

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

## ANNUAL REPORT 2017-2018



## 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.



---

78th Floor, Two International Finance Centre, 8 Finance Street,  
Central, Hong Kong

Telephone: (852) 1831 831

Facsimile: (852) 2290 5168

E-mail: [dps\\_enquiry@dps.org.hk](mailto:dps_enquiry@dps.org.hk)

Website: [www.dps.org.hk](http://www.dps.org.hk)

## CONTENTS

Message from the Chairman	2
---------------------------	---

Deposit Protection Scheme at a Glance	4
---------------------------------------	---

About the Hong Kong Deposit Protection Board	5
--	---

Overview	5
----------	---

The Board and its Committee and Advisory Panel	8
--	---

Corporate Governance	12
----------------------	----

Organisational Structure	14
--------------------------	----

Scheme Operations	15
-------------------	----

Scheme Members' Profile and Relevant Deposits	15
---	----

Payout Readiness	17
------------------	----

Deposit Protection Scheme Fund	21
--------------------------------	----

Reinforcing Public Awareness and Understanding of the Scheme	23
--	----

Compliance with the Representation Rules	28
--	----

Relationships with Other Safety Net Players	28
---	----

Independent Auditor's Report	30
------------------------------	----

Statement of Accounts of the Deposit Protection Scheme Fund	33
---	----

Annex: List of Scheme Members at 31 March 2018	57
--	----

## MESSAGE FROM THE CHAIRMAN



"Everyone Can Save with Confidence" is the motto of the work of the Hong Kong Deposit Protection Board (the Board). After over a decade of development, the Deposit Protection Scheme (the Scheme) has come of age as a well-established and widely known regime that vigilantly safeguards bank deposits in Hong Kong. During the year 2017-2018, our focus was to further advance payout readiness and public understanding of the Scheme.

Payout speed is of the essence for maintaining depositor confidence in case of a trigger of the Scheme. We have therefore committed ourselves to making full compensation payments under the Scheme within seven days in most cases, in line with international standards. Operating to this short timeframe requires highly efficient personnel, processes and systems, and effective interplay between them. For this reason, "health checks" are undertaken regularly to ensure that every component remains ready for action as required. In particular, a full payout rehearsal was conducted in October 2017, involving the extensive participation of Board members, staff and payout agents. I am pleased to report that the exercise has affirmed the Board's readiness to meet the target payout timeframe. A smooth payout also hinges upon the timely submission of accurate and complete bank records from the Scheme member concerned. To this end, the Board regularly organises briefing sessions

for them. Our on-going compliance review programme has also confirmed the preparedness of Scheme members to provide the necessary bank data in a timely manner.

We have actually gone the "extra mile" to improve the Board's payout readiness. The two-year project to revamp the payout system is making good progress, with the new hardware introduced in January 2018 shortening processing time by 30%. The new application for the system, expected to be launched by the end of 2018, will streamline the payout workflow and support the introduction of electronic payment channels. In fact, we have continued to explore the feasibility of adopting convenient and secure electronic payment channels for a speedy payout, such as the Faster Payment System soon to be launched by the Hong Kong Monetary Authority. Besides this, we will draw on the experience gained from the payout rehearsal and the operational benefits of the new payout system to enhance the versatility of our contingency measures.

It is also crucial to ensure that everyone we serve fully understands that the Scheme can be counted on at any time and under any circumstances, and therefore trusts that "Everyone Can Save with Confidence". Indeed, we made this tenet the theme of a multi-media publicity campaign launched in September 2017, with a new TV

## MESSAGE FROM THE CHAIRMAN



advertisement highlighting the key features of the Scheme. To demonstrate the bond between the Scheme and each depositor, the advertisement emphasises automatic protection under the law covering deposits of each depositor in any currency from small sums, such as HK\$10, up to a value of HK\$500,000. Its reach was further extended via a radio version, as well as with out-of-home, digital and social media publicity. To ensure the Scheme is truly a Scheme for all, these mass publicity efforts were complemented by an array of education outreach activities designed to engage people from many different walks of life. One notable example was the “DPS Fun Day” series, which was packed with interactive activities that helped participating families better understand the Scheme. The launch of an eight-language information leaflet has also helped strengthen our ties with various ethnic communities.

