deposit protection scheme as an important financial safety net in Hong Kong. Last but not least, my heartfelt gratitude to my team for their professionalism and dedication which makes my work at the Board so fulfilling. Thank you.



DATWANI Meena
Chief Executive Officer

ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

Introduction

The Board is a statutory body established under section 3 of the DPS Ordinance (DPSO) to oversee the operation of the DPS. Launched in September 2006, the DPS is a key building block in Hong Kong's financial safety net. Through the provision of a measure of protection to depositors, the DPS contributes to the stability of the banking system.

The Board is also a member of the International Association of Deposit Insurers (IADI) and joins the efforts of IADI in promoting effective deposit insurance systems.

Mission and functions of the Board

The Board's mission is to maintain an efficient and effective DPS in accordance with the DPSO and in line with international best practice. Under section 5 of the DPSO, the Board's functions include the following:

- Assessing and collecting contributions payable by Scheme members;
- Managing the DPS Fund;
- Making payments to depositors in the event of a failure of a Scheme member; and
- Recovering payments made to depositors from the assets of the failed Scheme member.

Composition of the Board

Members of the Board are appointed by the Financial Secretary (FS), with the power delegated from the Chief Executive of the HKSAR (CE/HKSAR). They come from different professions such as accounting, banking, consumer protection, legal (insolvency), investment, information technology and public administration, and have rich experience in public service.

The Board currently comprises nine members including two ex officio members representing the Hong Kong Monetary Authority (HKMA) and the Secretary for Financial Services and the Treasury.

Performance of functions through the Hong Kong Monetary Authority

Pursuant to section 6 of the DPSO, the Board shall perform its functions through the HKMA unless indicated otherwise by the FS. This means the HKMA will act as an executive arm of the Board in administering the DPS.

The HKMA has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board. The HKMA also supports the Board on aspects such as accounting, administration, human resources and information technology. Detailed arrangements regarding the extent of support provided by the HKMA are set out in a Memorandum of Understanding between the two organisations.

ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

Members of the Board

Chairperson



Mrs CHAN WONG Shui, Pamela, BBS, JP

*Former Chief Executive,
The Consumer Council of Hong Kong*

Members



Miss CHAN Wai-hing, Annie

*Managing Director,
Mazars Corporate Recovery & Forensic Services Limited*



Ms CHING Kim-wai, Kerry

*Managing Director, Asia
AMP Capital Asia Limited*



Professor CHIN Yuk-lun, Francis

*Taikoo Professor of Engineering,
Chair of Computer Science,
Associate Dean of Engineering,
Department of Computer Science,
The University of Hong Kong*



Mr HO Eugene

*Former Chief Executive,
ICBC International Holdings Limited*



Mr KIDD David

*Practising Lawyer
David Kidd & Co*



Miss AU King-chi, JP

*Permanent Secretary,
Financial Services and the Treasury (Financial Services)
Ex officio member of the Board representing the
Secretary for Financial Services and the Treasury*



Professor WONG Chak-kei (from July 2012)

*Professor of Practice in Finance,
Department of Finance
Associate Director, MBA Programs
Director, M.Sc Program in Finance
Director of Business Development,
The Asia-Pacific Institute of Business
The Chinese University of Hong Kong*



Mr YUEN Kwok-hang, Arthur, JP

*Deputy Chief Executive,
Hong Kong Monetary Authority
Ex officio member of the Board representing the
Monetary Authority*



Professor YEUNG Yuet-bor (until June 2012)

*Professor, Department of Information Systems,
City University of Hong Kong
Former Head of Information Technology,
HSBC*

ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

Investment Committee of the Board

The Investment Committee is established in accordance with section 7 of Schedule 2 to the DPSO. It consists of the following members:

Chairperson

Ms CHING Kim-wai, Kerry
*Managing Director, Asia
AMP Capital Investors (Hong Kong) Limited*

Members

Miss CHAN Wai-hing, Annie
*Managing Director,
Mazars Corporate Recovery & Forensic Services Limited*

Mr CHU Siu-chuen, Francis, JP
*Executive Director (Reserves Management),
Hong Kong Monetary Authority*

Professor WONG Chak-kei
(from July 2012)
*Professor of Practice in Finance,
Department of Finance,
The Chinese University of Hong Kong*

Professor YEUNG Yuet-bor
(until June 2012)
*Professor, Department of Information Systems,
City University of Hong Kong*

Terms of reference

- to make recommendations on the investment policy and strategy in respect of the DPS Fund;
- to monitor the investment performance of the DPS Fund and to establish proper risk management controls for the investment activities of the Board; and
- to deal with any other matters as determined from time to time by the Board.

Advisory Panel on Communication and Public Education

The Advisory Panel on Communication and Public Education was established in August 2011 in accordance with section 7 of the DPSO to advise the Board on matters relating to the development of the communication and community education strategy and its implementation by the Board on an on-going basis. It consists of the following members:

Chairperson

Mrs CHAN WONG Shui, Pamela, BBS, JP

Members

Mr FONG King-sang, Quentin
Mr NG Shui-lai, BBS, MBE, JP
Mr WONG Koon-shing

Deposit Protection Appeals Tribunal

Under the DPSO, certain decisions of the Board and the MA can be the subject of an appeal to the Deposit Protection Appeals Tribunal. These include:

- the Board's decisions on whether a foreign bank branch can be exempted from participation in the DPS;
- the amount of contribution payable by a Scheme member;
- the amount of compensation payable to a depositor; and
- the MA's decision to impose an asset maintenance requirement on a Scheme member.

In accordance with section 40 of the DPSO, the CE/HKSAR has made the following appointments to the Tribunal for the period from 14 January 2011 to 13 January 2014.

Chairman

Mr STUART-MOORE Michael, GBS

Panel of persons who may be appointed to be members of the Tribunal

Professor LAM Kit-chun
Mrs LUI FUNG Mei-yee, Mabel, JP
Ms XUEREB Maria

Sittings of the Tribunal are convened when required and members of the Tribunal will be appointed by the FS from the above panel.

ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

Consultative Committee on Deposit Protection Scheme

To keep the industry informed of the development of the DPS, the Board has established a Consultative Committee comprising 13 representatives from the banking industry. The Committee serves as a useful forum for the Board and the banking industry to exchange views on issues of common interest. Members of the Committee are:

Mr CHOW Chak-chee,

Bank of China (Hong Kong) Limited

Mr TONG Hon-shing,

The Bank of East Asia Limited

Ms SO Yammie,

BNP Paribas, Hong Kong Branch

Ms MAN Rita,

China CITIC Bank International Limited

Ms SO Francesca,

Dah Sing Bank Limited

Mr CHAN Vincent,

DBS Bank (Hong Kong) Limited

Mr MOK Esmond,

Hang Seng Bank Limited

Mr LAU Samson,

The Hongkong and Shanghai Banking Corporation Limited

Mr CHEN Yu-long,

Industrial and Commercial Bank of China (Asia) Limited

Ms CHAN Donna,

JP Morgan Chase Bank, Hong Kong Branch

Ms CHEUNG Maggie,

Mizuho Corporate Bank Limited, Hong Kong Branch

Mr HUI Peter,

Nanyang Commercial Bank Limited

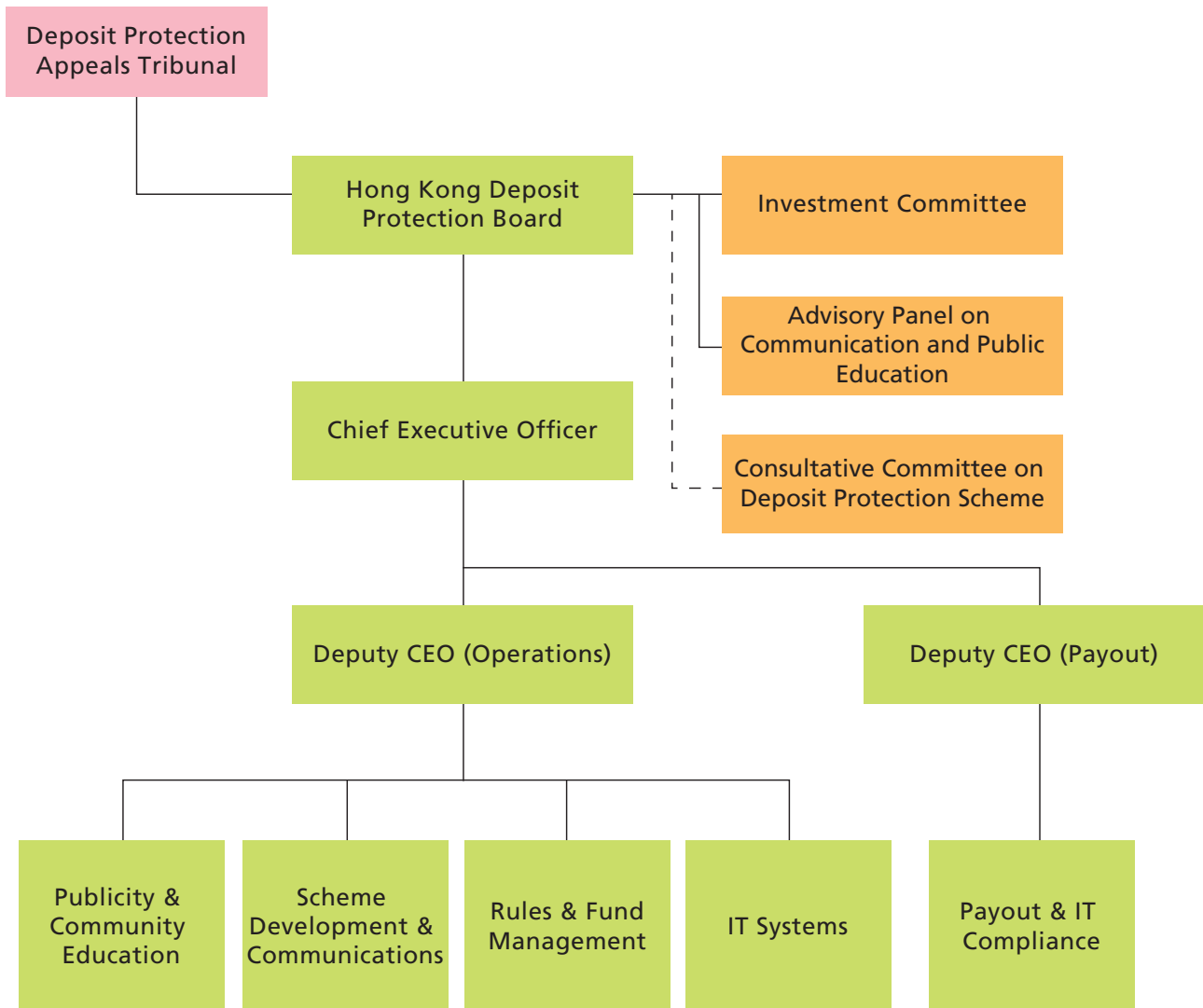
Mr WONG Teddy,

Standard Chartered Bank (Hong Kong) Limited

Terms of reference

- to advise the Board on the formulation of the approach and strategy in relation to the development of the DPS;
- to consider and give comments on specific policy and operational initiatives proposed by the Board that may have an impact on the banking industry; and
- to assist the Board in maintaining effective communication with the banking industry.

