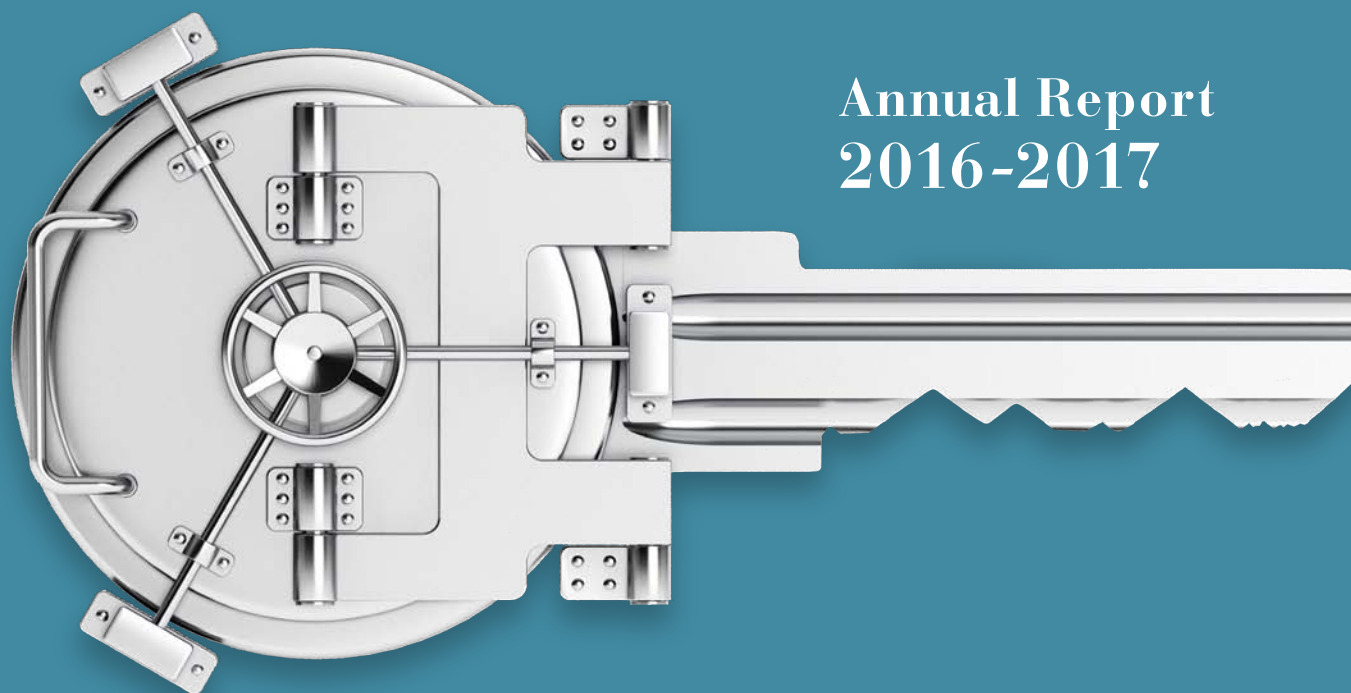




香港存款保障委員會  
HONG KONG DEPOSIT  
PROTECTION BOARD



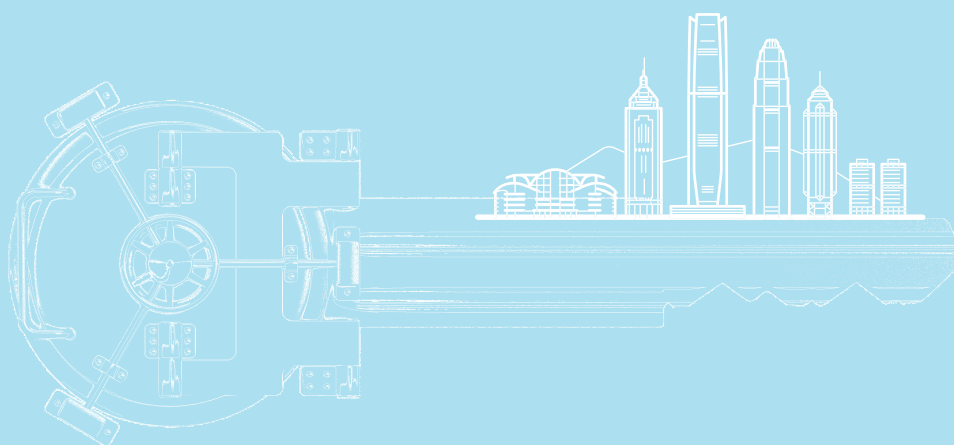
## Annual Report 2016-2017



# HONG KONG DEPOSIT PROTECTION BOARD

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

The Board's mission is to ensure that an efficient and effective Deposit Protection Scheme is in place in accordance with the Ordinance and in line with international best practices.



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# DEPOSIT PROTECTION SCHEME – A DECADE OF DEVELOPMENT



The Deposit Protection Scheme (DPS) was launched on 25 September, providing effective protection to depositors in Hong Kong.



The global financial crisis deepened while the banking system of Hong Kong remained generally stable. The DPS was not activated during the crisis but stood ready to do so if needed.

The Legislative Council passed amendments to enhance the protection limit, scope of coverage and representation requirements of the DPS.



• 2006

• 2007

• 2008

• 2009

• 2010

• 2011

The first payout rehearsal was held to test the overall readiness of the system and improve payout efficiency.



Proposals to enhance the scope and coverage level of the Scheme were concluded after two rounds of public consultation.

The protection limit on deposits was raised from HK\$100,000 to HK\$500,000 from 1 January and the Scheme's coverage was extended to include secured deposits.





Hong Kong chaired the Financial Stability Board's peer review of deposit insurance systems to finalise a report for developing guidance based on international best practices.

The DPS was assessed as a transparent and trusted scheme under the International Monetary Fund's Financial Sector Assessment Program.



Enactment of the Deposit Protection Scheme (Amendment) Ordinance 2016 enabled the implementation of a fast payout regime with a target of full payment within seven days compared with the previous payment benchmark of six weeks.

• 2012

• 2013

• 2014

• 2015

• 2016

Strategic plans were formulated for achieving fast payouts and establishing an early warning system with the banking supervisor.



The amendment bill to achieve fast payouts by adopting the gross payout approach and other technical enhancements was introduced into the Legislative Council on the back of broad support received from the public consultation.



Photo source: The Legislative Council ([www.legco.gov.hk](http://www.legco.gov.hk))

## MESSAGE FROM THE CHAIRPERSON



It was both an honour and a privilege to take the helm of the Deposit Protection Board (the Board) which is entrusted with the crucial role of protecting all depositors in Hong Kong. My appointment last July came at an opportune time when the Deposit Protection Scheme (the Scheme) was about to celebrate its 10th anniversary. The 10th anniversary marked a very major milestone and provided me with an excellent opportunity to revisit the tireless efforts made by my past and present colleagues in enhancing the coverage and efficiency of the Scheme. Such accomplishments enabled us to sail through the global financial crisis in 2008 without any disruptions to depositors, the impact of which has reverberated around the world for years. In particular, I was truly impressed by the successful implementation of significant improvements to the Scheme, including a five-fold increase in the protection limit for deposits and the introduction of a fast payout regime. Together, these have provided a solid foundation for us to continue enhancing the Scheme, thus further strengthening Hong Kong's financial stability.

While we all hope the Scheme will never have to be triggered, our priority is to always ensure that we are well prepared for any challenges, as quickly and efficiently as possible. During the year, we were busy completing the necessary operational adjustments for a smooth transition from the net to gross payout approach following passage of the relevant legislative amendments in March 2016. The work included system tuning, updating policies and procedures, streamlining information requirements for Scheme members, and organising training sessions for our payout agents. These enhancements were undertaken, step by step, to achieve the objective of fast payouts within seven days should the situation arise. In addition, a full rehearsal will be conducted later this year to test and confirm that the procedures, system and people can all function as expected.

The ability of Scheme members in providing the necessary information to us in a timely manner is equally important in the execution of a fast payout. In view of this, we regularly monitor their compliance with the relevant requirements to ensure accuracy, completeness and timeliness in submission of bank records. We are glad to note that the results of the compliance reviews and simulation tests conducted so far have confirmed the readiness of information for swift payouts to depositors.

## MESSAGE FROM THE CHAIRPERSON



We are also building for the future. To support a speedy payout process in the next decade, we have embarked on a system modernisation project scheduled for completion by the end of 2018. The installation of more advanced hardware infrastructure, coupled with new functions through application redevelopment, will significantly improve our overall system efficiency and effectiveness; and we will continue to explore convenient and secure electronic channels as an alternative to paper cheques to reimburse depositors.