It is gratifying to note that public awareness of the Scheme has remained high at 79%. To build further on this strong foundation, we have formulated a three-year communication plan aimed at deepening public understanding of the protection offered by the Scheme, with an emphasis on its value and relevance to all of us. We will be harnessing the power of various multi-media channels through a range of creative publicity initiatives, while continuing our work to connect with various segments of the community, particularly those who might be less easily reached through common media channels. A variety of consumer campaigns will be launched in the coming months to not only share useful information and interesting views about savings and money management, but also reinforce the Scheme’s messages.

As always, our work in the past year has benefitted enormously from the advice and assistance of many dedicated individuals. The insightful guidance and staunch support of my fellow Board members and the Members of the Advisory Panel on Communication and Public Education has been indispensable, and I pay tribute to their valuable contributions. Special recognition is due to retired Member of the Board and Chairperson of its Investment Committee, Ms Kerry Ching, and former ex officio member representing the Monetary Authority, Mr Howard Lee, for their devoted service during their tenure. At the same time, I am delighted to welcome Ms Helen Zee and Mr Arthur Yuen who became our Board members in July 2017. The close co-operation we have enjoyed with the Hong Kong Monetary Authority, the Financial Services and the Treasury Bureau and over 150 Scheme members, has also helped ensure the smooth operation and steady development of the Scheme. Furthermore, the Board is privileged to have a team of committed professional staff under the leadership of our CEO, Mr Daryl Ho, and Deputy CEOs, Ms Anita Chan and Ms Alice Lee, who have all worked tirelessly to support the smooth running of the Scheme. I would also like to take this opportunity to express my heartfelt gratitude to our former CEO, Mr Li Shu-pui, and former Deputy CEO, Ms Tess Leung, for their excellent service to the Board throughout their tenure.

It is only through the collaborative efforts of all parties that the Scheme has been able to go from strength to strength over the years. I earnestly call for those efforts to continue, so that the Board can reinforce its role as the guardian of deposits while ensuring that the Scheme keeps moving with the times.

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

## DEPOSIT PROTECTION SCHEME AT A GLANCE

- The Deposit Protection Scheme (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 timeframe for making full compensation payments to depositors is within seven days in most cases.
- Deposits denominated in the Hong Kong dollar, renminbi or any other currencies are covered by the DPS.
- 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) has been 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\$5.5 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, 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.



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### 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.

# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



## 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

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### 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*

## 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 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

## 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 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**

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### 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.

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### 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