Organisational structure



CORPORATE GOVERNANCE

A strong and sound corporate governance framework is critical to the effectiveness of a DPS as a means to provide protection to depositors and to promote general banking stability. Therefore, apart from putting in place an efficient payout infrastructure and engendering a high level of public awareness and understanding of the DPS, the Board is fully committed to subscribing to sound corporate governance practices when administering the DPS, which in turn helps instil public confidence in the ability of the DPS to honour its commitments when a bank fails.

Given the nature of the Board and the functions of the DPS, the corporate governance structure of the Board incorporates the characteristics of both a public organisation and a deposit insurer. The key elements of the Board's corporate governance structure interact and reinforce each other in supporting sound governance and are discussed in detail below.

Board governance

The Board is an independent statutory body formed under the DPS Ordinance (DPSO). It is subject to the oversight of the Financial Secretary (FS) who is responsible for approving the Board's annual budget and tabling the Board's annual report to the Legislative Council.

The functions and composition of the Board are set out in the DPSO which provides that the Board shall comprise between six to nine members, all of whom are non-executive members. Except for the two ex officio members, all other members are appointed for a fixed renewable term, but for not more than six years in normal circumstances. These members are appointed mainly because they possess professional or occupational experience relevant to the operation of the DPS and are committed to serving the public.

The proceedings of the Board are governed by the relevant provisions in the DPSO. The Board meets three to four times every year to deliberate policy issues crucial to the operation and development of the DPS. In 2012-2013, the Board met four times. On average, over 85% of members were present at each meeting.

Under the DPSO, the Board may appoint committees and advisory panels to assist it in performing its functions. Currently, an Investment Committee comprising members with experience and expertise in banking and investment matters has been formed to advise the Board on the investment of the DPS Fund. The Chairperson and a majority of the members of the Committee are also members of the Board.

The Advisory Panel on Communication and Public Education was formed in August 2011 to advise the Board in developing its communication and community education strategy and implementation plan, and in monitoring the effectiveness and quality of the related activities. The Advisory Panel consists of the Chairperson of the Board and experts with extensive experience in public relations, communication and community education strategies.

Executive management

Pursuant to section 6 of the DPSO, the Board shall perform its functions through the Hong Kong Monetary Authority (HKMA) unless otherwise directed by the FS.

The HKMA has assigned a team of staff to assist the Board in discharging its functions, headed by an Executive Director of the HKMA who is designated as the Chief Executive Officer of the Board. The costs incurred by the HKMA for such purpose are reimbursed by the Board on a cost recovery basis in accordance with the provisions set out in the DPSO.

The powers that can be exercised by the Board in administering the DPS are specified in the DPSO. The Board has established clear guidelines on the division of responsibilities between the Board, the Management Team and other supporting divisions of the HKMA, and between the posts of the Chairperson and the Chief Executive Officer, which have been devised in line with good corporate governance practice. In general, strategic decisions relating to the operation and development of the DPS and those decisions requiring an exercise of the Board's powers under the DPSO have to be taken by the Board. The Management Team, on the other hand, is responsible for the day-to-day operation of the DPS according to the policies and principles endorsed by the Board.

Risk management and audits

The Board ensures that appropriate and prudent risk management systems for managing the risks in operating the DPS have been implemented and reviewed regularly. The Internal Audit Division (IAD) of the HKMA, which is a division independent of the departments in the HKMA, performs periodic assessment of the risks inherent in various operational areas of the Board, and evaluates whether appropriate controls are put in place by the Management Team to safeguard the Board against the potential risks identified. Regular audit reviews of the operation of the DPS are conducted to ensure that the various internal control procedures of the Board have been properly adhered to, especially in relation to activities posing a relatively high level of risk to the Board. The findings of the risk assessment also form part of the basis of the IAD in formulating its plan for auditing the operation of the DPS.

The IAD reports its findings and recommendations directly to the Board to ensure independence of communication of its review results.

The appointment of the external auditor of the DPS Fund requires the approval of the FS. The external auditor is responsible for auditing the annual statement of accounts of the DPS Fund prepared by the Board. The external auditor reports its findings directly to the Board.

The external auditor for the year under review was PricewaterhouseCoopers (PwC). Apart from auditing the statement of accounts for 2012–2013, PwC has also been engaged by the Board to provide advisory services for establishing the self monitoring mechanism to facilitate the Board to monitor the compliance with the information system requirements by the Scheme members.

To ensure the independence and objectivity of the external auditor, the Board has put in place policies that restrict engaging PwC for non-audit services during the financial audit period to avoid compromising the independence of the financial audit.

Standards of behaviour and ethics

In line with the good corporate governance standards applicable to deposit insurers, government and the HKMA representatives account for only a minority of the members of the Board. This allows the government and the banking supervisor to contribute to the operation of the DPS from the public administration and financial regulatory perspectives, but prevents the Board from overly exposing itself to the influence of the government and other financial safety net players. The Management Team assigned by the HKMA to assist the Board is not responsible for prudential supervisory matters. The operation of the Board is insulated from the influence of the banking industry as no employees or directors of banks and banks' related companies can be appointed as a Board member.

CORPORATE GOVERNANCE

The Board has established clear guidelines and procedures for declaration of interests and avoiding conflicts of interest. The relevant guidelines and procedures are set out in the DPSO and the Codes of Conduct for members and staff of the Board. Board members are required to declare in writing their personal interests when they first join the Board or its committees, and annually thereafter, to the secretary of the Board. The register of Members' interests is kept by the secretary and is available for public inspection. Senior staff members of the Board are required to make a declaration to the Chairperson of the Board annually. Specific procedures are available on how members and staff of the Board should report their interests and be excused from a decision making process.

Communications and transparency

The Board is committed to open communication with the public and other stakeholders. It has set up an enquiry hotline to answer questions from the public, and maintains a website to facilitate access to information on different aspects of the DPS operations. In 2012–2013, the website registered more than 200,000 visits. The Board also makes its annual report publicly available. To keep the banking industry informed of the developments of the DPS, the Board consults the banking industry through the Consultative Committee on the Deposit Protection Scheme and the industry associations on policies and initiatives relating to the operation of the DPS that may have an impact on the industry.

Appeal mechanism

Certain decisions made by the Board and the HKMA under the DPSO can be the subject of an appeal to the Deposit Protection Appeals Tribunal. The Tribunal is chaired by a High Court judge appointed by the Chief Executive of the HKSAR (CE/HKSAR). Members of the Tribunal are appointed by the FS from a panel of three people appointed by the CE/HKSAR. In the year under review, no case was required to be reviewed by the Tribunal.

Review of the corporate governance structure

The Board has set a policy of reviewing its corporate governance structure regularly to ensure that it continues to adhere to sound corporate governance standards, despite any expansion or change in the scope of the Board's operations as a result of the development of the DPS. Refinements are made between individual reviews as and when necessary to facilitate the Board in keeping up with local and international best practices.



REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

Economic situation

The Hong Kong economy saw a modest growth in 2012, despite the weak external demand amid an austere global economic environment and fragile recovery of the major advanced economies. Domestic demand, however, fared rather well, largely due to the steady growth in private consumption expenditure, stable employment market and appreciable growth in infrastructure works. For the year as a whole, the real GDP grew a mere 1.4%, down from the above-trend growth of 4.9% in 2011.

Local stock prices recorded sharp fluctuations during the year, rebounding early in the year before a sell-off in the mid-year on heightened euro debt concerns, followed by a rally in the second half with some stabilisation of the euro debt situation and the advanced economies' new round of quantitative easing in September. The local property market saw an almost uninterrupted upsurge before stabilising towards the end of the year after the Government rolled out demand-management measures including the Buyer's Stamp Duty and enhanced Special Stamp Duty in late October. Inflation was generally on an easing trend during 2012 due to moderated imported inflation and the feed-through of the earlier stabilisation of private housing rentals. In 2012, underlying inflation averaged 4.7%, down from 5.3% in 2011.

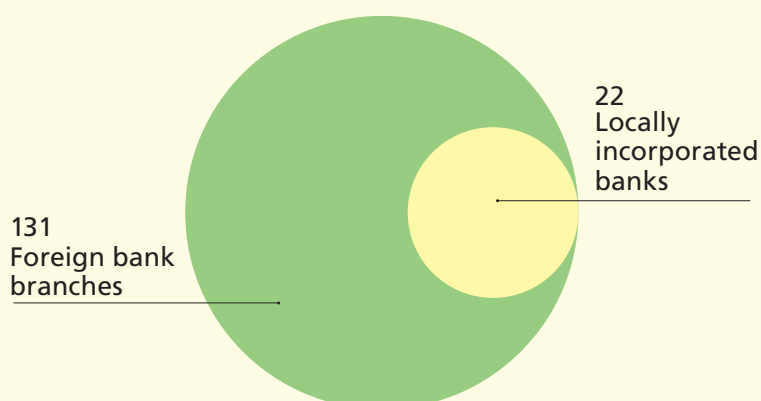
Banking environment in Hong Kong

The Hong Kong banking system remained resilient, with the capital positions of the Hong Kong incorporated authorized institutions staying strong. Under the capital adequacy framework promulgated by the Basel Committee on Banking Supervision (BCBS) (commonly referred to as "Basel II" or "Basel 2.5" following the enhancements issued by the Committee in 2009), the capital adequacy ratio of authorized institutions stayed high at an average of 15.7% at the end of 2012. Liquidity conditions continued to be sound, with the average liquidity ratio standing at 42.6% at the end of 2012 and remaining well above the regulatory minimum of 25%. Asset quality of the local banking sector remained good. The ratio of classified loans to total loans decreased from 0.59% at end-2011 to a record low of 0.47% at end-2012.