As the new Chairperson, I am also endeavouring to build on the success we have had in the past decade in raising awareness among members of the public that their deposits are being well protected by the Scheme, especially for the unexpected rainy days. This is crucial to the overall confidence in the Scheme and our financial stability. Through the ongoing publicity and community education programmes, we have maintained the level of awareness and understanding of the Scheme at a healthy 78%. In the Deposit Story Competition held last year, we were able to engender a deeper appreciation of what “every dollar counts” means to different depositors, and how the Scheme protects each of their dreams. For instance, pursuing further studies, starting up a new business, buying a new home, or enjoying retirement, to name just a few! Some of the real-life stories and anecdotes were also developed into short videos to show how people can “Save with Confidence”. Indeed, we plan to continue with this theme as the focal point in a new publicity campaign. Our community education programme was also advanced with outreach initiatives to further engage ethnic communities, the younger generation, homemakers, and the elderly, so they could have a better understanding of the Scheme.

The smooth operation of the Scheme relies on the concerted efforts of the Board and its key stakeholders, so it is timely for me to express my heartfelt gratitude to fellow Board Members, and Members of the Advisory Panel on Communication and Public Education for their invaluable contribution and insight over the years. In particular, I would like to pay special tribute to my predecessor, Mrs Pamela Chan, for her sterling leadership and wisdom, and retired Board Members, Miss Annie Chan, Professor Francis Chin, Mr Eugene Ho and Mr David Kidd, for their distinguished service, and offer my best wishes to each of them for their continued success after their six years of firm commitment and dedication to the Board. On the other hand, I extend a warm welcome to fellow new Board Members, Ms Anita Gidumal, Mr Mat Ng, Ms Barbara Shiu and Professor Tam Kar-yan. I am also truly grateful to the Hong Kong Monetary Authority, the Financial Services and the Treasury Bureau, and Scheme members for the indispensable partnership forged over a decade, and I look forward to further collaboration with them in the years ahead. Finally, I would like to record my sincere appreciation to the Board’s dedicated and conscientious staff under the excellent leadership of the CEO, Mr Li Shu-pui, and the two Deputy CEOs, Ms Tess Leung and Ms Anita Chan. Their professionalism and perseverance underpin the smooth operation and sound development of the Scheme – a cornerstone of the sustained financial stability of our city as an international financial centre.

**Professor HUI King-man, Michael, MH**  
Chairperson  
Hong Kong Deposit Protection Board

## DEPOSIT PROTECTION SCHEME AT A GLANCE



- The 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. It is a statutory requirement for all Scheme members to prominently display a membership sign at their places of business.



- The aggregate deposits of each depositor are protected up to a limit of HK\$500,000 per Scheme member. In the event of a bank failure, the compensation payable to a depositor is determined on a gross basis (i.e., without deducting the liabilities owed by the depositor to the bank concerned) and the target time frame for making full compensation payments to depositors is within seven days in most cases.
- Deposits denominated in Hong Kong dollar, renminbi or any other currencies are covered by the Scheme.
- Eligible deposits held with Scheme members are legally protected by the DPS without the need for pre-registration or application. Depositors are not required to pay for protection.
- Deposits such as 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, fall outside the scope of DPS protection.
- A Deposit Protection Scheme Fund (DPS Fund) is established for keeping the contributions collected 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\$5.1 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 as determined by the Hong Kong Monetary Authority (HKMA).

# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



## OVERVIEW

### Introduction

The Hong Kong Deposit Protection Board (the Board) is a statutory body established under section 3 of the Deposit Protection Scheme Ordinance (DPSO) to oversee the operations of the DPS. The DPS has been a key building block in Hong Kong's financial safety net since its launch in September 2006. The provision of deposit protection has also been contributing to the stability of the banking system. The Board is a member of the International Association of Deposit Insurers and has joined the efforts of the Association in promoting effective deposit insurance systems since 2006.

### Mission and Functions of the Board

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

- maintaining the DPS;
- 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.

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### 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 are selected 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 HKMA and the Secretary for Financial Services and the Treasury. Except for the ex officio members, all other members are appointed for a fixed renewable term not exceeding six years under normal circumstances. See pages 10 to 12 on the composition of the Board.

### Committee and Advisory Panel of the Board

Under the DPSO, the Board may appoint committees and advisory panels to assist in performing its functions. Currently, an Investment Committee and an Advisory Panel on Communication and Public Education have been formed for this purpose, with their objectives and composition set out on pages 13 to 14.



### Executive Management

Pursuant to section 6 of the DPSO, the Board shall perform its functions through the HKMA unless indicated otherwise by the FS. Hence the HKMA acts as an executive arm of the Board in administering the DPS. Against this background, the HKMA has assigned a team of professional and support 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 to oversee all day-to-day functions of the Scheme. The HKMA also provides administrative support to the Board, including accounting, administration, human resources and information technology, with detailed arrangements set out in a Memorandum of Understanding between the two organisations. The costs incurred by the HKMA for such purposes 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 among 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 operations 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 operations of the DPS according to the principles and policies endorsed by the Board.



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### THE BOARD AND ITS COMMITTEE AND ADVISORY PANEL

#### Members of the Board

##### Chairperson



**Professor HUI King-man, Michael, MH** (since July 2016)

Pro-Vice-Chancellor / Vice-President  
Choh-Ming Li Professor of Marketing  
The Chinese University of Hong Kong



**Mrs CHAN WONG Shui, Pamela, BBS, JP** (until June 2016)

Former Chief Executive  
The Consumer Council of Hong Kong

##### Members



**Professor CHAN Ngai-hang**

Choh-Ming Li Professor of Statistics  
Director of Graduate Studies Risk Management Science Program  
Department of Statistics  
The Chinese University of Hong Kong



**Ms CHING Kim-wai, Kerry**

Managing Director, Asia  
AMP Capital Asia Limited



**Ms GIDUMAL Anita** (since July 2016)

Finance Advisor  
Abercorn Trading Co. Ltd and LUXE City Guides



**Mr NG Mat** (since July 2016)

Managing Director  
JLA Asia Limited



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### Members



**Ms SHIU Barbara** (since July 2016)

Former General Manager  
Operational Risk and Compliance Department  
Bank of China (Hong Kong) Limited



**Professor TAM Kar-yan, MH** (since July 2016)

Dean, School of Business and Management  
Chair Professor of Information Systems,  
Business Statistics and Operations Management  
The Hong Kong University of Science and Technology



**Mr LEE Tat-chi, Howard, JP**

Senior Executive Director  
Hong Kong Monetary Authority

*Ex officio member of the Board  
representing the Monetary Authority*



**Mr WONG Ho-yuen, Andrew, JP**

Permanent Secretary for Financial Services and the  
Treasury (Financial Services)

*Ex officio member of the Board  
representing the Secretary for Financial Services and the Treasury*

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### Members



**Miss CHAN Wai-hing, Annie (until June 2016)**  
Managing Director  
Mazars Corporate Recovery & Forensic Services Limited



**Professor CHIN Yuk-lun, Francis (until June 2016)**  
Emeritus Professor  
Honorary Professor  
Department of Computer Science  
The University of Hong Kong



**Mr HO Eugene (until June 2016)**  
Former Chief Executive  
ICBC International Holdings Limited



**Mr KIDD David (until June 2016)**  
Partner  
Linklaters

## 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 to advise the Board on the investment of the DPS Fund. It is responsible for:

- making recommendations on the investment policy and strategy in respect of the DPS Fund;
- monitoring the investment performance of the DPS Fund and establishing proper risk management controls for the investment activities of the Board; and
- working on any other investment-related matters as determined from time to time by the Board.