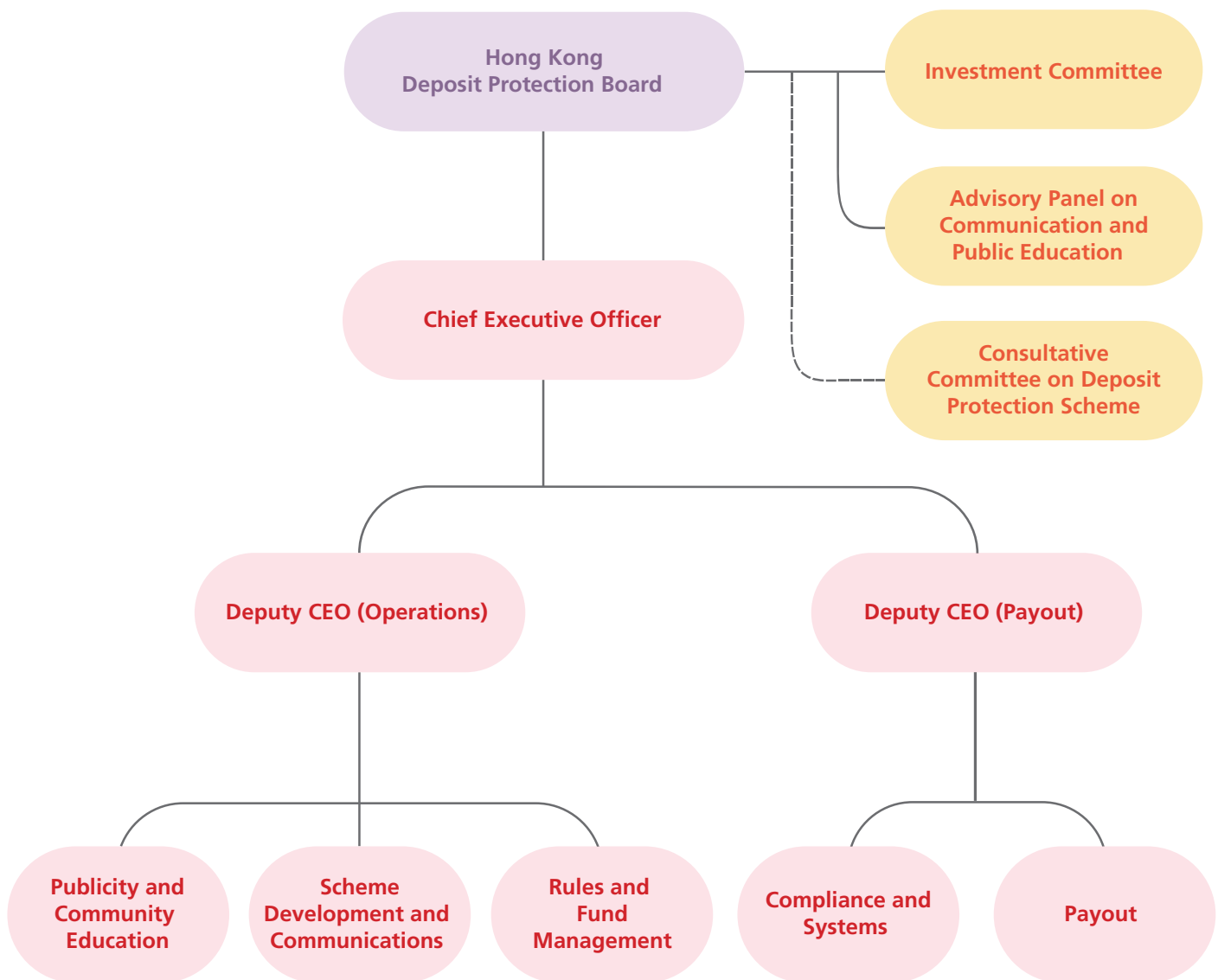
The Board has set a policy of regularly reviewing its corporate governance structure to ensure that it continues to adhere to sound corporate governance standards, despite any expansion or change in the scope of the Board's operations driven by the development of the DPS. Refinements are made between 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.

## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD



### ORGANISATIONAL STRUCTURE

(at 31 March 2018)





