



It is my honour and privilege to be able to serve as the Chief Executive Officer of the Hong Kong Deposit Protection Board (the Board), a post I recently assumed in February 2016. I still remember that at that point in time, the Board was going full steam ahead with the implementation of the enhanced Deposit Protection Scheme (DPS), which features the gross payout approach with an aim of significantly shortening the payout time frame. Given that this was a new milestone for the DPS, which forms an integral part of Hong Kong's financial safety net, I was glad to join the Board at the right moment, when I could get myself involved in and contribute to the process. I wish to express my gratitude to my colleagues of the Board, who put in many months of hard work to bring the plan into effect.

An Enhanced Deposit Protection Scheme

As I mentioned above, the past year saw an enormous amount of preparatory work to bring the gross payout approach and other improvements to fruition. From the very beginning, the Government gave its unreserved support to our efforts on various fronts, from concluding the consultation and promulgating the legislative proposal, to

introducing the amendment bill into the Legislative Council. On 24 March 2016, the DPS (Amendment) Ordinance came into operation, inaugurating a new chapter in depositor protection.

Under the new gross payout approach, in most circumstances depositors will be fully compensated in the event of a bank failure within seven days. This enhancement brings our DPS in line with counterparts around the world. By setting aside liabilities during the payout process, the new approach also simplifies the routine data maintenance and reporting requirements of Scheme members, and it ultimately reduces the time required for their submission of records to support an expedited payout process.

Heightened Payout Readiness

While the chance of the DPS being triggered continues to be slim, a sense of prudence suggests that we need to remain vigilant and be prepared at all times. The Board conducted regular payout rehearsals and simulation tests since the launch of the DPS in 2006 to test our systems and processes, verify the data quality of Scheme members, and ensure readiness and effectiveness of our co-ordination with external payout agents.

During the year, our payout rehearsal was built around the scenario of the failure of a retail bank, and it utilised the banking regulator's new early warning system to accelerate the payout preparation. An extensive network of our payout agents took part in the rehearsal, giving us a more accurate assessment of their readiness and the effectiveness of our co-ordination. In addition, the rehearsal highlighted some useful lessons for improving our preparedness and the efficiency of our payout mechanism in the transition to the new gross payout approach.

Should the DPS be triggered, the process of determining the amount of compensation and making actual payouts hinges on both the quality of bank records kept by Scheme members and their ability to provide these records to us in a timely manner. We therefore implemented a new programme during the year that monitors how well members comply with the DPS information submission requirements. The programme includes an annual self-declaration of compliance as well as a triennial independent assessment report indicating members' ability to respond to a request from the Board for any required information. The initial self-declaration results were satisfactory.

Following the implementation of the new gross payout approach, we will continue to look for ways to streamline its procedures and enhance the existing payout system. In addition, the Board plans to study the feasibility of adopting e-cheques in the payout toolkit given the newly established ability to communicate electronically with depositors during the faster payout process. Information security and data privacy will be taken into account when the feasibility study is conducted. Finally, we will continue our compliance monitoring programme.

Engaging and Educating the Community

On the publicity front, I am pleased to see that our myriad multimedia programmes, combined with our community outreach efforts, have resulted in a steadily increasing level of awareness and knowledge among the public. To keep this momentum going, during the year we developed and executed a consolidated mass publicity programme utilising TV, print and multimedia, covering public transport, direct mail, periodicals and online channels.

These more traditional campaigns were paired with a series of new, complementary interactive ventures geared towards specific audiences that fused digital outreach, games and storytelling. An interesting example of our synergistic publicity campaigns during the year included the Deposit Story Competition, which collected inspirational personal stories from members of the community. Selected anecdotes drawn from these personal stories will be turned into short videos to generate public appreciation of how people fulfil their aspirations with their hard-earned savings, and of the relevance of deposit protection in their daily lives. Another community initiative, the Moving Mirror Truck campaign, engaged different demographic groups through its eye-catching design and its slogan, “存程照住你”, which is Cantonese slang for “DPS looking after you all the way”. The truck, which was parked in busy business districts and residential areas, included an interactive, fun-filled instant photo-taking corner, question and answer games, and videos about the DPS.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

These multifaceted publicity and community outreach campaigns allowed us to maintain a healthy 77% level of public awareness of the DPS, as indicated in the independent public opinion surveys we commissioned. We are encouraged by this growing awareness and familiarity with the Scheme, and we will continue our efforts to refine our outreach and engagement strategies to better enable our diverse community to appreciate the benefits of deposit protection.

A Note of Appreciation

Needless to say, I am truly indebted to the able leadership and wise counsel of the retiring Chairperson of the Board, Mrs Pamela Chan. Her initial appointment in July 2010 came in the wake of the enactment of the DPS (Amendment) Ordinance 2010. In the six years since, the DPS has undergone a string of enhancements to grow in strength and vitality and become a fundamental element in Hong Kong's financial infrastructure. I would also like to thank my predecessor, Ms Meena Datwani. During her tenure, she provided the executive leadership needed to prepare for the DPS improvements, and her hard work has made my transition a pleasant and smooth one.

On behalf of the Board, I would like to express my appreciation for the support of the Government during the legislative process. And I would like to extend my special thanks to my colleagues for their admirable commitment and untiring efforts in maintaining depositor protection.

Finally, I would like to reiterate the Board's pledge to work together with Scheme members and other key stakeholders in honouring our commitment to protect the depositors who entrust their savings to Hong Kong's banking system. It is our hope that our efforts will encourage people throughout Hong Kong to save with confidence and continue to invest in their own future.



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