

MESSAGE FROM THE CHAIRPERSON



*Mrs CHAN WONG Shui, Pamela, BBS, JP
Chairperson*

In reflecting on the work and the challenge ahead in this Year of the Horse, the attributes of the Horse come readily to mind: energetic and productive, quick and reliable, friendly and outreaching. These fine qualities aptly characterise our accomplishments of the year 2013-14 under review, and areas of priority in our drive to continually strengthen the Deposit Protection Scheme (DPS) in Hong Kong.

A good deal of our energy was applied, productively, on a comprehensive internal review of the DPS to ensure Hong Kong stays abreast of global developments and is consistent with international best practices and standards in depositor protection. Towards the end of 2013, we also had our DPS establishment assessed within the intensive Financial Sector Assessment Program (FSAP) led by the International Monetary Fund. These timely reviews are important for us to look into the latest international reform trend with lessons learnt from the recent financial crisis. The FSAP assessment result is encouraging as the DPS is identified as “transparent and trusted”.

Some FSAP suggestions on the way forward reaffirm the enhancement proposals arising from our internal review. For example, the proposed adoption of gross payout to further enhance the robustness of the scheme and the formalisation of the early warning mechanism. The gross payout enhancement would entail

simplification and re-engineer the whole payout process to shorten the time for more expeditious payout such that it can be as quick and reliable as possible. The Board and the Hong Kong Monetary Authority (HKMA) have identified a number of early warning indicators that will better enable the banking regulator to give sufficient advance notification to the Board for its early commencement of preparation for a potential payout. A formal mechanism is now being put in place.

We have also made considerable strides in other areas such as information system guidelines and greater payout capacity. Amendments to the existing guidelines and enhancements to compliance surveillance were introduced to improve the quality of deposit records maintained by Scheme member banks. Furthermore, the information submission timeframe by members in the event of bank failure was tightened to allow the Board to kick start the diligent verification work at an earlier stage. The Board is prepared for all eventualities. It has increased its processing and system planning capability, and expanded its network of external service providers to respond effectively in a crisis situation. A comprehensive contingency planning model was established for managing possible multiple bank failure scenarios in a major financial crisis. The effectiveness of the model has been tested in a payout rehearsal simulating different banking failure scenarios.

It is obvious that a DPS is only as good as it is widely known to the general public who are confident of its reliability to make prompt payout when the time comes. Public education is therefore another area of priority and the Board always attempts to spread the DPS messages in a friendly and outgoing manner.

After consolidating the experience of past years, we will conduct an in-depth foundation research to understand better the perception of the public on DPS so as to reframe our communication strategy for more effective public engagement and reach in future. The research results, hopefully, will point us to new areas that we can further work on to enable more depositors to be reassured of the protection offered by the DPS.

This Annual Report features photos of birds in a serene and peaceful environment, which reflects an important objective of all our efforts – to give depositors the peace of mind they rightly deserve. This peace of mind is based on the trust of depositors in the protection afforded to them by the DPS in particular, and the stability of banks in Hong Kong in general. Our grateful thanks go to Mr C S Ng who has generously allowed us to select from his marvellous work on birds.

As the Chairperson of the Deposit Protection Board, I have the good fortune of the unfailing support of my fellow Board members, advisory panel members and other consultative committee members, as well as our major stakeholders, the Government, and the HKMA. I owed them my heartfelt thanks. I would like to record our deep appreciation to Professor Wong Chak-kei for his valuable service to the Board prior to his departure in October 2013, and a warm welcome to Professor Chan Ngai-hang, who joined the Board in January.

Needless to say, I owe my sincere gratitude to the CEO and the management team and the staff whose commitment and professional output has made possible the achievements of the Board in fulfilling its vision and mission in an ever changing financial world.



CHAN WONG Shui,
CHAIRPERSON
DEPOSIT PROTECTION BOARD