

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.

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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, 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 8 and 9 for 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 10 and 11.

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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 DPS. 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 Chairman 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.

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THE BOARD AND ITS COMMITTEE AND ADVISORY PANEL

Members of the Board

Chairman



Professor HUI King-man, Michael, MH
Choh-Ming Li Professor of Marketing
The Chinese University 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 GIDUMAL Anita
Director – Finance & Strategy
Abercorn Trading Co. Ltd.



Mr NG Mat
Managing Director
JLA Asia Limited



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



Professor TAM Kar-yan, MH
Dean, School of Business and Management
Chair Professor of Information Systems,
Business Statistics and Operations Management
The Hong Kong University of Science and Technology

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Members



Ms ZEE Helen
(since July 2017)
Deputy Chief Executive and Managing Director
Haitong International Capital Limited



Ms CHING Kim-wai, Kerry
(until June 2017)
Managing Director, Asia
AMP Capital Asia Limited



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*



Mr YUEN Kwok-hang, Arthur, JP
(since July 2017)
Deputy Chief Executive
Hong Kong Monetary Authority

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



Mr LEE Tat-chi, Howard, JP
(until July 2017)
Senior Executive Director
Hong Kong Monetary Authority

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

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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 SHIU Barbara (since July 2017,
previously a member until June 2017)**

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

Ms CHING Kim-wai, Kerry (until June 2017)

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 ZEE Helen (since July 2017)

Deputy Chief Executive and Managing Director
Haitong International Capital Limited

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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 Chairman 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 and implementation of strategy in these areas. The membership of the Advisory Panel is as follows:

Chairman

Professor HUI King-man, Michael, MH

Members

Ms CHAN Kwok-fai, Jenny

Mr CHIU Sung-kei, Josiah

Mr WONG Koon-shing

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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 2017-2018, the Board met three times with an average attendance of over 80% 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 2018 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 was engaged by the Board to provide advisory services for enhancing the payout processes and procedures through a separate team. PwC is also on the panel list of the Board to provide project management and accounting services related to payouts through this separate team.

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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 Chairman of the Board. Specific procedures are in place for members and staff on reporting their interests and, when applicable, to 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. The next review will be conducted by the IAD in the second quarter of 2018.

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ORGANISATIONAL STRUCTURE

(at 31 March 2018)