Profile of Scheme members

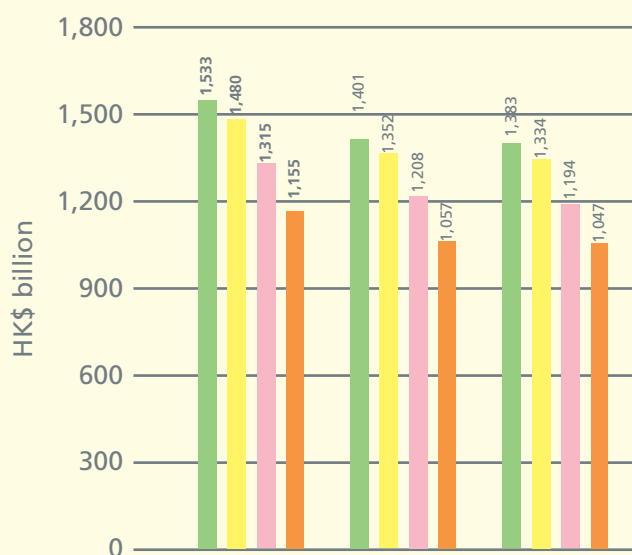
At the end of March 2013, there were 153 Scheme members, compared with 151 a year ago. During the year, three new members joined the scheme upon being authorized as licensed banks. One member was revoked because of a merger and acquisition. Of the 153 Scheme members, 22 are locally incorporated banks and 131 are foreign bank branches. This is largely in line with the number of retail banks and wholesale banks in Hong Kong respectively.

Number of Scheme members as at 31 March 2013



REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

Relevant deposits held with Scheme members



% of Total	2012	2011	2010
Top 5	75%	75%	76%
Top 10	86%	86%	86%
Top 20	97%	97%	96%
Total	100%	100%	100%

Based on the returns of relevant deposits submitted by Scheme members, the aggregate amount of relevant deposits increased by 9% to HK\$1,533 billion in 2012, compared with HK\$1,401 billion in 2011. According to statistics provided by Scheme members, about 90% of depositors were fully protected by the DPS.

The distribution of relevant deposits among Scheme members remained similar to that of last year, with the top 20 Scheme members (mainly retail banks) holding 97% of the industry's aggregate relevant deposits and the wholesale banks holding the remaining 3%. In terms of growth, both retail banks and wholesale banks recorded an increase of 9% in relevant deposits.

Relevant deposits held with retail banks and wholesale banks

(in HK\$ billion)	2012	2011	±%
Retail banks	1,485	1,357	9%
Wholesale banks	48	44	9%

Contributing to better protection

Benchmarking against Core Principles

Following the completion of the Financial Stability Board's (FSB) thematic peer review on deposit insurance systems, the Board capitalised on the experience gained from participation in the review and conducted a thorough self-assessment against the Core Principles for Effective Deposit Insurance Systems (Core Principles) jointly developed by the BCBS and International Association of Deposit Insurers (IADI). Our assessment benefited from the peer review in several ways, in particular the reference made to the lessons learned from the financial crisis and good practices adopted by other FSB member jurisdictions. This allowed the Board to identify areas for further strengthening the DPS and to better plan its reform using the Core Principles as a benchmark. A work plan was developed to study the various enhancement initiatives in detail and to evaluate the costs and benefits of different options for formulating the enhancement proposal. In addition, the assessment results enabled the Board to add value to the upcoming International Monetary Fund-World Bank Financial Sector Assessment Program with respect to financial safety net or crisis management assessment.

Survey on popularity of structured deposits

A regular survey established to monitor the implications of the popularity of structured deposits was conducted in Q4 2012 to study whether it is necessary to bring structured deposits (which are excluded from the protection net at the moment) under the ambit of the DPS. The survey results confirmed the low popularity of structured deposits and helped the Board conclude that the non-protection status of structured deposits should remain unchanged.

Ensuring payout readiness of the DPS

International standards on payouts

The BCBS and the IADI jointly issued the Core Principles to set out standards and practices for enhancing the effectiveness of the deposit insurance. The IADI further released, in November 2012, the Enhanced Guidance on Reimbursement Systems and Processes (Guidance) to encourage the adoption of leading practices identified from its members around the world that could contribute to making efficient payout to depositors. A key function of a deposit insurance system is to give depositors the confidence that they would have prompt access to their insured deposits in the event of a bank failure. The standards and guidance promote the design of effective payout systems and processes, and the cooperation arrangements with financial regulators and foreign deposit insurers which are necessary for payout preparedness.

Core Principles on payout

The deposit insurer should payout depositors promptly after the deposit insurance system is triggered so that confidence in the deposit insurance system and stability of the financial system can be maintained. The international trend is moving towards shorter target payout periods. In order to achieve speedy payout, the deposit insurer should have early access to the data necessary for payout preparation as soon as the supervisory authority is aware of a likelihood of a bank failure; the power to review in advance the reliability of depositor records kept by banks; and a range of payment methods to allow depositors' quick access to their insured funds.

A framework should be in place for timely information sharing and the coordination of actions between the deposit insurer and the supervisory authority arising from a particular bank failure. Relevant information should also be exchanged between deposit insurers in different countries on cross-border issues, and the arrangement of information exchange should be formalised. When more than one deposit insurers is to be responsible for providing deposit protection in a country, it is important to determine which deposit insurer or insurers will be responsible for the payout to the insured depositors.

Guidance on payout systems and processes

The main supplementary guidance for the effective implementation of the Core Principles are:

- Deposit insurer should issue guidelines to ensure that banks can provide accurate deposit records within a specific timeframe, and have access to depositor records at all times and undertake preparatory reviews to ensure prompt and accurate payout of insured deposits.
- Deposit insurer should rely on technology based systems to process depositor information in a systematic and accurate manner.
- Depositors should be well informed of the payment methods and timing of payments. A range of payment methods should be considered to expedite the payout process so that depositors have access to their insured funds as quickly as possible following closure of the bank.
- Deposit insurer should have in place arrangements for the receiver or liquidator of the failed bank to assist the deposit insurer, if requested, in the execution of the deposit insurer's duties.
- Adequate resources, inclusive of internal and augmented by external resources in times of need, and trained personnel dedicated to the payout function should be made available to ensure readiness in undertaking payouts.
- Coordination protocols should be developed on payout related cross-border issues to define clearly the responsibilities and consistent communication messages and strategies.
- Effective practices should be in place to conduct regular contingency planning and simulation exercises to test the operational readiness of the deposit insurer in carrying out payouts.

REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

Comprehensive review on payout framework

The Board is committed to ensuring payout readiness although the DPS has never been triggered since its launch in 2006. A comprehensive review was performed to assess the effectiveness of the established payout framework and the appropriateness of the level of resources maintained to compensate depositors under various scenarios of bank failures. The results of the review concluded that the current infrastructure and contingency plan would be adequate to support payout of banks of different sizes and to achieve the Board's target payout timeframe. This was further evidenced by the large-scale rehearsal conducted this year in which a complete network of service providers was engaged to undertake the payout process simulating the closure of a sizable retail bank. Nevertheless, the Board has made additional investment to further scale up the technology based payout system and other infrastructure to allow for ample resources to cope with different bank failure scenarios.

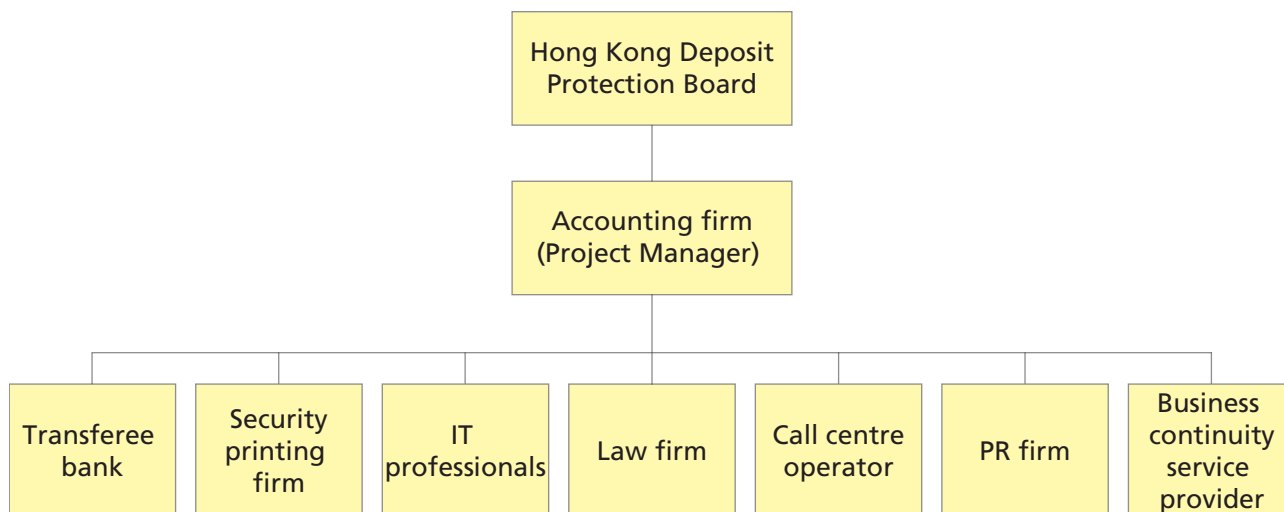
The comprehensive review followed closely the benchmark the Board adopted in its payout practices with the new international standards and guidance on effective payout, and took account of the reform measures introduced by various countries to reduce target payout periods. The speed of payout is undoubtedly critical for the effectiveness of deposit insurance system, and for maintaining public confidence in the banking system. Based on the review results, the Board formulated a reform plan outlining the road map for achieving the objective of faster payouts.

To foster cooperation on cross-border issues and define clearly the responsibilities of a payout to depositors in Hong Kong when a failed bank is covered by overseas deposit insurance schemes apart from the DPS, the Board has reached agreement with the respective overseas deposit insurers to formalise the information exchange and payout cooperation in the form of Memorandum of Understanding (MoU).

Large-scale payout rehearsal

A large-scale payout rehearsal was conducted in 2012 covering the payout procedures from the triggering of DPS to the delivery of both interim and final payments. The effectiveness of communication between the Board and the general public was also examined by engaging public relations consultants to formulate the communication plan for a payout. The rehearsal involved a complete network of the service providers necessary to operate a payout — PR consultant, security printing firm, IT firm, call centre, business continuity service provider, law firm — and was managed by an accounting firm acting as the project manager. The project manager mobilised more than 50 accountants on short notice to manage and perform the sizable payout operation as part of the rehearsal, and organised other service providers to act on their duties in a cohesive manner.