## SCHEME OPERATIONS

### SCHEME MEMBERS' PROFILE AND RELEVANT DEPOSITS

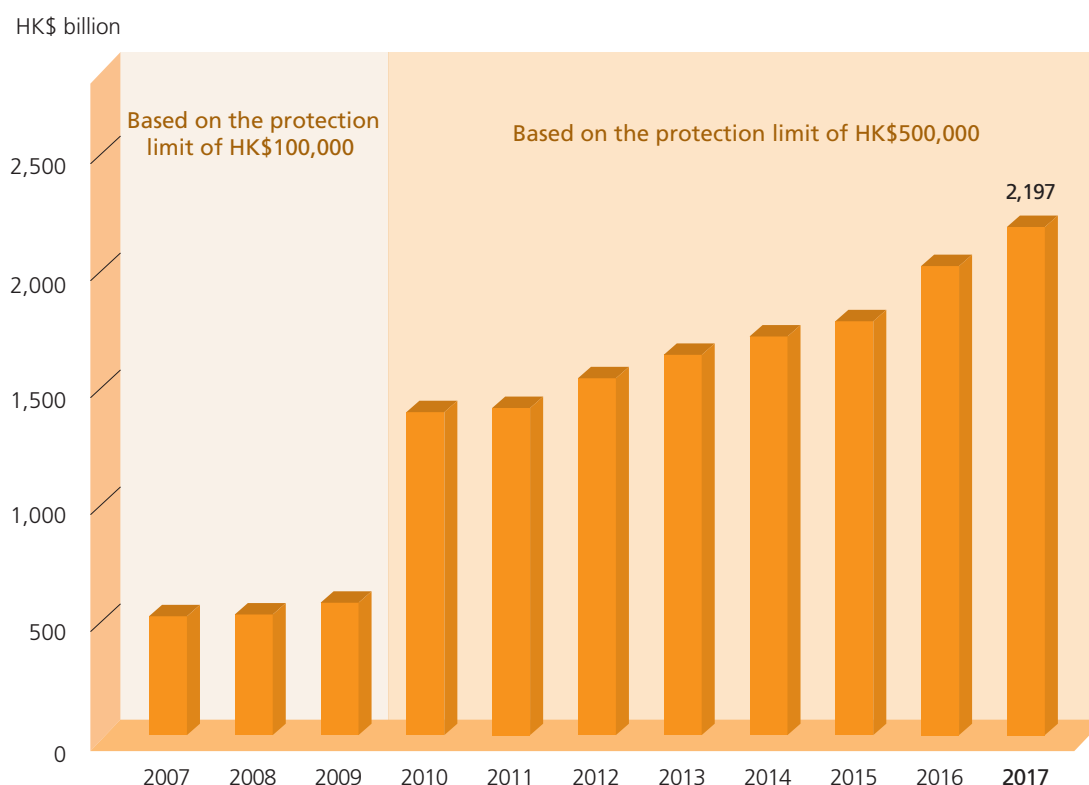
The Scheme had 151 members at the end of March 2018: 22 were incorporated locally and 129 were incorporated outside Hong Kong. This is largely in line with the number of retail and wholesale banks in Hong Kong.

Based on returns submitted by Scheme members, the aggregate amount of their relevant deposits grew by 8% to HK\$2,197 billion during 2017, compared with HK\$2,026 billion in 2016. This was attributed to an increase in total deposits held with Scheme members. 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.

