

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



In my review of the Board's achievements in the previous issue of our Report, I mentioned a number of initiatives we were taking to consolidate our role in protecting the interests of depositors. I am pleased to report that these initiatives are coming to fruition, and will overhaul the way we operate our Deposit Protection Scheme (DPS). In the pursuit of our principal reform, we have been relying on the findings of internal and external reviews and have received strong support from the Government to introduce a more efficient and effective payout process. We have been working towards this goal for some time in a bid to strengthen the role of the DPS within the financial safety net of Hong Kong. During the past year, we also made good progress in increasing our preparedness for a range of contingencies, which is just as important as the successful operation of the DPS.

### Faster Payouts

Our constant efforts to initiate reforms were rewarded with the Government's package of proposals designed to accelerate the speed of

reimbursing depositors in a bank failure. The key initiative is the adoption of the gross payout approach to determine the DPS compensation. The proposals were released for public consultation and the response of the public was very positive. Meanwhile, we are encouraged by the Government's plan to introduce relevant amendments to the legislation to implement the proposals. Indeed, our focus now is on preparing various operational procedures that will be necessary to give effect to the changes. When these are promulgated, all deposits falling within the Scheme's protection limit will no longer be subject to set-off, thereby removing a major impediment to a speedy determination of compensation. This will result in depositors having quicker access to their funds. In addition, after implementing the proposed changes, the Board will be able to communicate electronically with depositors at the time of a payout, which will also open up opportunities to make payments via electronic means. The Board also fully supports, and will continue to collaborate with, the banking regulator to strengthen the effectiveness of the DPS within the safety net, and in the establishment of the resolution framework to cover banks of all sizes.

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### A Heightened State of Payout Readiness

In September 2013, the Board issued the revised Information System Guideline to enhance the scope and quality of information provided by Scheme members, to enable speedier compensation calculations and payouts. These amendments also introduced a uniform data format for all depositor records from member banks for greater processing efficiency. Scheme members were given ample time until the end of 2014 to adjust their systems to meet with the new and more robust information regime. I am delighted that after a 15-month transition the new requirements were fully implemented in early 2015. To monitor the effectiveness of the revised guideline, a more stringent compliance programme has been launched to ensure that the information readiness of the banking industry supports the Board's objective of a fast payout.

As part of our efforts in strengthening payout readiness during the year, we completed a major revamp of the payout system to establish a more versatile compensation calculation starting at the preparatory stage of a payout. This would enable the computation process to be set in motion even before the main payout process begins. Particular emphasis was placed on this development in a series of interactive sessions for external payout agents. The sessions focused on various simulated situations and the agents were encouraged to test the procedures for potential weaknesses.

To take further advantage of an early notification by the banking regulator of a potential banking problem, the Board and the Hong Kong Monetary Authority refined the co-operative arrangements to establish more comprehensive procedures for coping with different strategic or resource planning needs to enable the fastest possible payout. This process included the development of extensive contingency plans covering various scenarios.

In addition, the Board continues to test the capability of the Scheme to prevent a bank failure from becoming a catastrophe and instead is an event that has the minimum impact on depositors and the economy as a whole. In the coming year, we will stage a payout rehearsal to determine the effectiveness of our recent refinements. This will involve working together with an extensive network of payout agents to handle a simulated payout, both to ensure readiness and to uncover any remaining deficiencies. We will also keep in view the development of electronic payment channels to capitalise on their use in achieving faster payouts bearing in mind the high expectations of the public on security and data privacy.

### Raising Awareness

A key effort in our bid to maximise the effectiveness of the DPS is to ensure the public has a solid understanding of the Scheme's role and coverage. On the publicity front, we

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introduced new TV and radio commercials to arouse and sustain public awareness and understanding of the DPS, with synergy created through advertising in print, on digital channels and out-of-home media incorporating innovative elements to drive home the messages. The new campaign, centred on an interesting yet very meaningful question, "Where is the best place to keep my money?", demonstrated the security of bank deposits under the DPS. This is just part of our concerted publicity efforts to build on the already very strong public recognition of the Scheme.

Indeed, the Board is committed to maintaining and, where possible, reinforcing public confidence in the protection provided to depositors by the Scheme. A diversity of creative programmes and activities will be launched to engage people from all walks of life in our numerous community involvement promotions. We will also continue to gauge the public's perception and understanding of the DPS and monitor the impact of our publicity and community education programmes to ensure the effectiveness of our message.

### Words of Thanks

I cannot let this opportunity pass without paying tribute to the Chairperson and all members of the Board for their valuable insights and guidance, with my special thanks and personal best wishes for a happy retirement to ex officio Board Member Miss Au King-chi. I would also like to express my sincere gratitude for the staunch support of the Advisory Panel on Communication and Public Education, and the Consultative Committee on Deposit Protection Scheme. Finally, I am truly grateful for the dedication and commitment of my colleagues in their tireless efforts to ensure the success of the DPS. We will continue to contribute our best to the well-being of Scheme members and to those who deposit money with them.



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