The Committee comprises members with experience and expertise in banking and investment-related areas. The Chairperson and a majority of the members of the Committee are also members of the Board. The membership of the Committee is as follows:

#### Chairperson

##### **Ms CHING Kim-wai, Kerry**

Managing Director, Asia  
AMP Capital Asia Limited

#### Members

##### **Professor CHAN Ngai-hang**

Choh-Ming Li Professor of Statistics  
Director of Graduate Studies Risk Management  
Science Program  
Department of Statistics  
The Chinese University of Hong Kong

##### **Mr CHU Siu-chuen, Francis, JP**

Executive Director (Reserves Management)  
Hong Kong Monetary Authority

##### **Ms SHIU Barbara (since August 2016)**

Former General Manager  
Operational Risk and Compliance Department  
Bank of China (Hong Kong) Limited

##### **Miss CHAN Wai-hing, Annie (until June 2016)**

Managing Director  
Mazars Corporate Recovery &  
Forensic Services Limited

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### Advisory Panel on Communication and Public Education

The Advisory Panel on Communication and Public Education is established in accordance with section 7 of the DPSO. Comprising the Chairperson of the Board and experts with extensive experience in public relations, communication and community education strategies, the Panel advises the Board on related matters such as the development of strategy in these areas, and the ongoing effectiveness of their implementation. The membership of the Advisory Panel is as follows:

#### Chairperson

**Professor HUI King-man, Michael, MH** (since July 2016)

**Mrs CHAN WONG Shui, Pamela, BBS, JP**  
(until June 2016)

#### Members

**Ms CHAN Kwok-fai, Jenny**

**Mr CHIU Sung-kei, Josiah** (since September 2016)

**Mr WONG Koon-shing**

**Mr NG Shui-lai, BBS, MBE, JP** (until June 2016)



### CORPORATE GOVERNANCE

#### The Board

The Board is an independent statutory body formed under the DPSO. In line with good corporate governance standards applicable to deposit insurers, only a minority of the members of the Board are from the Government and the HKMA. This arrangement is to facilitate a balanced contribution from the Government, the banking supervisor and external professionals from various perspectives in the management and operations of the DPS. At the same time, the Board's functions are insulated from the influence of the banking industry, as employees or directors of banks and bank-related companies are not eligible for appointment to the Board.

The Board is subject to the oversight of the FS who is responsible for approving the estimates of income and expenditure of the DPS Fund and tabling in the Legislative Council the Board's annual report covering its activities, the statement of accounts of the DPS Fund and the audit report of the statement. The proceedings of the Board are governed by the relevant provisions of the DPSO and it meets about three times a year to discuss policy issues crucial to the operations and continuing development of the Scheme. In 2016-2017, the Board met three times with an average attendance of nearly 90% of its members.

#### Risk Management and Audits

The Board ensures that appropriate and prudent risk management systems for managing the risks in operating the DPS are adequately implemented and reviewed regularly. The Internal Audit Division (IAD) of the HKMA performs periodic assessments of the risks inherent in various operational areas of the Board. It also assesses whether there are appropriate and sufficient controls in place to safeguard the Board against the potential risks identified. The IAD reports its findings and recommendations directly to the Board to ensure that the audit findings and recommendations are communicated independently and effectively to the members.

The audit of the DPS Fund's annual statement of accounts is undertaken by an external auditor and the appointment is approved by the FS. The appointee reports the results and any findings directly to the Board. The external auditor for the financial year ended 31 March 2017 was PricewaterhouseCoopers (PwC). To avoid conflicts of interest, the Board has a standing mechanism that preserves the independence of the financial audit undertaken by PwC if it also participates in non-financial audit engagements. Apart from auditing the statement of accounts, PwC is also on the Board's panel providing project management and accounting services related to payouts through a separate team.



### Standards of Behaviour and Ethics

The Board has established clear guidelines and procedures to prevent any possible conflicts of interest, including the requirements for declaration of interests. The relevant guidelines and procedures are set out in the DPSO and the Codes of Conduct for members and staff of the Board. Members are required to declare in writing their personal interests when they first join the Board or its committees, and then annually, 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 an annual declaration to the Chairperson of the Board. Specific procedures are in place for members and staff on the detailed reporting requirements of their interests and, when applicable, excuse themselves from the decision making process.

### Communication and Transparency

The Board is committed to open communication with the public and other stakeholders. It maintains a website to facilitate access to information on different aspects of the DPS operations and its annual report is publicly available. In addition, the Board has also established multiple channels to answer enquiries from the public. The banking industry is kept informed of developments in the DPS, through consultations with the industry associations on policies and initiatives relating to the operations of the Scheme 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 CE/HKSAR has appointed a former Deputy Judge of the Court of First Instance of the High Court as Chairman of the Tribunal, together with a panel of three persons who may be called upon as members of the Tribunal. Sittings of the Tribunal will be convened only when required. So far, there has been no appeal case reported or reviewed by the Tribunal.

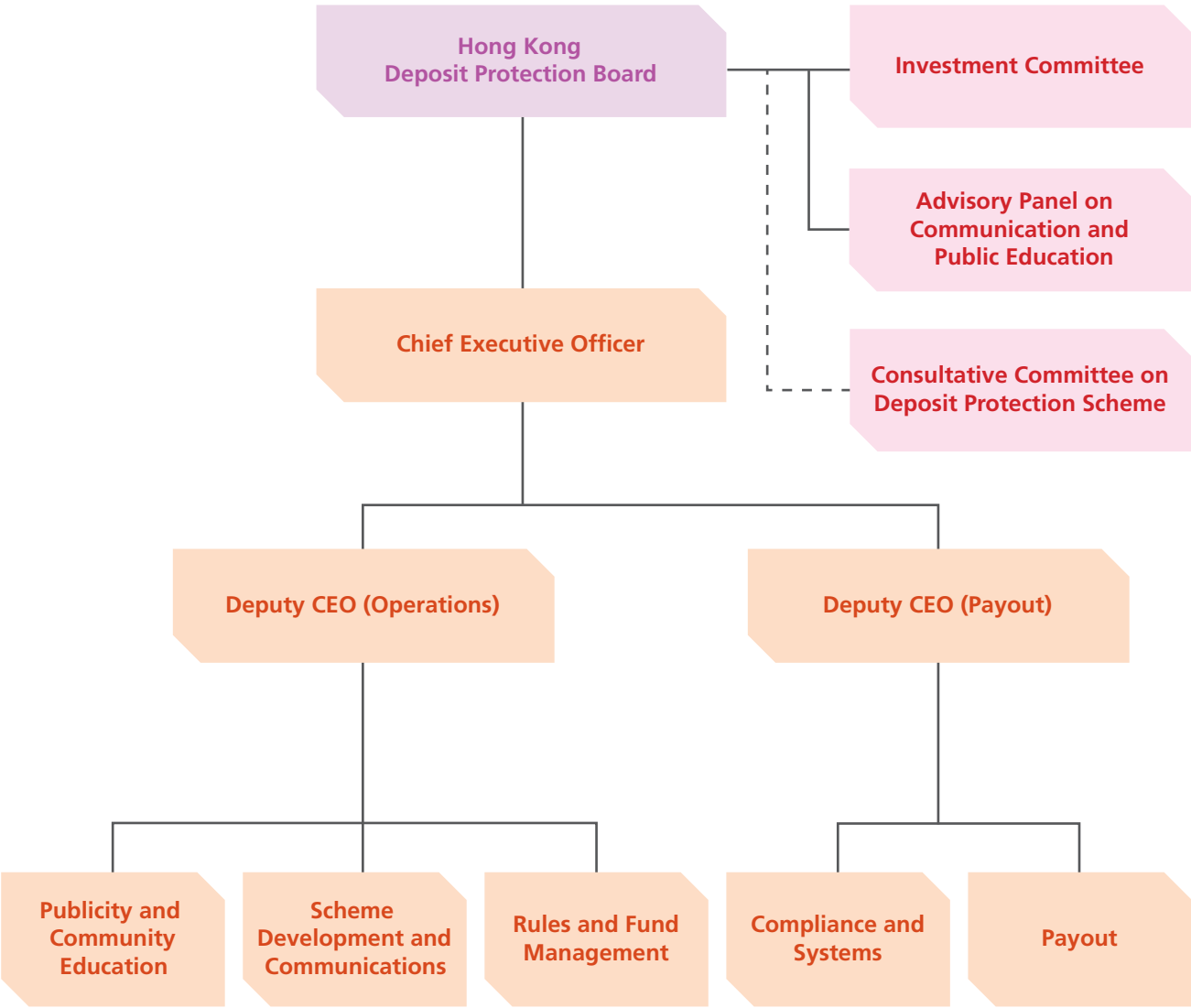
### Review of the Corporate Governance Structure

The Board has set a policy of regularly reviewing its corporate governance structure 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 driven by the development of the DPS. Refinements are made between individual reviews as and when necessary as the Board keeps up with local and international best practices. The IAD also conducts independent reviews of the Board's corporate governance practices against applicable local or international standards on a periodic basis.

# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



## ORGANISATIONAL STRUCTURE



## SCHEME OPERATIONS



### SCHEME MEMBERS' PROFILE AND RELEVANT DEPOSITS

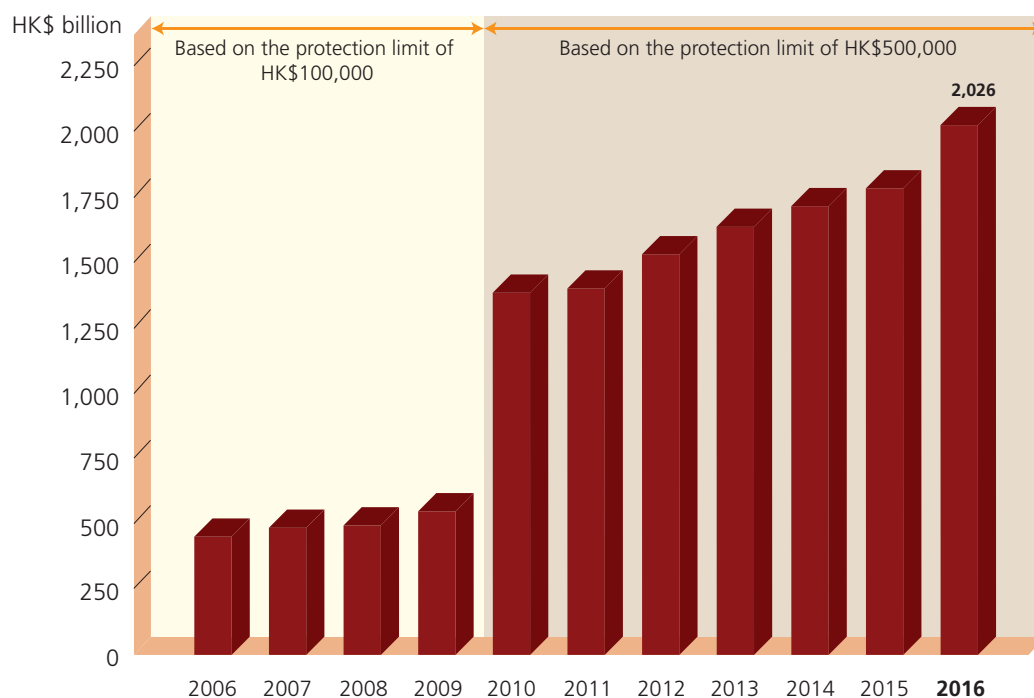
The Scheme had 153 members at the end of March 2017, two less than a year ago. Two newly licensed banks joined the Scheme, while three memberships were revoked and one bank was exempted from being a member. Twenty-two of the Scheme members were locally incorporated banks and 131 were banks incorporated outside Hong Kong. This is largely in line with the number of retail and wholesale banks in Hong Kong.

Based on returns submitted by Scheme members, the aggregate amount of their relevant deposits grew by 14% to HK\$2,026 billion during 2016, compared with HK\$1,784 billion in 2015. This

was attributed to an increase in total deposits held with Scheme members and the change in return reporting from net to gross basis (i.e., without deducting a depositor's liabilities from his or her protected deposits held with the same bank) to tally with the implementation of the gross payout approach in March 2016. The distribution of relevant deposits among Scheme members remained similar to that of the previous year. The top 20 Scheme members, most of which were retail banks, held 97% of the industry's aggregate relevant deposits.

The Board's objective is for most depositors to be fully protected by the DPS protection limit. According to statistics provided by Scheme members, about 90% of depositors are fully protected by the Scheme.

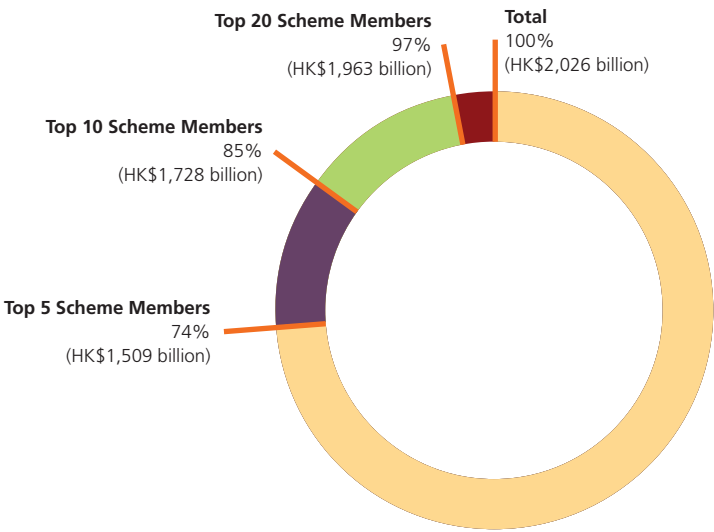
### Relevant Deposits Held with Scheme Members (2006 - 2016)







## Distribution of Relevant Deposits in 2016





### Is e-money or stored value facility a protected deposit under the DPS?

E-money or stored value facility (SVF) is generally referred to payment products that can store value on a card, mobile phone or internet-based account for the payment of goods and services, or for the transfer of funds between different parties. Thanks to this ever-expanding technology, consumers can conveniently “check out” at shops (physically or online), book tickets or split dinner bills in seconds. While SVF is as convenient as paying with cash, or even more so, consumers are required to deposit or top-up money into their SVF accounts before the facility can be used for payments.

As the stored value feature of an SVF seems similar to a bank deposit account, people may wonder whether the money in such an account is the same as a bank deposit and therefore protected by Hong Kong’s Deposit Protection Scheme. Under the Payment Systems and Stored Value Facilities Ordinance (PSSVFO), the “float” as it’s called, which is the total sum paid by a consumer to an SVF operator for storage on an SVF account, is specifically defined as not a “deposit”. In addition, the float is subject to a different set of regulatory protection under the PSSVFO, such as a number of licensing criteria, proper float separation from the issuer’s own fund and adequate float protection measures. In summary, the interests of consumers holding SVF are adequately protected by the SVF licensing and supervisory regime implemented by the Hong Kong Monetary Authority. As a result, an SVF is not a bank savings account and hence outside the scope of the Deposit Protection Scheme in Hong Kong.



## SCHEME OPERATIONS



### PAYOUT READINESS

#### Implementation of the Gross Payout Approach

The necessary operational transition was completed within three months following the adoption of the gross payout approach. The operational plan, procedures and payout system were enhanced and, more importantly, the payout agents were trained to ensure their preparedness to reimburse depositors within seven days of a bank failure. Information requirements for Scheme members were streamlined to enable a more straightforward compliance with the new requirements.

We will also continue to explore the costs and benefits of using various electronic channels to supplement paper cheques as this may help speed up the process of disbursing compensation payment to depositors.

#### Modernisation of the Payout System

The existing IT infrastructure for the payout operations has been in use for over 10 years. The system hardware is becoming obsolete and the hardware vendor has already informed the Board of discontinuing the ongoing support and maintenance service in the near future. Against this background, a project plan has been formulated to replace the existing payout system, with the aim of completing implementation of the new system by the end of 2018.

### Objectives of the Modernisation of the Payout System

#### Infrastructure Renewal



- Refresh technology to improve computing resource utilisation, system reliability and security
- Strengthen system resilience by shortening recovery time when a disastrous event occurs
- Improve system processing power by 30%
- Enhance personal data protection

#### Application Redevelopment



- Streamline system workflow for the gross payout approach
- Enhance process efficiency
- Support electronic payment methods
- Reduce cost of maintenance

## SCHEME OPERATIONS



### Contingency Planning and Rehearsal

The Board has entered into a formal co-operative agreement with the HKMA to allow the Board to receive an early warning signal to prepare for a payout in the event of a possible bank failure.

A full payout rehearsal has been planned for 2017-2018, the first to test the newly implemented gross payout arrangement. The full rehearsal will involve the Board members and all payout agents in a “close-to-real-life” situation to verify if the seven-day payout target can be met. The scope of the rehearsal will cover all relevant deposits of the selected bank, and the command, control and communication framework of the Board, crisis media and co-ordination among payout agents.