The payout team structure



The Members of the Board actively participated throughout the rehearsal to simulate the time critical decision-making process, and to provide oversight on payment and communication arrangements to appropriately address the crisis situations.

The rehearsal, which simulated a “close-to-actual” payout situation, demonstrated the Board’s serious efforts in gearing up its readiness state for payout. The rehearsal also identified valuable recommendations to further enhance the payout infrastructure, the public communication strategy and the contingency planning model.



The Project Manager and other payout agents operate side by side during the rehearsal



The Project Manager and the PR Consultant report the progress of the rehearsal to the Board

Information readiness of Scheme members

It is crucial for efficient payout that the complete set of accurate depositor records can be obtained from the Scheme member on a timely manner when the DPS is triggered. The Board’s information system guideline prescribes the information Scheme members should maintain and submit in the event of a payout. To verify Scheme members’ compliance with the information system requirements, compliance reviews have been conducted regularly since 2008. The results indicated that the level of compliance of Scheme members under review was generally satisfactory apart from certain non-compliance in the areas of data format and completeness of required information. An assessment of the effectiveness of the compliance program was conducted and the Board will implement additional measures, such as self monitoring mechanism to ensure that Scheme members maintain adequate records and procedures to permit complete, timely and accurate information submission at all times.

The Board conducted a survey during the year to collect from Scheme members relevant statistics and system documents to monitor their general compliance status. The survey results revealed deficiencies in the group of Scheme members not required to maintain relevant payout information in a specified format. While the Scheme members concerned had been notified to undertake corrective measures, the Board shall amend the guideline requirements accordingly. Through the survey, the Board also identified opportunities to collect additional information from Scheme members which would facilitate a faster payout. Amendments to the information system guideline have been proposed and will be soon undergoing industry consultation.

REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

Simulation tests

Simulation testing is another activity to oversee the Board's payout readiness apart from rehearsals. Some tests were conducted to verify the payout system by using full sets of customer records obtained from six Scheme members during the year. The simulations ensure the payout infrastructure is continuously in a ready state. In addition, the Board engaged an accounting firm in a simulation test during the year to execute the most complex payout procedures such as conducting large volume of data processing and reconciliation, to ensure the data is compatible under the Board's payout system and processes and to identify procedural enhancements. A payout procedure walkthrough was provided by the Board to the accounting firm to refresh its understanding of the key payout processes and the relevant procedures before the simulation test.

Payout capacity

The payout system was further upgraded by enhancing the Board's business continuity plan including its ability to handle different bank failure scenarios. Its strength to support a sizable payout operation has been validated by a stress test encompassing both user operations and intensive batch processing. The Board also expanded the service capacity provided by payout agents at its call centre and business continuity service providers to ensure availability of resources beyond the current agreed level should there be a major banking crisis.

Access to pre-established funding facilities

Once payment is triggered under the DPS, the Board is obliged to make compensation to the depositors of the failed Scheme members as soon as practicable. To this end, the Board has secured a standby credit facility with the Exchange Fund of an amount up to HK\$120 billion to meet the funding requirements of the DPS in a payout. The costs including losses that may be incurred in the payout process will be absorbed by the DPS Fund.

Building up the DPS Fund

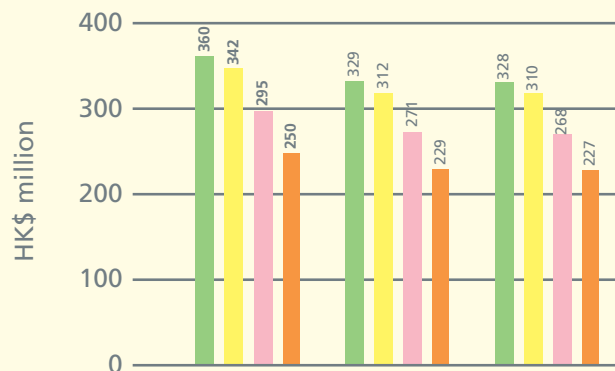
Composition of the DPS Fund

The DPS Fund mainly consists of two components, namely the annual contributions made by Scheme members to the Board, and the returns generated from the investments of the DPS Fund.

Reporting of relevant deposits

Scheme members are required to report the amount of relevant deposits held by them in the fourth quarter of each year and the reported figure, together with the supervisory rating provided by the Hong Kong Monetary Authority (HKMA), serve as the basis for determination of the amount of contribution payable by a Scheme member in the coming year.

Contribution paid by Scheme members
by relevant deposits held



% of Total	2013	2012	2011
Top 5	70%	70%	69%
Top 10	82%	82%	82%
Top 20	95%	95%	95%
Total	100%	100%	100%

Assessment and collection of contributions

Contributions collected from Scheme members for the year amounted to HK\$360 million, an increase of 9% over the previous year. All contributions were paid by Scheme members in accordance with the DPS Contribution Rules in the first quarter of 2013. Similar to the distribution of relevant deposits, the amount of contributions collected from the top 20 Scheme members accounted for 95% of the total contributions. To ensure the relevant deposit data reported in the returns submitted by Scheme members are correctly compiled, the Board has requested Scheme members since 2007 to conduct regular audit reviews of their Returns of Relevant Deposits in accordance with the policy for reviewing returns. A total of 35 Scheme members were requested to submit an audit report to the Board on the correctness of their returns in 2013. The results of the review were generally satisfactory and no reporting error leading to a material impact on the amount of contributions collected by the Board was noted. After the completion of the review, over 99% of the relevant deposits reported based on the HK\$500,000 protection limit have been verified by an auditor. This assurance gives the Board confidence in the correctness of the total amount of contributions payable by the industry.

Investment of the DPS Fund

Given the volatility of financial markets and the primary investment objective of the Fund being capital preservation, the Board continued to exercise extra caution and adopted a conservative investment strategy in accordance with the investment restrictions set out in the DPS Ordinance (DPSO) and investment policies of the DPS Fund to guard against any possible losses that might arise from any sudden change in market sentiment. The investment operation was in strict accordance with the investment control policies, which set out clear guidelines on risk assessment and control measures, and the segregation of duties required for investment activities.

Taking advantage of the relative strength of the Hong Kong dollar against US dollar and fairly attractive yield offered by the short-term US Treasury Bills as compared to other available investment instruments, the Board purchased US\$80 million of US Treasury papers at the beginning of the year with the remaining balance of the DPS Fund mainly parked as call deposits with the Exchange Fund. In view of the stronger US dollar, the US Treasury papers were sold in March 2013 to lock in the profit for the financial year 2012–13. As a result, the DPS Fund's assets were predominantly held as deposits at end-March 2013 and almost all were denominated in Hong Kong dollars with only minimal balance in US dollars. For the year as a whole, the DPS Fund managed to make a positive investment return of 0.2%, despite the highly volatile and uncertain investment environment.

**Mix of cash and investments of the DPS Fund
(as at 31 March)**

(in HK\$ million)	2013	2012
Cash and deposit balance	2,102.6	1,811.3
Investment securities	0.0	0.0
Total	2,102.6	1,811.3

**Currency mix of cash and investments of the
DPS Fund (as at 31 March)**

(in HK\$ million)	2013	2012
HK dollar	2,101.3	1,810.9
US dollar	1.3	0.4
Total	2,102.6	1,811.3

REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

Enhancing public awareness and understanding

Establish better understanding of target audiences

A high level of public awareness and understanding of the features of the DPS is crucial to gaining depositors' confidence in the DPS and thus the effectiveness of the DPS in contributing to general banking stability.

Based on the foundations built in previous years, the Board sustained a high level of public awareness and understanding of the availability of protection under the DPS. Nevertheless, it is always essential to establish better understanding of target audiences on the priority of their concerns and possible actions so as to formulate more effective communication strategies to address respective concerns.

Focus group study

The Board appointed an independent research agency to conduct a focus group study with the objectives of exploring the psychological reactions of its target audiences under different scenarios. Starting with their awareness and perception of the DPS, and then to identify information gaps and behavioral change (if any) when they learned more about the DPS. Possible reactions of different groups of depositors under a crisis situation were also identified during the study. The opportunity was also taken to test out new creative concepts and explore effective communication channels in promoting the DPS. The results were useful for the Board to develop more targeted publicity and community education initiatives.

Respondents found the following to be more important and relevant:

- maximum protection coverage of HK\$500,000 per depositor per Scheme member;
- the Scheme is established under DPSO, and eligible deposits are legally protected;
- an interim payment will be given to each depositor within 2 weeks;
- deposits in HK dollar, renminbi and other foreign currencies are all protected;
- depositors are not required to apply or register for DPS, and it is free of charge.

The study showed that the protection offered by the DPS was able to mitigate panic feeling of the respondents so they would not immediately rush to withdraw money under a bank crisis situation.

Publicity campaigns to reach mass audiences

“Bao, Bao, Bao” campaign

Taking into consideration key findings from the focus group study and with the benefit of valuable advice from the Advisory Panel on Communication and Public Education, the Board launched a new thematic Announcement in the Public Interest — “Bao, Bao, Bao” campaign in 2012. The new campaign created was meant to fully capitalise on the benefits of sight and sound provided by various media, especially television. The core theme was developed around a subject matter very close to people’s heart and common in daily life.

Instead of adopting a serious “educational” approach to promote the Scheme, the new campaign is based on a wordplay on the word “bun (包 or bao)” in Chinese which also is a homonym for “cover/inclusive”, ultimately creating a stronger impression of coverage of the Scheme.

As Hong Kong is a truly cosmopolitan city, people love all kinds of buns from different parts of the world. This would then lead naturally to the association with the protection coverage of deposits denominated in different currencies. Moreover, there is also a popular quote in Hong Kong saying “sit down, have a bun and a cup of tea” that signifies comfort and peace of mind which is what the Scheme stands for.

Adopting the same playful approach, a familiar old song “Char Siu Bao” (barbecued pork bun) was used as the ad jingle and was adapted with new Cantonese lyrics to capture attention and to create impact. Respondents attending the focus group study tested on the creative concept were supportive of the overall lively approach and the use of a fun ad jingle.