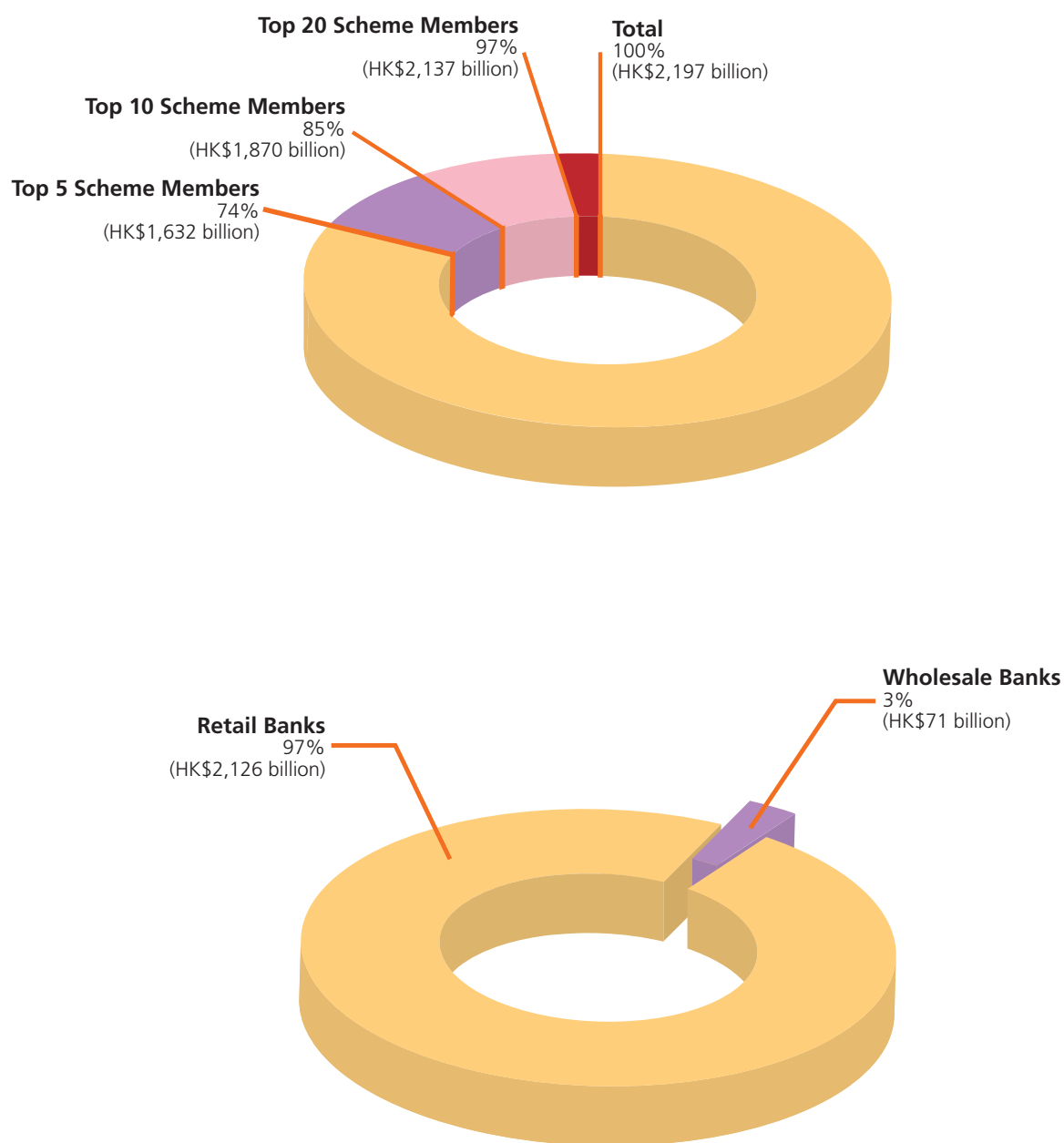
The Board's objective is for most depositors to be fully protected by the DPS. According to statistics provided by Scheme members, about 90% of depositors are fully protected by the DPS. The regular survey for monitoring the implications of the popularity of structured deposits, which are not protected by the DPS, will be conducted in the fourth quarter of 2018.

### Relevant Deposits Held with Scheme Members (2007 - 2017)



## SCHEME OPERATIONS

### Distribution of Relevant Deposits in 2017



### PAYOUT READINESS

#### Overview

We regularly conduct a series of activities to ensure that the Board is geared up for achieving the target of making compensation payments within seven days. These include payout rehearsals, walk-through exercises with payout agents, compliance reviews on Scheme members' data readiness, and simulation tests on systems and processes. The experience gained from these activities helps enhance the Board's preparedness in managing various potential eventualities. Also, as part of our continuing effort to improve efficiency, we are renewing the payout system and exploring the use of electronic payment channels to make compensation to depositors in addition to paper cheques.

#### Payout Rehearsal and Contingency Planning

A full payout rehearsal was conducted in 2017 with the joint participation of the Board's personnel and an extensive network of payout agents. The "close-to-real-life" rehearsal verified the overall payout readiness of the Board's procedures, systems and personnel, and tested the command, control and communication framework. Members of the Board were actively engaged in the simulated decision-making processes, providing steering and oversight on payout and communication strategies. The results have affirmed that the Board is well prepared to meet the seven-day payout target.

A comprehensive contingency plan is crucial for guiding prompt responses to various banking crisis scenarios. Taking into account the experience gained from the rehearsal and the operational benefits to be brought by the scheduled launch of the new payout system by the end of 2018, we will enhance the versatility of our contingency measures after undertaking a thorough review.