A walk-through training of payout procedures for payout agents

## SCHEME OPERATIONS



### Pre-payout and Payout Processes and Benefits to Depositors under the Gross Payout Approach

#### Early Preparation

Early warning received from the HKMA to allow preparatory work for a potential payout

This will facilitate the essential preparatory work for achieving a fast payout to depositors



#### Information Collection

Deposit records are submitted by the failed Scheme member following the DPS trigger while submission of liabilities records is no longer required

Liabilities of depositors owing to the failed Scheme member will not be deducted for compensation payment under the gross payout approach and only deposit records are required for calculation



#### Data Processing

The data received from the failed Scheme member will be uploaded to the Payout System for processing

Compensation determination is based directly on deposit balances maintained by the failed Scheme member



#### Compensation Determination

Compensation amount of each depositor is determined by a highly automated process

The calculation under the gross payout approach is relatively simple and the compensation amount can be quickly determined



#### Disbursement of Compensation

Cheques will be posted to the correspondence addresses of the depositors maintained by the failed Scheme member

Cheques and payout notices will be sent to the depositors within seven days under most circumstances

## SCHEME OPERATIONS



### Information System Requirements and Compliance

The Information System Guideline (IS Guideline) issued by the Board sets out the requirements for the Scheme members to prepare information submission for the compensation calculation.

#### Information Requirements for Scheme Members to Achieve a Fast Payout

##### Deposit Information for Compensation Calculation

- Account number
- Deposit type
- Deposit balance
- Interest information
- Special status: deposit subject to encumbrance, deposit held by a trust or in a client account

##### Depositor Information for Paying Compensation

- Personal particulars: name, Hong Kong Identity Card number, date of birth
- Company identification: business registration number, name of sole proprietorship
- Contact details: correspondence address, telephone and mobile number, e-mail address
- Special status: depositor with undeliverable address, deceased depositor

##### Deposit Product Information for Determining DPS Protection

- DPS protection status
- Interest calculation methodology
- Product terms and conditions

##### Information for Facilitating Payout Process

- Scheme members' IT system and accounting information
- Related companies and special officers
- Contacts of key personnel

## SCHEME OPERATIONS



Scheme members' ongoing compliance status is monitored by various measures under the Compliance Review Programme. These measures include self-certification, assessment conducted by independent auditors and reviews done by the Board. The overall compliance level of the industry

during the year was satisfactory. To further enhance the overall effectiveness of the independent assessment, a series of information sessions will be arranged for IT auditors and IT practitioners to deepen their understanding of the assessment requirements.

### Monitoring of Scheme Members' Compliance

#### Compliance Areas to be Examined



- Availability of complete and accurate information
- Format in which the information is made available
- Timeliness in making the required information available
- Readiness of information submission for a payout

#### Monitoring Tools



##### Annual Self-certification Endorsed by the Senior Management of Scheme Members

- Annual declaration of compliance with the IS Guideline by Scheme members based on regular internal reviews
- Periodic drill test to ensure effectiveness of Scheme members' procedures related to the IS Guideline

##### Triennial Assessment by Independent Auditors

- Assessment of Scheme members' systems and controls related to the compliance with the IS Guideline
- Assurance of ongoing compliance with the IS Guideline by Scheme members

##### Review of Selected Scheme Members by the Board

- Comprehensive review of controls and correctness of bank records submitted by selected Scheme members
- Verification of data compatibility with the payout system using the bank records

#### How the Board Enhances Scheme Members' Compliance Level



- Provides technical advice on IS Guideline requirements
- Closely monitors Scheme members' remedial actions
- Issues guidance on independent assessment
- Conducts briefing sessions for Scheme members and independent auditors

## SCHEME OPERATIONS



### DEPOSIT PROTECTION SCHEME FUND

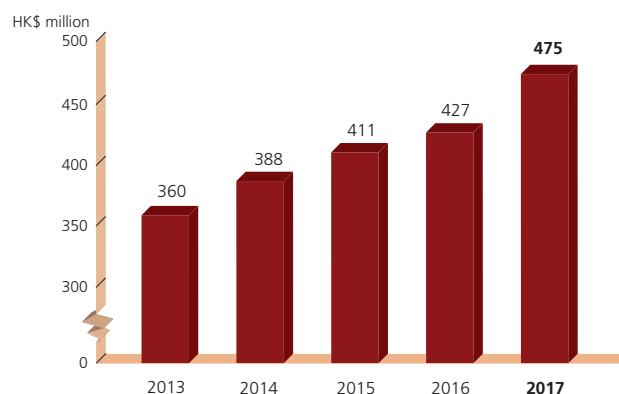
#### Composition of the Fund

The build up of the DPS Fund is mainly from two sources, namely annual contributions paid to the Board by Scheme members, and the returns generated by the Fund's investments. The amount of relevant deposits reported by Scheme members, together with the supervisory rating provided by the HKMA, serves as the basis for determining their contributions for the coming year.

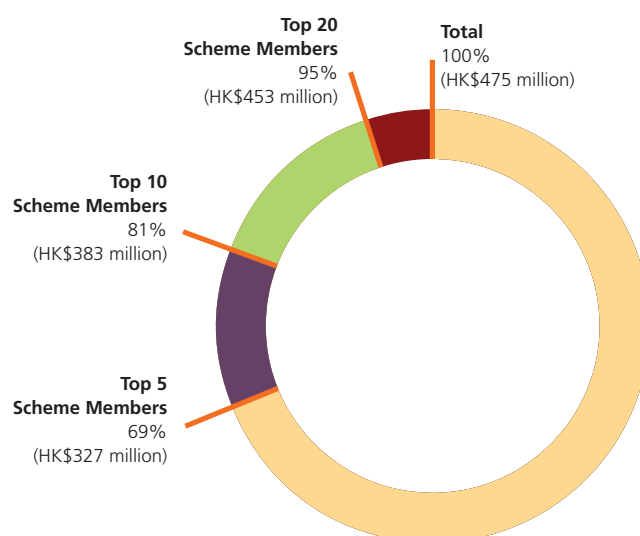
#### Assessment and Collection of Contributions

The contributions collected from Scheme members during the year amounted to HK\$475 million, an increase of 11% from the previous year. Similar to the distribution of relevant deposits, the amount of contributions collected from the top 20 Scheme members accounted for more than 95% of the total. To ensure the reporting accuracy of Scheme members, the Board, since 2007, has requested Scheme members to conduct regular audit reviews of their returns of relevant deposits in accordance with the policy for reviewing returns. The Board selected 21 Scheme members to submit an audit report on the accuracy of their returns in 2017. The audit results were generally satisfactory, and no reporting error leading to a material impact on the amount of contributions collected by the Board was noted.

#### Contributions Paid by Scheme Members



#### Contributions by Relevant Deposits Held with Scheme Members





## SCHEME OPERATIONS

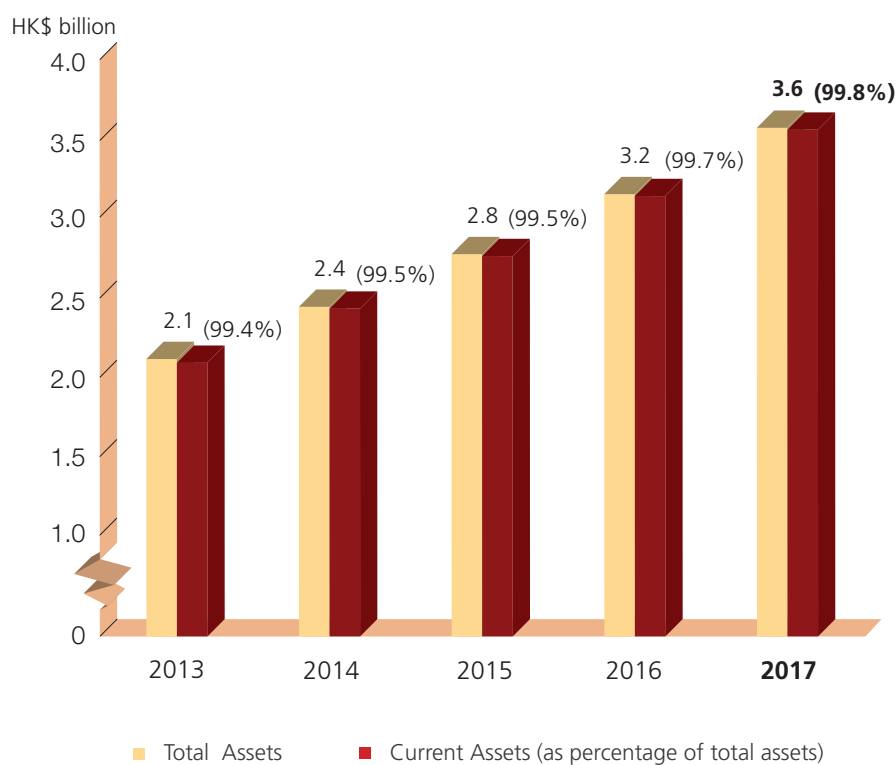


### DPS Fund Investments

In view of the continuing uncertainties surrounding the global financial markets, the Board maintained a cautious approach by adopting a capital preservation and conservative strategy for the investment of the DPS Fund. Investments were made in strict compliance with the DPSO and the investment control policies of the DPS Fund, which set out clear

guidelines on risk assessment and control measures, and the segregation of duties required for investment activities. The DPS Fund's assets were maintained with highly liquid assets and were predominantly held in the form of Hong Kong dollar deposits at the end of March 2017. The DPS Fund achieved an investment return of 0.34% for the year despite the uncertain investment environment.