A snapshot of TV commercial in the new “Bao Bao Bao” campaign

REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012-2013



In addition to TV, the “Bao Bao Bao” campaign is further adapted for execution on different media platforms to reach wider audiences

In order to reach and engage different target audiences, two bursts of integrated media campaigns with slightly different communication channels were deployed during the year. In addition to TV, the “Bao, Bao, Bao” campaign was further adapted for execution in a wide diversity of media platforms, including newspaper, radio, and out-of-home media such as MTR trackside panels, bus shelter panels, bus and tram wraps; as well as digital media like yahoo and applications software for mobile devices (mobile app), etc. Taking into consideration the differences in characteristics and target audiences of different media platforms, a myriad of campaign executions with variations in terms of creative layouts and advertisements were employed for respective media in an all-out reach for the widest audience possible across the territory.

Community education activities in dialogue with the public

Riding on the popularity of the newly launched advertising campaign, a series of consumer events were organised at selected shopping malls around town to capture the high traffic of target audiences. These consumer events have also adopted the campaign’s creative elements to develop the theme 「包你有保障」 (“Ensure Your Protection”) and all necessary collateral items to enhance greater association and raise public recognition of the Scheme. An eye-catching centrepiece at each and every consumer event was the “Bun Tower” with the public invited to guess the number of buns inside the tower to encourage public participation.

In an impactful program, the Board partnered with Commercial Radio, on the one hand, to leverage their media platform for promoting awareness, and on the other hand, to enlist the help of their well-known DJs to perform live on-stage the popular radio drama — “18th Floor Flat C” (十八樓C座), incorporating key features of the DPS to drive home the message in a highly entertaining format. Moreover, interactive game booths, photo displays and DPS information panels were deployed to further engage the public, especially young families with children and senior citizens. As part of the co-operation package, on-air broadcasting of interviews with the Chairperson as well as short drama series to promote DPS were held in tandem with the consumer events during the same period.



“Ensure Your Protection” roving campaigns are held in shopping malls across various districts, to promote DPS key features and to engage public participation

The Board, with the invaluable support of Fairwood Holdings Ltd., one of the largest fast food chains in Hong Kong with a total of more than 100 outlets, organised for the first time a comic design competition. Students of design schools and tertiary institutions were invited to participate and compete to design comics incorporating key DPS features. The three winners were not only awarded prizes but also had their winning comics printed on tablemats used at all Fairwood outlets to promote the Scheme.

This initiative served the purpose of engaging students and arousing their interests to learn more about the DPS in their initial stage of participation; then of generating wider public awareness of the DPS comics through exposure at all outlets of Fairwood fast food chain. The Board also organised a sharing session for interested students with Mr Li Chi-tak, a renowned comic writer, acting as one of the competition judges. A QR code as an interactive element was incorporated on the tablemats encouraging the public to log onto the DPB website to learn more and to participate in a quiz about the DPS.



Winning designs of the comic design competition appear on traymats used at all Fairwood outlets to promote the Scheme

REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

The Board is also conducting talks for student groups and elderly centres around town on an ongoing basis as part of the community outreach program.



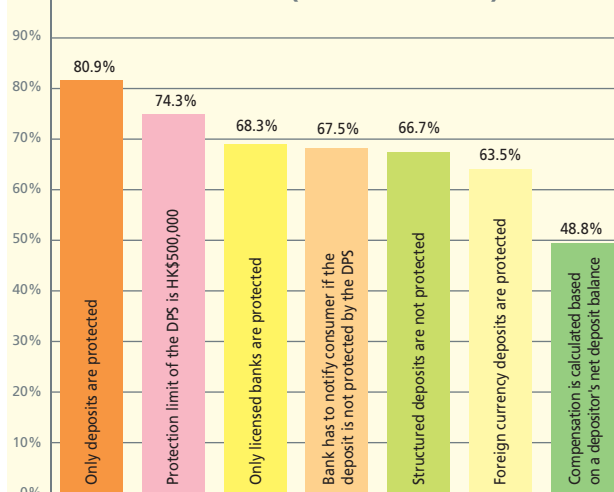
Target audience-focused on-going talks are organised to heighten public understanding of the Scheme's key features

Effectiveness of the Publicity Campaign

Since the DPS commenced operation in 2006, the Board has engaged the services of an independent research agency to conduct opinion surveys to measure the level of public awareness and understanding of the DPS, and to assess the effectiveness of its publicity campaigns.

The findings of the survey conducted in December 2012 were again encouraging with over 78% of the respondents indicating their awareness of the scheme. More than 74% of the respondents who were aware of the DPS also had knowledge of the HK\$500,000 protection limit; 63% also had knowledge of the protection coverage of deposits denominated in different currencies, a fact which could be attributable to the new campaign being well received by the public. The awareness of other key features also continued at high levels. The finding would be a useful reference for the Board to revise and to enhance its future communication and publicity strategies.

Level of understanding of different aspects of the DPS (December 2012)



Note: As a percentage of those who were aware of the DPS

Monitoring of compliance with the enhanced Representation Rules by Scheme members

The DPS Representation Rules governing the representations made by Scheme members about their DPS membership and the protection status of the financial products offered by them were first issued by the Board in 2006. The enhancements to the DPS Representation Rules took effect on 1 January 2011 when the increased protection limit was introduced. The major enhancements include:

- requiring Scheme members to give notification to customers of non-protected deposits on a transaction basis;
- making positive disclosures in respect of the deposits protected by the DPS;
- restricting the use of the term “structured deposit”; and
- responding to customers’ enquiries on the protection status of financial products in a specified manner and within a specified timeframe.

To monitor Scheme members’ compliance with the enhanced representation requirements, a self-assessment review covering the period from 1 July 2011 to 30 June 2012 was conducted by Scheme members during the year. In addition, on-site examinations continued to be undertaken to ascertain the level of Scheme members’ compliance with the Representation Rules in greater detail. The Board reviewed the self-assessment reports and on-site examination findings.

The results indicated that the overall compliance level of Scheme members was satisfactory in general and no significant incidence of non-compliance was identified.

Relationship with other safety net players

Co-operation with the Hong Kong Monetary Authority

Both the Board and the HKMA are financial safety net players in Hong Kong and share a common objective of promoting the stability of the banking system. To ensure this is accomplished, the Board and the HKMA have signed a MoU setting out how the two organisations are to co-operate with each other in the performance of their respective functions. In addition, as the Board is required by the DPSO to perform functions through the HKMA, the Board and the HKMA have agreed on the extent of support provided by the HKMA to the Board on a day-to-day basis. The Board has also secured a standby facility from the Exchange Fund to provide the necessary liquidity required for payment of compensation in the event of a bank failure. During the year, the Board and the HKMA closely co-operated with each other in accordance with the terms of the MoU.

Relationship with the Securities and Futures Commission and the Investor Compensation Company

Under certain circumstances in the event of a bank failure, the funds of a depositor or a portion of those funds may be simultaneously covered by the DPS and the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance for compensating securities or futures investors. To ensure that no person receives double compensation, the Board and the Securities and Futures Commission (SFC) have agreed on a set of arrangements to co-ordinate and exchange information between the parties. The detailed arrangements have been documented in a MoU between the Board, the SFC and the Investor Compensation Company (ICC), the company established by the SFC for administering the ICF. Specifically, the MoU recognises that the DPS will normally pay the depositors first in the event of a bank failure and, to avoid double compensation, the parties should exchange relevant information.

REVIEW OF OPERATIONS AND ACHIEVEMENTS IN 2012–2013

International cooperation

As a member of the IADI, the Board actively participated in conferences and seminars organised by the IADI, its member deposit insurers and other international organizations, and exchanged knowledge and views on issues relevant to deposit protection in the international forum. This is particularly important for keeping up-to-date with the international developments, for better coordination both in times of financial crisis as well as in the aftermath of the crisis where sharing of experience on the effectiveness of reform measures overseas provides insights and an impetus for change to ensure a robust DPS in Hong Kong.

In 2012–2013, the Board's personnel took part in a number of international meetings including:

- the IADI 11th Annual Conference and Annual General Meeting in London, United Kingdom;
- a seminar on legal framework on deposit insurance schemes organised by the Korean Deposit Insurance Corporation in Seoul, Korea;
- a seminar on crisis preparedness for banking regulators organised by the Malaysia Deposit Insurance Corporation (MDIC) (in collaboration with the Asian Development Bank) in Kuala Lumpur, Malaysia;
- a conference on cross-border resolution organised by the Canadian Deposit Insurance Corporation and the IADI in Ottawa, Canada; and
- the Deposit Insurance Corporation of Japan 7th Round Table in Tokyo, Japan;

To gain a better understanding of recent reform experience and exchange views on latest development in payout operation with other regional players, the Board met the CEO from the MDIC in May 2012.



CEO of MDIC, Jean Pierre Sabourin, shares his experience in payout operation in Hong Kong with the Board members and the Management Team

To share the Board's experience in the operation and management of the DPS and to promote international co-operation and knowledge sharing among deposit insurers, the Board received delegates from the Nigeria Deposit Insurance Corporation (NDIC) in May 2012.



Visit from NDIC delegates in May 2012

PLANS FOR 2013–2014

The outlook

The external environment remains unstable and challenging in the year ahead. It is expected the global economy will continue to maintain a modest growth and faces potential downside risks. As an open international financial centre, Hong Kong can hardly stay unscathed and will inevitably be affected by external market fluctuations. Despite the volatile external environment, the Hong Kong economy is expected to continue to benefit from the strong fundamentals in Asia and the economic growth in Mainland China. Taking into account all the macro economic factors, the economy is expected to maintain a modest growth which may be lower than previous years.

Notwithstanding the volatility of the external market environment, the local banking sector is generally resilient to the shocks experienced abroad. However, the risk of spillover cannot be underestimated if there is still uncertainty on the pace of global economy recovery. Hong Kong must stay vigilant and be prepared for any eventualities that might arise in a turbulent global economic and financial environment. The DPS, therefore, plays an important role to protect depositors and help maintain the stability of Hong Kong's banking system.

Business plan with key initiatives

Enhancement of the DPS regime

In view of recent international reform trend and the results of self-assessment against the Core Principles for Effective Deposit Insurance Systems, the Board in the coming year will focus on further enhancing the current payout framework and process to enable faster compensation payment. As the existing payout framework is constructed on the foundation of the applicable liquidation regime in Hong Kong of which the objectives are generally put on the protection of asset value and equitable treatment of creditors, some enhancements may be desirable to better cater for the need of rapid payout. One of the possible enhancements is to simplify or dis-apply the netting requirements for the determination of compensation for insured deposits. More

extensive assessment and consultation will be carried out to evaluate the potential legal, financial and operational implications to the Board as well as other major stakeholders in order to formulate the most suitable strategy to speed up the payout process with the highest degree of operational certainty. In parallel to the exploration of the feasibility of various enhancement options, the Board will also have the DPS funding model reviewed to ensure its ongoing validity. Additionally, the Board will take advantage of the upcoming comprehensive third party review of Hong Kong's DPS through the International Monetary Fund-World Bank's Financial Sector Assessment Program update to help identify any areas that may further improve the effectiveness of the scheme.