### DPS Fund's Assets



## SCHEME OPERATIONS



### REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF THE SCHEME

The Board's publicity and community education programmes aim to reinforce public awareness and understanding of the Scheme. During the year, the publicity campaign focused on sharing stories and anecdotes developed on the basis of selected winning entries of the earlier Deposit Story Competition which attracted over 2,000 entries from people across generations and backgrounds. The Competition was designed to encourage appreciation of the underlying meaning of deposits and a greater understanding of deposit protection. The publicity initiatives utilised both conventional and new media to reach a wider audience, and were complemented by an array of community education and engagement activities tailored for specific demographic groups in Hong Kong.



Promotional videos share deposit stories and experiences across different generations

### Multi-media Deposit Story Campaign

Riding on the momentum of the Deposit Story Competition among the public, the story sharing initiative was further expanded during the year to include:

- promotional videos posted on the Board's Facebook page, "Save with Confidence", and its YouTube channel, as well as out-of-home and digital publicity channels, such as cinemas, public transport and related advertisements on websites and mobile applications;
- an infotainment series, "Protecting your Deposits", containing five 1-minute deposit story episodes highlighting key features of the DPS for broadcast on a major TV channel and its online platform, supplemented by a magazine advertorial;
- social media engagement encouraging the viewing and sharing of the videos and infotainment through games on the DPS Facebook Page; and
- newspaper advertorial featuring the award presentation ceremony of the Deposit Story Competition, with highlights of the winning stories and sharing by the winners.



TV infotainment series carries the important theme "Protecting your Deposits"

## SCHEME OPERATIONS



### Community Education and Neighbourhood Outreach Activities

The Board enhanced its efforts to communicate with people from all walks of life, including:

- reaching out to ethnic communities through community activities, supplemented by TV, radio and online advertisements as well as advertorials in relevant free newspapers;
- promoting the DPS board game, “Around the World in \$80”, to the younger generation to further disseminate basic knowledge of the DPS to students and parents through inter-school competition, workshops at schools and youth centres, as well as exhibition booths at the Book Fair, and Learning and Teaching Expo;
- conducting money management cum DPS workshops for financial literacy ambassadors of The Family Planning Association of Hong Kong’s Women’s Club and training them as DPS board game instructors to further spread DPS messages to their families and friends; and
- connecting electronically with the elderly through the launch of a monthly “DPS Tips” column on the Cyber Engagement Platform of the Senior Citizen Home Safety Association.



Enhancing promotion of the DPS to all members of the public



Students consider their next move at the Inter-School Board Game Competition



Female financial literacy ambassadors help spread the word about the DPS



## SCHEME OPERATIONS



### An Overview of the Community Education and Neighbourhood Outreach Activities in the Past Five Years

**147** Talks and Seminars

**19** Training Workshops



Elderly



Students



Homemakers



Elderly

**28** Consumer Shows and Engagement Activities

**70** Board Game Activities



General Public



Families



Students



Youth and Kids

## SCHEME OPERATIONS



### Understanding the DPS

According to an independent public opinion survey conducted in 2016, the level of awareness and understanding of the DPS among the general public was maintained at a healthy 78%. Of those aware of the Scheme, about 80% knew about the HK\$500,000 protection limit, and understood the legal backing behind the protection. In order to better understand target audiences, the Board also conducted a qualitative focus group study in early 2017 and leveraged on the opportunity to test new creative concepts. The study confirmed the appreciation of the public on the protection offered by the DPS and highlighted the relative importance of the key features of the DPS in the

minds of the participants. The Board will continue to make reference to the findings to fine-tune its communication strategies.

In addition to gauging public opinion, the Board operates the DPS Public Enquiry Service, which is a convenient and effective channel through which members of the public can enquire about different aspects of the Scheme and the functions of the Board. Nearly half the enquiries received in 2016-2017 were related to the scope of protection of the DPS, including types of financial products protected by the DPS, and the handling of deposits in joint accounts and company accounts.

### Nature of Enquiries Received by the DPS in 2016-2017



## SCHEME OPERATIONS

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### COMPLIANCE WITH THE REPRESENTATION RULES

The Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (Representation Rules) govern representations made by Scheme members about their DPS membership and the protection status of the financial products offered by them. To monitor their compliance with the representation requirements, Scheme members were asked to conduct a self-assessment review covering the period from 1 July 2015 to 30 June 2016. In addition, on-site examinations continued to be undertaken to ascertain in greater detail the level of Scheme members' compliance with the Representation Rules. The Board reviewed the self-assessment reports and findings of the on-site examinations conducted by the HKMA to decide the necessity of follow-up actions. The results indicated that the overall compliance level was satisfactory generally, and no non-compliance cases with a systemic impact were identified.

### RELATIONSHIPS WITH OTHER SAFETY NET PLAYERS

#### Co-operation with the HKMA

The Board and the HKMA both have the common objective of promoting the stability of the banking system. To accomplish this, the two parties have signed a Memorandum of Understanding (MoU) that sets out how they co-operate in the performance of their respective functions. Since the Board is required by the DPSO to perform functions through the HKMA, the Board and the HKMA have agreed on the extent of the support provided by the HKMA to the Board on a day-to-day basis. The Board also has in place a standby facility from the Exchange Fund to provide the liquidity required to pay compensation in the event of a bank failure. In addition, there is a co-operative agreement between the Board and the HKMA on an early warning system of a potential bank failure to enable a fast DPS payout.

## SCHEME OPERATIONS



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

In the event of a bank failure, the funds of a depositor or a portion of those funds may, in certain circumstances, be covered by both the DPS and the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance to compensate 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 them. These have been documented in an MoU between the Board, the SFC and the Investor Compensation Company, the company established by the SFC to administer the ICF. The MoU recognises that the DPS will normally pay the depositors first in the event of a bank failure, and that the parties involved will avoid double compensation by exchanging relevant information.

### International Co-operation

As a member of the International Association of Deposit Insurers (IADI), the Board actively participates in its conferences and seminars and other events organised by member deposit insurers and international organisations, and exchanges knowledge and views on issues relevant to deposit protection in international forums. This is particularly important for keeping up to date with international developments, and for sharing experience about the effectiveness of overseas reform measures that may provide insights and impetus for changes to ensure the robustness of Hong Kong's DPS. In 2016-2017, the Board's personnel took part in a number of international meetings, including:

- The 15th IADI Annual General Meeting and 2016 Annual Conference in Seoul, Korea;
- The Deposit Insurance Corporation of Japan-IADI International Conference "The Changing Environment and Deposit Insurers" in Tokyo, Japan;
- The IADI Asia-Pacific Regional Committee Technical Assistance Seminar in Tokyo, Japan;
- The Financial Stability Institute-IADI Joint Conference on Bank Resolution, Crisis Management and Deposit Insurance Issues in Basel, Switzerland; and
- The International Training Seminar on Payout Operations, Mechanisms and Case Studies organised by the Central Deposit Insurance Corporation, Taiwan in Taipei.

# INDEPENDENT AUDITOR'S REPORT



## To the Hong Kong Deposit Protection Board

### OPINION

#### What 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 58, which comprises:

- the balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the statement of accounts, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the statement of accounts gives a true and fair view of the financial position of the Fund as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been properly prepared in compliance with the Ordinance.

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### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement of Accounts section of our report.

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

#### Independence

We are independent of the Hong Kong Deposit Protection Board (the Board) in accordance with the HKICPA's Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code.



## INDEPENDENT AUDITOR'S REPORT

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### OTHER INFORMATION

The Board is responsible for the other information. The other information comprises all of the information included in the annual report other than the statement of accounts and our independent auditor's report thereon.

Our opinion on the statement of accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the statement of accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the statement of accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### RESPONSIBILITIES OF THE BOARD FOR THE STATEMENT OF ACCOUNTS

The Ordinance requires 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 HKFRS issued by the HKICPA, and for such internal control as the Board determines is necessary to enable the preparation of the statement of accounts that is free from material misstatement, whether due to fraud or error.