The recent global financial crisis has demonstrated that a more robust and credible recovery and resolution framework is vital to ensure both public authorities and financial institutions can respond effectively to shocks that threaten to undermine the financial soundness of individual financial institutions or financial market infrastructures. In order to better reflect the latest best practices and new standards in Key Attributes of Effective Resolution Regimes for Financial Institutions issued by the Financial Stability Board, Hong Kong is developing the necessary enhancements. The Board will actively assist in strengthening the financial safety net framework in Hong Kong and ensure an effective interaction between the DPS and other resolution tools to contribute to greater financial stability.

Ensuring high public awareness and understanding of DPS

The Board will continue to attach high importance to the coverage and effectiveness of its publicity and community education activities. In order to equip the depositors with a more comprehensive understanding of the Scheme, in addition to the mass advertising campaign, publicity efforts targeted at specific groups who demonstrated limited knowledge and understanding of the DPS will be carried out in the coming year. This will most probably involve the Board establishing and maintaining a more direct and sustained partnership with the relevant community associations, allowing the DPS to take root at the district level.

PLANS FOR 2013–2014

To broaden the awareness of the DPS among the general public, the Board plans to develop the “Bao, Bao, Bao” campaign to a higher level of execution to reinforce awareness of the DPS and its key features. More targeted activities are planned such as a bun-making initiative targeted at housewives, themed consumer events, and competition targeted at students, all aimed at reaching out to different groups in the community. The overall awareness of the DPS and the effectiveness of different communication channels within the community will continue to be evaluated. The newly formed inhouse Publicity & Community Education team, with the advice of the Advisory Panel on Communication and Public Education, will spearhead the formulation and implementation of publicity and community education activities.

To facilitate the Board’s monitoring of compliance by Scheme members with the requirements of the Representation Rules, all Scheme members will continue to be subject to the annual self-assessment review assessing their compliance with the representation requirements. With the assistance of the Hong Kong Monetary Authority (HKMA), the Board will also continue to conduct on-site compliance checks to supplement the self-assessment exercise and investigate any potential non-compliance cases identified in the self-assessment review.

Ensuring efficient and effective administration of the DPS

The Board will continue to assess and collect contributions from Scheme members for 2014 under the well-established mechanism, with reference to the returns of relevant deposits submitted by Scheme members and their supervisory ratings provided by the HKMA. The accuracy of the returns of relevant deposits compiled by Scheme members will continue to be monitored by the Board through reviewing audit reports submitted by the members.

Ensuring the readiness of payout systems and processes

Over the next two years, the Board will set a new payout target after enhancing requirements of the data provision by Scheme members under a specified timeframe, building closer cooperation with financial safety-net players through

formalising the coordination protocols, getting early access to information necessary for payout preparation, and adopting a range of payment methods. In view of the importance of getting Scheme members’ cooperation on timely and accurate depositor records submission, the Board will give priority to implementing the revised information system guideline and compliance program following consultation of banking industry and audit practitioners in 2014.

Experience of overseas deposit insurers confirmed that undertaking a payout preparatory review when a bank is at imminent risk of failure greatly contributes to an increase in payout efficiency. The Board will liaise with the supervisory authority to establish arrangements to get early warning of a likelihood of a bank failure and access to bank data for payout preparation. The payout model and the payout procedures will be revamped accordingly to set out the resource planning and review procedures to be developed following an advance notice served to the Board before the DPS is triggered. Furthermore, the contingency planning model will be enriched with more focus to consider on the impact analyses to facilitate the Board to make appropriate strategic decisions on payout readiness when faced with a major financial crisis.

The efficiency of making compensation fund accessible to the affected depositors is equally important for fast payouts. The Board will explore various payment methods to supplement payment by mailing cheque so as to reduce the time necessary to transfer payment to depositors, especially the group of most needy, following the completion of compensation determination.

To effectively support the reformed payout model, it is imperative to have a robust and efficient technology based system solution. A major review of the payout system is scheduled in the coming year to define the new requirements necessary to implement the payout reform initiatives. Rehearsals, payout walkthroughs and simulation tests will continue to be performed regularly to enhance the readiness of payout agents and infrastructure. The Board will explore the opportunity to further improve the network of payout agents available to be engaged in payout by establishing contractual arrangements to ensure adequate capacity to manage different bank failure scenarios.

INDEPENDENT AUDITOR'S REPORT

TO THE HONG KONG DEPOSIT PROTECTION BOARD

We have audited the statement of accounts of the Deposit Protection Scheme Fund (the "Fund") established under section 14 of the Deposit Protection Scheme Ordinance (the "Ordinance") set out on pages 37 to 54, which comprises the balance sheet as at 31 March 2013, and the income and expenditure account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board's responsibility for the statement of accounts

The Ordinance requires the Hong Kong Deposit Protection Board (the "Board") to keep and maintain proper accounts and records of all transactions of the Fund. The Board is responsible for the preparation of the statement of accounts that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for the internal control where the Board considers necessary to enable the preparation of the statement of accounts that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the statement of accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 19 of the Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement of accounts is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement of accounts that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the statement of accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the statement of accounts gives a true and fair view of the state of the Fund's affairs as at 31 March 2013, and of the surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and has been properly prepared in accordance with the Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2013

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK\$	2012 HK\$
Income			
Contributions		337,206,851	327,900,576
Interest income from cash and balances with banks and the Exchange Fund		2,928,779	2,379,214
Interest income from available-for-sale securities		958,311	–
Exchange gains/(losses)		200,847	(973)
Realised gains from the disposal of available-for-sale securities		23,546	–
Other income		60,000	60,000
		341,378,334	330,338,817
Expenditure			
Staff costs	5	5,398,461	3,684,755
Premises costs		5,006,197	3,161,530
Depreciation and amortisation		3,555,850	5,324,965
Office supplies		257,884	18,840
Overseas travel		188,138	243,839
Transport and travelling		9,800	7,389
Operating expenses reimbursable to the HKMA		23,921,619	22,055,559
Hire of services		13,789,253	8,527,836
Communications		104,149	86,669
Publicity and printing		14,889,864	17,877,278
Other expenses		3,869,807	3,427,833
		70,991,022	64,416,493
Surplus for the year		270,387,312	265,922,324
Total comprehensive income for the year		270,387,312	265,922,324

The notes on pages 41 to 54 form part of this statement of accounts.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND BALANCE SHEET

As at 31 March 2013

(Expressed in Hong Kong dollars)

	Note	2013 HK\$	2012 HK\$
Non-current assets			
Fixed assets	6	7,410,451	2,638,014
Intangible assets	7	5,804,426	5,238,208
		13,214,877	7,876,222
Current assets			
Other receivables	8	1,435,925	1,143,308
Cash and balances with banks and the Exchange Fund	9	2,102,615,447	1,811,323,262
		2,104,051,372	1,812,466,570
Current liabilities			
Contributions received in advance		270,166,455	247,101,550
Other payables	10	29,083,241	25,612,001
		299,249,696	272,713,551
Net current assets		1,804,801,676	1,539,753,019
Net assets		1,818,016,553	1,547,629,241
Represented by			
Accumulated surplus		1,818,016,553	1,547,629,241
		1,818,016,553	1,547,629,241

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 26 June 2013

Mrs Chan Wong Shui, Pamela, BBS, JP
Chairperson

The notes on pages 41 to 54 form part of this statement of accounts.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

	2013 HK\$	2012 HK\$
Fund balance as at 1 April	1,547,629,241	1,281,706,917
Surplus for the year	270,387,312	265,922,324
Fund balance as at 31 March	1,818,016,553	1,547,629,241

The notes on pages 41 to 54 form part of this statement of accounts.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND CASH FLOW STATEMENT

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

	2013 HK\$	2012 HK\$
Operating activities		
Surplus for the year	270,387,312	265,922,324
Interest income	(3,887,090)	(2,379,214)
Exchange (gains)/losses	(200,847)	973
Net realised gains	(23,546)	–
Depreciation and amortisation	3,555,850	5,324,965
Cash inflow from operating surplus before changes in operating assets and liabilities	269,831,679	268,869,048
Changes in operating assets and liabilities		
(Decrease)/increase in other receivables	(228,062)	28,253
Increase in contributions received in advance	23,064,905	1,144,527
Increase in other payables	3,471,240	5,125,638
Net cash inflow from operating activities	296,139,762	275,167,466
Investing activities		
Purchase of intangible assets	(2,624,297)	(980,650)
Purchase of fixed assets	(6,270,208)	(1,073,299)
Interest received	2,840,439	2,337,956
Purchase of available-for-sale securities	(619,772,185)	–
Proceeds from disposal and redemption of available-for-sale securities	620,978,674	–
Net cash (outflow)/inflow from investing activities	(4,847,577)	284,007
Net increase in cash and cash equivalents	291,292,185	275,451,473
Cash and cash equivalents at 1 April	1,811,323,262	1,535,871,789
Cash and cash equivalents at 31 March	2,102,615,447	1,811,323,262
Analysis of balance of cash and cash equivalents		
Cash and balances with banks and the Exchange Fund	2,102,615,447	1,811,323,262

The notes on pages 41 to 54 form part of this statement of accounts.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

1 PURPOSE AND ACTIVITIES

The Deposit Protection Scheme Fund (the Fund) is established under the Deposit Protection Scheme Ordinance (the Ordinance) for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks that are members of the Deposit Protection Scheme (the "Scheme" or the DPS). Currently, the protection limit is set at HK\$500,000 per depositor per bank. The Hong Kong Deposit Protection Board (the Board) manages the Fund in accordance with the provisions of the Ordinance. The Fund mainly consists of contributions collected from Scheme members and returns on investments of the Fund. Expenditure incurred in the establishment and maintenance of the Scheme, as well as the management and administration of the Fund are paid from the Fund.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The statement of accounts of the Fund has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. The statement of accounts has been prepared under the historical cost convention.

The preparation of statement of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies.

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions made in the preparation of these accounts do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) *New and amended standards adopted by the Fund*

There are no HKFRS or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning 1 January 2012 that would be expected to have a material impact on the Fund.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

- (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted.*

The Fund has chosen not to early adopt the following new and revised HKFRSs which have been issued but are not yet effective.