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### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the statement of accounts as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the statement of accounts.

## INDEPENDENT AUDITOR'S REPORT



### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statement of accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the statement of accounts, including the disclosures, and whether the statement of accounts represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings (if any), including any significant deficiencies in internal control that we identify during our audit.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 29 June 2017

# DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017



	Note	2017 HK\$	2016 HK\$
<b>Income</b>			
Contributions		<b>438,937,497</b>	415,283,153
Interest income from cash and balances with banks and the Exchange Fund	10	<b>10,622,289</b>	2,656,509
Interest income from available-for-sale securities		—	3,340,069
Net realised losses on disposal of available-for-sale securities		—	(428,832)
Exchange gains		<b>404</b>	10,167,341
Other income		<b>77,397</b>	60,000
Gain on disposal of fixed assets		<b>3,000</b>	—
		<b>449,640,587</b>	431,078,240
<b>Expenditure</b>			
Staff costs	5	<b>10,831,037</b>	10,208,888
Premises costs		<b>5,857,366</b>	5,847,164
Depreciation and amortisation		<b>3,876,885</b>	4,008,740
Office supplies		<b>128,623</b>	53,480
Overseas travel		<b>151,373</b>	230,752
Transport and travelling		<b>6,651</b>	4,055
Operating expenses reimbursable to the HKMA	10	<b>25,277,800</b>	26,698,235
Hire of services		<b>6,859,793</b>	9,123,428
Communications		<b>158,965</b>	160,260
Publicity and printing		<b>10,567,624</b>	11,619,924
Other expenses		<b>5,200,591</b>	5,052,959
		<b>68,916,708</b>	73,007,885
Surplus for the year		<b>380,723,879</b>	358,070,355
Total comprehensive income for the year		<b>380,723,879</b>	358,070,355

The notes on pages 41 to 58 form part of this statement of accounts.

# DEPOSIT PROTECTION SCHEME FUND — BALANCE SHEET

AS AT 31 MARCH 2017



	Note	2017 HK\$	2016 HK\$
Non-current assets			
Fixed assets	6	1,901,113	3,524,159
Intangible assets	7	4,406,819	6,533,138
		<b>6,307,932</b>	10,057,297
Current assets			
Other receivables	8	1,942,210	2,487,709
Cash and balances with banks and the Exchange Fund	10	3,559,180,636	3,140,759,803
		<b>3,561,122,846</b>	3,143,247,512
Current liabilities			
Contributions received in advance		356,016,451	320,313,602
Other payables	9	28,023,934	30,324,693
		<b>384,040,385</b>	350,638,295
Net current assets		<b>3,177,082,461</b>	2,792,609,217
Net assets		<b>3,183,390,393</b>	2,802,666,514
Represented by			
Accumulated surplus		<b>3,183,390,393</b>	2,802,666,514
		<b>3,183,390,393</b>	2,802,666,514

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 29 June 2017

**Professor Hui King-man, Michael**

Chairperson

The notes on pages 41 to 58 form part of this statement of accounts.

## DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017



	2017 HK\$	2016 HK\$
Fund balance as at 1 April	2,802,666,514	2,444,596,159
Surplus for the year	380,723,879	358,070,355
Fund balance as at 31 March	3,183,390,393	2,802,666,514

The notes on pages 41 to 58 form part of this statement of accounts.

# DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF CASH FLOWS

For the year ended 31 March 2017



	2017 HK\$	2016 HK\$
<b>Operating activities</b>		
Surplus for the year	380,723,879	358,070,355
Interest income	(10,622,289)	(5,996,578)
Exchange gains on available-for-sale securities	—	(9,188,561)
Net realised losses on disposal of available-for-sale securities	—	428,832
Depreciation and amortisation	3,876,885	4,008,740
Gain on disposal of fixed assets	(3,000)	—
Cash from operating surplus before changes in operating assets and liabilities	373,975,475	347,322,788
<b>Changes in operating assets and liabilities</b>		
Decrease/(increase) in other receivables	568,926	(517,504)
Increase in contributions received in advance	35,702,849	11,683,406
(Decrease)/increase in other payables	(2,300,759)	2,117,747
Net cash from operating activities	407,946,491	360,606,437
<b>Investing activities</b>		
Purchase of intangible assets	(33,920)	(525,700)
Purchase of fixed assets	(93,600)	(311,532)
Proceeds from disposal of fixed assets	3,000	—
Interest received	10,598,862	2,882,050
Purchase of available-for-sale securities	—	(2,243,822,253)
Proceeds from disposal of available-for-sale securities	—	2,255,922,051
Net cash from investing activities	10,474,342	14,144,616
Net increase in cash and cash equivalents	418,420,833	374,751,053
Cash and cash equivalents at 1 April	3,140,759,803	2,766,008,750
Cash and cash equivalents at 31 March	3,559,180,636	3,140,759,803
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and balances with banks and the Exchange Fund	3,559,180,636	3,140,759,803

The notes on pages 41 to 58 form part of this statement of accounts.

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



## 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 Hong Kong (IFRIC) 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (a) Basis of preparation *(continued)*

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

There are no HKFRS or Hong Kong (IFRIC) Interpretations that are effective for the first time for the financial year beginning 1 April 2016 that would have a material impact on the Fund.

#### (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2016 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.

- HKFRS 9, Financial Instruments
- HKFRS 16, Leases

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 statement of comprehensive income 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.





## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Revenue recognition *(continued)*

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.

Interest income is recognised in the statement of comprehensive income 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 statement of comprehensive income on an accrual basis.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (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

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 statement of comprehensive income 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) 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 statement of comprehensive income on a straight-line basis over the assets' estimated useful life of 5 years.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Financial assets

#### *Classification*

The Fund classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise "other receivables" and "cash and balances with banks and the Exchange Fund" in the balance sheet.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified in any of the other categories.

#### *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Financial assets *(continued)*

#### *Recognition and measurement (continued)*

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income.

### (g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

### (h) 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 statement of comprehensive income.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Impairment of financial assets *(continued)*

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 statement of comprehensive income, is removed from reserve and recognised in the statement of comprehensive income. 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 statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

### (i) Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

### (j) Other payables

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

### (k) 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Translation of foreign currencies *(continued)*

#### *(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 statement of comprehensive income.

Changes in the fair value of debt securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the surplus, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets are included in other comprehensive income.

### (l) 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 statement of comprehensive income 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.

### (m) 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(m) Provisions and contingent liabilities** *(continued)*

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.

### **(n) 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.

### **(o) 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.

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 investment-related 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.





### 3 RISK MANAGEMENT *(continued)*

#### (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 limits versus 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.



### 3 RISK MANAGEMENT *(continued)*

#### (c) Financial risk management *(continued)*

##### *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.

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.



### 3 RISK MANAGEMENT *(continued)*

#### (c) Financial risk management *(continued)*

##### *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.

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



### 5 STAFF COSTS

	2017 HK\$	2016 HK\$
Salaries	9,563,912	8,943,548
Gratuity	292,116	261,294
Other employee benefits	975,009	1,004,046
	<b>10,831,037</b>	<b>10,208,888</b>

### 6 FIXED ASSETS

	Office equipment, furniture and fixtures HK\$	Computer hardware/ software HK\$	Total HK\$
<b>Cost</b>			
As at 1 April 2016	1,589,192	16,734,386	18,323,578
Additions	93,600	—	93,600
Disposals	(34,800)	—	(34,800)
As at 31 March 2017	1,647,992	16,734,386	18,382,378
<b>Accumulated depreciation</b>			
As at 1 April 2016	1,365,122	13,434,297	14,799,419
Charge for the year	114,781	1,601,865	1,716,646
Written back on disposal	(34,800)	—	(34,800)
As at 31 March 2017	1,445,103	15,036,162	16,481,265
<b>Net book value</b>			
As at 31 March 2017	202,889	1,698,224	1,901,113
As at 31 March 2016	224,070	3,300,089	3,524,159

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



### 7 INTANGIBLE ASSETS

	Development costs of Payout System HK\$
<b>Cost</b>	
As at 1 April 2016	30,671,518
Additions	33,920
As at 31 March 2017	30,705,438
<b>Accumulated amortisation</b>	
As at 1 April 2016	24,138,380
Charge for the year	2,160,239
As at 31 March 2017	26,298,619
<b>Net book value</b>	
As at 31 March 2017	4,406,819
As at 31 March 2016	6,533,138

### 8 OTHER RECEIVABLES

	2017 HK\$	2016 HK\$
Prepayment	1,848,546	2,417,472
Interest receivables	31,164	7,737
Others	62,500	62,500
	1,942,210	2,487,709

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



### 9 OTHER PAYABLES

	Note	2017 HK\$	2016 HK\$
Hire of services	(a)	26,699,359	27,962,409
Staff expenses		1,120,361	1,186,719
Others		204,214	1,175,565
		<b>28,023,934</b>	30,324,693

- (a) This amount includes operating expenses of HK\$25,277,800 (2016: HK\$26,698,235) reimbursed to the Hong Kong Monetary Authority (HKMA), services fee for payout rehearsal of HK\$1,032,410 (2016: HK\$626,031) and fees for other hire of services of HK\$389,149 (2016: HK\$638,143).