- Annual Improvements 2011
- HKFRS 9, "Financial instruments"
- HKFRS 10, "Consolidated financial statements"
- HKFRS 12, "Disclosures of interests in other entities"
- HKFRS 13, "Fair value measurement"

- (iii) *Up to the date of issue of the statement of accounts, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 March 2013 and which have not been adopted in the statement of accounts.*

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(b) Revenue recognition

Revenue is recognised in the income and expenditure account when it is probable that economic benefits will flow to the Fund and the revenue can be measured reliably.

Contributions and exemption fees are collected from Scheme members as specified in Schedule 4 to the Ordinance. They are accounted for on an accrual basis.

Contributions are calculated based on the amount of relevant deposits and the respective supervisory rating of each non-exempted bank applicable at a specified date. Contributions are collected annually in advance for each calendar year.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Revenue recognition *(continued)*

Interest income is recognised in the income and expenditure account using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Expenses

All expenses are recognised in the income and expenditure account on an accrual basis.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

	Years
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office furniture, equipment and fixtures	5

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

Only items costing HK\$10,000 or more are capitalised. Gains or losses arising from the disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income and expenditure account in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use.

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Fund has no intention of trading.

(f) Intangible assets

Costs that are directly associated with the development of identifiable and unique systems controlled and used by the Fund, and that will probably generate economic benefit exceeding costs beyond one year, are recognised as intangible assets. Intangible assets include expenditures on development of the Payout System. Such expenditure is capitalised if the systems are technically and commercially feasible. The expenditure capitalised includes the direct labour and costs of materials. Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets with definite life is charged to the income and expenditure account on a straight-line basis over the assets' estimated useful life of 5 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of financial assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

If any such evidence exists for loans and receivables, an impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income and expenditure account.

If any such evidence exists for available-for-sale securities, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income and expenditure account, is removed from reserve and recognised in the income and expenditure account. If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income and expenditure account, the impairment loss is reversed through the income and expenditure account.

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of transaction including: cash at bank and on hand, demand deposits with banks, other financial institutions and the Monetary Authority (MA) for the account of the Exchange Fund, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the statement of accounts are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The statement of accounts is presented in Hong Kong dollars, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

(k) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income and expenditure account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(l) Provisions and contingent liabilities

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are recognised when the absence occurs.

(ii) Pension obligations

The Fund offers a mandatory provident fund scheme, the assets of which are generally held in separate trustee — administered funds. These pension plans are generally funded by payments from employees and by the Fund. The Fund's contributions to the mandatory provident fund scheme are expensed as incurred.

(n) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

3 RISK MANAGEMENT

(a) Governance

The Fund is established under the Ordinance for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks which are members of the Scheme. Under Part 4 of the Ordinance, the Fund is to consist of:

- contributions and late payment fees collected from Scheme members;
- money recovered by the Board from, or out of the assets of, failed Scheme members;
- returns on investments;
- money borrowed by the Board for the purpose of performing its functions; and
- any other money lawfully paid into the Fund.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

3 RISK MANAGEMENT *(continued)*

(a) Governance *(continued)*

The Board established an Investment Committee and delegated its power to the Committee to place, or invest, money of the Fund that is not immediately required by the Board for the performance of its functions. In particular, the Investment Committee:

- makes recommendations on the investment policy and strategy in respect of the Fund;
- monitors the investment performance of the Fund and establishes proper risk management controls for the investment activities of the Board; and
- works on any other matters as determined from time to time by the Board.

Operating within the requirements under the Ordinance and policies endorsed by the Investment Committee, the Board's staff conduct the day-to-day investment management and risk management of the Fund.

(b) Investment management and control

Under section 21 of the Ordinance, the Fund or any part of it may be invested in the following investment instruments:

- deposits with the MA for the account of the Exchange Fund;
- Exchange Fund Bills;
- US Treasury Bills; and
- any other investment approved by the Financial Secretary.

In December 2008, the Financial Secretary approved an expansion of the investment scope of the Fund to cover Exchange Fund Notes and US Treasury Notes with remaining term to maturity of not more than 2 years, and Hong Kong dollar and US dollar deposits of up to 3 months in tenor with financial institutions.

Investment activities of the Fund are conducted in accordance with the requirements set out in the Ordinance and the policies endorsed by the Investment Committee to ensure the investment objectives of capital preservation and maintaining sufficient liquidity are met.

The Board's Management Team is responsible for the day-to-day investment management of the Fund. Investment reports showing the latest market values, rate of return, maturity profile, types of financial instruments held and limit exposures are regularly submitted to the Investment Committee for control purpose.

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management

Market risk

Market risk is the risk that changes in market variables such as interest rates, equity prices and exchange rates which may affect the fair value or cash flows of a financial instrument. Market risk to the Fund mainly comprises interest rate risk and currency risk.

(i) Interest rate risk

Interest rate risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the majority of the financial assets represent the cash balances with bank and the Exchange Fund, the impact of interest rate fluctuations on the Fund is considered minimal.

(ii) Currency risk

Currency risk is the risk of loss arising from changes in foreign exchange rates. The investments held by the Fund are denominated either in Hong Kong dollars or US dollars. Because of the linked exchange rate with the US dollar, the exchange risk to the Fund is considered minimal.

Liquidity risk

Liquidity risk refers to the risk that the Fund may not have sufficient funds available to meet its liabilities as they fall due. In addition, the Fund may not be able to liquidate its financial assets at a price close to the fair value within a short period of time.

Given that the Fund can only make deposits with the MA for the account of the Exchange Fund or with financial institutions approved by the Investment Committee or invest in the highly liquid Exchange Fund Bills and Notes and US Treasury Bills and Notes, the liquidity of the Fund is maintained at a high level at all times.

Credit risk

The Fund is exposed to credit risk as a borrower or a counterparty may not be able or willing to perform its contractual obligations in full when due. The credit risk of the Fund can be broken into (i) counterparty risk from placement activities; (ii) counterparty risk from investment transactions; (iii) issuer risk arising from debt securities holdings; and (iv) country risk.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

Credit risk (continued)

Counterparty credit exposures arise mainly from the Fund's deposit placements with the MA for the account of the Exchange Fund and financial institutions approved by the Investment Committee and securities transactions with financial institutions. In this respect, the Fund will only conduct securities transactions with counterparties approved by the Investment Committee. Issuer risk arises from investments in debt securities. The types of investment securities of the Fund are limited to Exchange Fund Bills and Notes and US Treasury Bills and Notes, both with minimal default risk. In addition to the counterparty and issuer risks, the Fund is exposed to country risk, which is confined to the sovereign risk of Hong Kong and the US and the country risk of financial institutions approved by the Investment Committee given the Fund's limited types of investments. The Fund's credit exposures are reported regularly to the Investment Committee based on its delegated authority from the Board.

Fair value of financial assets and financial liabilities

The fair value of the financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price. In the absence of such quoted market prices, fair values are estimated using present value or other valuation techniques, with inputs based on market conditions existing at the balance sheet date.

The fair values of financial assets and liabilities not presented on the Fund's balance sheet at their fair value are estimated as follows:

(i) Bank balances and balances with the Exchange Fund

The fair values of bank balances and balances with the Exchange Fund are their carrying amounts.

(ii) Other receivables

The estimated fair value of other receivables, which are non-interest bearing balances, is their carrying value.

(iii) Other payables

The estimated fair value of other payables, which are non-interest bearing balances, is their carrying value.

4 TAXATION

No provision for Hong Kong Profits Tax has been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

5 STAFF COSTS

	2013 HK\$	2012 HK\$
Salaries	4,885,019	3,289,636
Other employee benefits	513,442	395,119
	5,398,461	3,684,755

6 FIXED ASSETS

	Office equipment, furniture and fixtures HK\$	Computer hardware/ software HK\$	Total HK\$
Cost			
As at 1 April 2012	1,062,094	9,536,716	10,598,810
Additions	357,426	5,912,782	6,270,208
As at 31 March 2013	1,419,520	15,449,498	16,869,018
Accumulated depreciation			
As at 1 April 2012	1,017,175	6,943,621	7,960,796
Charge for the year	25,063	1,472,708	1,497,771
As at 31 March 2013	1,042,238	8,416,329	9,458,567
Net book value			
As at 31 March 2013	377,282	7,033,169	7,410,451
As at 31 March 2012	44,919	2,593,095	2,638,014

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

7 INTANGIBLE ASSETS

	Development costs of Payout System HK\$
Cost	
As at 1 April 2012	20,940,026
Additions	2,624,297
As at 31 March 2013	23,564,323
Accumulated amortization	
As at 1 April 2012	15,701,818
Charge for the year	2,058,079
As at 31 March 2013	17,759,897
Net book value	
As at 31 March 2013	5,804,426
As at 31 March 2012	5,238,208

8 OTHER RECEIVABLES

	2013 HK\$	2012 HK\$
Prepayment	1,304,537	1,076,474
Interest receivables	114,888	50,334
Others	16,500	16,500
	1,435,925	1,143,308

9 MATERIAL RELATED PARTY TRANSACTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless indicated otherwise by the Financial Secretary. The Hong Kong Monetary Authority ("HKMA") has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board. The HKMA also supports the Board on aspects such as accounting, administration, human resources, and information technology.

The related party transactions with the HKMA are as follows:

	Note	2013 HK\$	2012 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	1,705,395,502	1,414,924,210
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	1,056,009	2,085,488
Operating expenses reimbursed to the HKMA	(b)	23,921,619	22,055,559

- (a) During the year, the Fund placed deposits with the Exchange Fund amounting to HK\$1,705,395,502 (2012: HK\$1,414,924,210) and earned interest amounting to HK\$1,056,009 (2012: HK\$2,085,488) at a rate which is referenced to the market interest rates.
- (b) Certain operating expenses are reimbursed to the HKMA on a cost recovery basis in accordance with the provisions set out in the Ordinance.
- (c) During the year, the HKMA provided the Board a standby facility from the Exchange Fund for meeting the necessary liquidity required for payment of compensation in the event of a bank failure. The maximum amount which may be drawn under the facility is HK\$120 billion (2012: HK\$120 billion) of which nil (2012: nil) was drawn during the year.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND NOTES TO THE STATEMENT OF ACCOUNTS

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

10 OTHER PAYABLES

		2013 HK\$	2012 HK\$
Hire of services	(a)	25,739,751	23,412,856
Staff expenses		323,829	190,618
Others		3,019,661	2,008,527
		29,083,241	25,612,001

- (a) This amount includes operating expenses reimbursed to the HKMA HK\$23,921,619 (2012: HK\$22,055,559), services fee for payout rehearsal HK\$1,050,941 (2012: HK\$185,000) and fees for other hire of services HK\$767,191 (2012: HK\$1,172,297).