### 10 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 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	2017 HK\$	2016 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	<b>3,554,639,283</b>	3,137,581,589
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	<b>10,622,267</b>	709,888
Operating expenses reimbursed to the HKMA	(b)	<b>25,277,800</b>	26,698,235



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



### 10 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

- (a) During the year, the Fund placed deposits with the Exchange Fund amounting to HK\$3,554,639,283 (2016: HK\$3,137,581,589) and earned interest amounting to HK\$10,622,267 (2016: HK\$709,888) 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. The expenses include the cost of staff and supporting services incurred by the HKMA for assisting the Board in carrying out its functions.
- (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 (2016: HK\$120 billion) of which nil (2016: nil) was drawn during the year.

### 11 OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date, but not recognised as liabilities, are as follows:

	2017 HK\$	2016 HK\$
No later than 1 year	1,507,363	3,876,075
Later than 1 year and no later than 5 years	—	—
	<b>1,507,363</b>	<b>3,876,075</b>

### 12 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 29 June 2017.

## ANNEX NAMES OF SCHEME MEMBERS AT 31 MARCH 2017



ABN AMRO BANK N.V.	BANK OF NEW YORK MELLON (THE)
AGRICULTURAL BANK OF CHINA LIMITED	BANK OF NOVA SCOTIA (THE)
ALLAHABAD BANK	BANK OF SINGAPORE LIMITED
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	BANK OF TAIWAN
AXIS BANK LIMITED	BANK OF TOKYO-MITSUBISHI UFJ, LTD. (THE)
BANCA MONTE DEI PASCHI DI SIENA S.P.A.	BANK SINOPAC
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	BARCLAYS BANK PLC
BANCO SANTANDER, S.A.	BDO UNIBANK, INC.
BANGKOK BANK PUBLIC COMPANY LIMITED	BNP PARIBAS
BANK J. SAFRA SARASIN AG	BNP PARIBAS SECURITIES SERVICES
BANK JULIUS BAER & CO. LTD.	BSI LTD
BANK OF AMERICA, NATIONAL ASSOCIATION	CA INDOSUEZ (SWITZERLAND) SA
BANK OF BARODA	CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF CHINA (HONG KONG) LIMITED	CANARA BANK
BANK OF CHINA LIMITED	CATHAY BANK
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	CATHAY UNITED BANK COMPANY, LIMITED
BANK OF COMMUNICATIONS CO., LTD.	CHANG HWA COMMERCIAL BANK, LTD.
BANK OF EAST ASIA, LIMITED (THE)	CHIBA BANK, LTD. (THE)
BANK OF INDIA	CHINA CITIC BANK INTERNATIONAL LIMITED
BANK OF MONTREAL	CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
	CHINA CONSTRUCTION BANK CORPORATION

## ANNEX NAMES OF SCHEME MEMBERS AT 31 MARCH 2017



CHINA DEVELOPMENT BANK CORPORATION	DZ BANK AG DEUTSCHE ZENTRAL- GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN
CHINA EVERBRIGHT BANK CO., LTD.	
CHINA MERCHANTS BANK CO., LTD.	E.SUN COMMERCIAL BANK, LTD.
CHINA MINSHENG BANKING CORP., LTD.	EAST WEST BANK
CHIYU BANKING CORPORATION LIMITED	EDMOND DE ROTHSCHILD (SUISSE) S.A.
CHONG HING BANK LIMITED	EFG BANK AG
CHUGOKU BANK, LTD. (THE)	ERSTE GROUP BANK AG
CIMB BANK BERHAD	FAR EASTERN INTERNATIONAL BANK
CITIBANK (HONG KONG) LIMITED	FIRST COMMERCIAL BANK, LTD.
CITIBANK, N.A.	FUBON BANK (HONG KONG) LIMITED
COMMONWEALTH BANK OF AUSTRALIA	HACHIJUNI BANK, LTD. (THE)
COÖPERATIEVE RABOBANK U.A.	HANG SENG BANK, LIMITED
COUTTS & CO AG	HDFC BANK LIMITED
CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	HONG LEONG BANK BERHAD
CREDIT INDUSTRIEL COMMERCIAL	HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
CREDIT SUISSE AG	HSBC BANK INTERNATIONAL LIMITED
CTBC BANK CO., LTD	HSBC BANK PLC
DAH SING BANK, LIMITED	HSBC BANK USA, NATIONAL ASSOCIATION
DBS BANK (HONG KONG) LIMITED	HSBC PRIVATE BANK (SUISSE) SA
DBS BANK LTD.	HUA NAN COMMERCIAL BANK, LTD.

## ANNEX NAMES OF SCHEME MEMBERS AT 31 MARCH 2017



ICBC STANDARD BANK PLC	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
ICICI BANK LIMITED	MELLI BANK PLC
INDIAN OVERSEAS BANK	MITSUBISHI UFJ TRUST AND BANKING CORPORATION
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED	MIZUHO BANK, LTD.
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED	NANYANG COMMERCIAL BANK, LIMITED
INDUSTRIAL BANK CO., LTD.	NATIONAL AUSTRALIA BANK LIMITED
INDUSTRIAL BANK OF KOREA	NATIONAL BANK OF ABU DHABI
ING BANK N.V.	NATIONAL BANK OF PAKISTAN
INTESA SANPAOLO SPA	NATIXIS
IYO BANK, LTD. (THE)	O-BANK CO., LTD.
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	OCBC WING HANG BANK LIMITED
KBC BANK N.V.	OVERSEA-CHINESE BANKING CORPORATION LIMITED
KEB HANA BANK	PHILIPPINE NATIONAL BANK
KOOKMIN BANK	PICTET & CIE (EUROPE) S.A.
LAND BANK OF TAIWAN CO., LTD.	PORTIGON AG
LGT BANK AG	PT. BANK NEGARA INDONESIA (PERSERO) TBK.
MACQUARIE BANK LIMITED	PUBLIC BANK (HONG KONG) LIMITED
MALAYAN BANKING BERHAD	PUNJAB NATIONAL BANK
MASHREQ BANK — PUBLIC SHAREHOLDING COMPANY	ROYAL BANK OF CANADA

## ANNEX NAMES OF SCHEME MEMBERS AT 31 MARCH 2017



ROYAL BANK OF SCOTLAND N.V. (THE)	TAI YAU BANK, LIMITED
ROYAL BANK OF SCOTLAND PUBLIC LIMITED COMPANY (THE)	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. (THE)	TAISHIN INTERNATIONAL BANK CO., LTD
SHANGHAI COMMERCIAL BANK LIMITED	TAIWAN BUSINESS BANK
SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.	TAIWAN COOPERATIVE BANK, LTD.
SHIGA BANK, LTD. (THE)	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.
SHINHAN BANK	TORONTO-DOMINION BANK
SHIZUOKA BANK, LTD. (THE)	UBS AG
SKANDINAVISKA ENSKILDA BANKEN AB	UCO BANK
SOCIETE GENERALE	UNION BANCAIRE PRIVÉE, UBP SA
STANDARD CHARTERED BANK	UNION BANK OF INDIA
STANDARD CHARTERED BANK (HONG KONG) LIMITED	UNITED OVERSEAS BANK LTD.
STATE BANK OF INDIA	WELLS FARGO BANK, NATIONAL ASSOCIATION
STATE STREET BANK AND TRUST COMPANY	WESTPAC BANKING CORPORATION
SUMITOMO MITSUI BANKING CORPORATION	WING LUNG BANK LIMITED
SUMITOMO MITSUI TRUST BANK, LIMITED	WOORI BANK
SVENSKA HANDELSBANKEN AB (PUBL)	
TA CHONG BANK, LTD.	
TAI SANG BANK LIMITED	