11 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 26 June 2013.

ANNEX 1: NAMES OF SCHEME MEMBERS AS OF 31 MARCH 2013

ABN AMRO BANK N.V.	BANQUE PRIVEE EDMOND DE ROTHSCHILD SA
AGRICULTURAL BANK OF CHINA LIMITED	BARCLAYS BANK PLC
ALLAHABAD BANK	BNP PARIBAS
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	BNP PARIBAS SECURITIES SERVICES
AXIS BANK LIMITED	BNP PARIBAS WEALTH MANAGEMENT
BANCA MONTE DEI PASCHI DI SIENA S.P.A.	BSI SA
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	CANADIAN IMPERIAL BANK OF COMMERCE
BANCO DE ORO UNIBANK, INC.	CANARA BANK
BANCO SANTANDER, S.A.	CATHAY BANK
BANGKOK BANK PUBLIC COMPANY LIMITED	CATHAY UNITED BANK COMPANY, LIMITED
BANK JULIUS BAER & CO. LTD.	CHANG HWA COMMERCIAL BANK, LTD.
BANK OF AMERICA, NATIONAL ASSOCIATION	CHIBA BANK, LTD (THE)
BANK OF BARODA	CHINA CITIC BANK INTERNATIONAL LIMITED
BANK OF CHINA (HONG KONG) LIMITED	CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
BANK OF CHINA LIMITED	CHINA CONSTRUCTION BANK CORPORATION
BANK OF COMMUNICATIONS CO., LTD.	CHINA DEVELOPMENT BANK CORPORATION
BANK OF EAST ASIA, LIMITED (THE)	CHINA EVERBRIGHT BANK CO., LTD.
BANK OF INDIA	CHINA MERCHANTS BANK CO., LTD.
BANK OF MONTREAL	CHINA MINSHENG BANKING CORP., LTD.
BANK OF NEW YORK MELLON (THE)	CHINATRUST COMMERCIAL BANK, LIMITED
BANK OF NOVA SCOTIA (THE)	CHIYU BANKING CORPORATION LIMITED
BANK OF SINGAPORE LIMITED	CHONG HING BANK LIMITED
BANK OF TAIWAN	CHUGOKU BANK, LTD (THE)
BANK OF TOKYO-MITSUBISHI UFJ, LTD.(THE)	CITIBANK (HONG KONG) LIMITED
BANK SARASIN & CIE AG	CITIBANK, N.A.
BANK SINOPAC	COMMONWEALTH BANK OF AUSTRALIA

ANNEX 1: NAMES OF SCHEME MEMBERS AS OF 31 MARCH 2013

COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	HSBC BANK USA, NATIONAL ASSOCIATION
COUTTS & CO AG	HSBC PRIVATE BANK (SUISSE) SA
CREDIT AGRICOLE (SUISSE) SA	HUA NAN COMMERCIAL BANK, LTD.
CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	ICICI BANK LIMITED
CREDIT SUISSE AG	INDIAN OVERSEAS BANK
DAH SING BANK, LIMITED	INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
DBS BANK (HONG KONG) LIMITED	INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (THE)
DBS BANK LTD.	INDUSTRIAL BANK OF KOREA
DZ BANK AG DEUTSCHE ZENTRAL- GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN	INDUSTRIAL BANK OF TAIWAN CO., LTD.
E.SUN COMMERCIAL BANK, LTD.	ING BANK N.V.
EAST WEST BANK	INTESA SANPAOLO SPA
EFG BANK LTD	IYO BANK, LTD. (THE)
ERSTE GROUP BANK AG	JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
FALCON PRIVATE BANK LTD.	KBC BANK N.V.
FAR EASTERN INTERNATIONAL BANK	KOREA EXCHANGE BANK
FIRST COMMERCIAL BANK, LTD.	LAND BANK OF TAIWAN CO., LTD.
FUBON BANK (HONG KONG) LIMITED	LGT BANK AG
HACHIJUNI BANK, LTD. (THE)	LLOYDS TSB BANK PLC
HANA BANK	MACQUARIE BANK LIMITED
HANG SENG BANK, LIMITED	MALAYAN BANKING BERHAD
HDFC BANK LIMITED	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
HONG LEONG BANK BERHAD	MELLI BANK PLC
HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)	MITSUBISHI UFJ TRUST AND BANKING CORPORATION
HSBC BANK INTERNATIONAL LIMITED	MIZUHO CORPORATE BANK, LTD
HSBC BANK PLC	NANYANG COMMERCIAL BANK, LIMITED

NATIONAL AUSTRALIA BANK, LIMITED	STANDARD BANK ASIA LIMITED
NATIONAL BANK OF ABU DHABI	STANDARD BANK PLC
NATIONAL BANK OF PAKISTAN	STANDARD CHARTERED BANK
NATIXIS	STANDARD CHARTERED BANK (HONG KONG) LIMITED
NEWEDGE GROUP	STATE BANK OF INDIA
OVERSEA-CHINESE BANKING CORPORATION LTD.	STATE STREET BANK AND TRUST COMPANY
PHILIPPINE NATIONAL BANK	SUMITOMO MITSUI BANKING CORPORATION
PICTET & CIE (EUROPE) S.A.	SVENSKA HANDELSBANKEN AB (PUBL)
PORTIGON AG	TAI SANG BANK LTD.
PT. BANK NEGARA INDONESIA (PERSERO) TBK.	TAI YAU BANK, LIMITED
PUBLIC BANK (HONG KONG) LIMITED	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
PUNJAB NATIONAL BANK	TAISHIN INTERNATIONAL BANK CO., LTD
RAIFFEISEN BANK INTERNATIONAL AG	TAIWAN BUSINESS BANK
ROYAL BANK OF CANADA	TAIWAN COOPERATIVE BANK, LTD.
ROYAL BANK OF SCOTLAND N.V. (THE)	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD
ROYAL BANK OF SCOTLAND PUBLIC LIMITED COMPANY (THE)	TORONTO-DOMINION BANK
SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. (THE)	UBS AG
SHANGHAI COMMERCIAL BANK LIMITED	UCO BANK
SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.	UNICREDIT BANK AG
SHIGA BANK LIMITED (THE)	UNION BANK OF INDIA
SHINHAN BANK	UNITED OVERSEAS BANK LTD.
SHIZUOKA BANK, LTD. (THE)	WELLS FARGO BANK, NATIONAL ASSOCIATION
SKANDINAVISKA ENSKILDA BANKEN AB	WESTPAC BANKING CORPORATION
SOCIETE GENERALE	WING HANG BANK, LIMITED
SOCIETE GENERALE BANK & TRUST	WING LUNG BANK LIMITED
	WOORI BANK

ANNEX 2: LIST OF MAJOR PUBLICITY AND COMMUNITY EDUCATION ACTIVITIES FOR 2012–2013

Month	Activities
April 2012–March 2013	Co-operating with different Non-government Organisations to organise talks at community centres located in various districts to promote DPS for target audience such as the elderly.
May 2012	Conducted a focus group study to understand their awareness and perception of the DPS to identify promotional opportunities to enhance their awareness and understanding.
July 2012	Coordinated with Federation of Parent-Teacher Association to distribute the Board's comic notebooks and leaflets.
July 2012	Press release issued on the publication of the Annual Report for 2011–2012 on 11 July 2012.
August–October 2012	<p>A media luncheon was hosted on 27 August 2012 to announce the launch of the new TV Announcement in the Public Interest (API), the Board's publicity and community education programs to promote public understanding of the Scheme's key features.</p> <p>A new TV advertising campaign was launched on 28 August 2012 on major paid and free TV, with the concept of "bun" as the main theme. This theme was based on a wordplay of the word "bao" (包) in Chinese which also is a homonym for "cover", creating a stronger impression of coverage of the Scheme. TV API were also broadcast to enhance the reach of message.</p> <p>First burst of print advertising campaign was launched in different newspapers, including free dailies, to reinforce public awareness.</p> <p>An online advertising campaign was launched. Coverage of the new TV API was extended to popular online media platforms.</p> <p>Online banner was also displayed on application software for mobile devices (mobile app).</p>
September–October 2012	<p>First burst of radio advertising campaign was launched. Radio API were also broadcast on major radio stations.</p> <p>A bus body advertising campaign was launched to promote the DPS.</p> <p>A MTR advertising campaign on trackside panels was launched in different MTR stations of various MTR lines, to reinforce public awareness of the DPS key features.</p> <p>An in-bus advertising campaign on "RoadShow" and "Buzplay" was carried out, to promote the DPS.</p>

Month	Activities
September 2012–January 2013	In collaboration with Commercial Radio, four consumer events were held at shopping malls in various districts, to increase public awareness and understanding of the DPS' key features. Live performances were staged by the DJs from the "18th Floor Flat C" (十八樓C座) radio program to promote the key features of the DPS. Information panels, interactive activities, including bun guessing game, were also installed to attract public participation.
September–December 2012	Subsequent to the consumer events, various post-event on-air promotions such as interviews with the Chairperson as well as short drama series were broadcast, to further enhance public understanding of the DPS.
November 2012–January 2013	<p>Supported by Fairwood Holdings Limited, a comic design competition was organised to engage students of design schools and tertiary institutions.</p> <p>Three winning comics together with the QR code directing to the Board's website were printed on traymats used at all Fairwood outlets for 2 weeks in January.</p> <p>Subsequent to the comic competition, a sharing session with renowned comic artist Mr Li Chi-tak who acted as one of our judges was organised for interested students on 25 January 2013, to share the skills for comic creation. DPS key features were also introduced during the session to raise awareness.</p>
December 2012–February 2013	<p>Second burst of print advertising campaign was launched in different newspapers.</p> <p>A bus shelter advertising campaign was launched to reinforce public understanding of the key features of the DPS.</p> <p>TV API were also broadcast to enhance the reach of message from December 2012 to February 2013.</p>
January 2013	<p>Second burst of radio advertising campaign was launched.</p> <p>A tramcar body advertising campaign was launched to promote the DPS.</p>
January 2013–March 2013	In cooperation with Hong Kong Monetary Authority, the Board arranges DPS talks on an on-going basis for student groups visiting the HKMA's Information Centre. The Board has started conducting talks at elderly centres around town.