Simulated Committee Meeting



Simulated Payout Operation



The Board personnel and payout agents work hand-in-hand during various stages of the payout rehearsal

## SCHEME OPERATIONS

### A Collaborative Effort: the Duties of Various Parties to Achieve a Speedy Payout

#### Hong Kong Deposit Protection Board



## SCHEME OPERATIONS

### Modernisation of the Payout System

Under the two-year project to revamp the payout system, the new hardware was put into service in January 2018, speeding up processing time by 30%, and enhancing system resilience and data security. The redeveloped application, to be launched by the end of 2018, will further improve operational efficiency and effectiveness by streamlining the payout workflow and supporting electronic payment channels. To take full advantage of the new system in the payout operations, we will revise the relevant procedures and provide training to the payout agents.

### Benefits of the New Payout System

#### Data Uploading



Simplify the uploading process of depositor records obtained from a failed Scheme member

#### Data Checking



Improve the efficiency of data checking and reconciliation

#### Compensation Determination



Streamline the process through redesigned calculation logic

#### Compensation Disbursement



Increase flexibility by supporting electronic payment channels to supplement paper cheques

## SCHEME OPERATIONS

### Information System Requirements and Compliance

Quality information provided by Scheme members in a timely manner for compensation calculation is vital to a speedy payout. Therefore, the Board adopts various measures under the Compliance Review Programme to monitor Scheme members' on-going compliance with the information submission requirements. In addition to the compliance reviews of selected Scheme members conducted by the Board, all Scheme members are required to submit a self-certification annually and an independent auditor's assessment report every three years. The overall compliance level of the industry during the year was satisfactory. We will continue to organise regular briefing sessions for Scheme members and auditors to strengthen their understanding of the information requirements.

### Electronic Compensation Payment

To further improve the speed of compensation payment to depositors in case of a trigger of the DPS, we are exploring the feasibility of adopting the Faster Payment System (to be launched by the HKMA in September 2018) as a secure electronic payment channel to supplement paper cheques.



Briefing session on compliance with the information submission requirements

## SCHEME OPERATIONS

### DEPOSIT PROTECTION SCHEME FUND

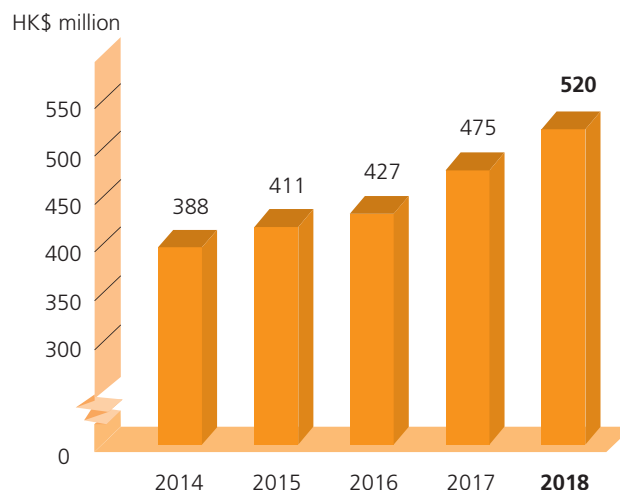
#### Composition of the DPS Fund

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 DPS 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.

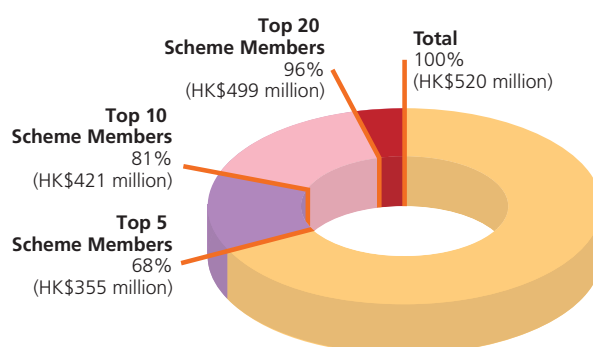
#### Assessment and Collection of Contributions

The contributions collected from Scheme members during the year amounted to HK\$520 million, an increase of 10% 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 22 Scheme members to submit an audit report on the accuracy of their returns in 2018. 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



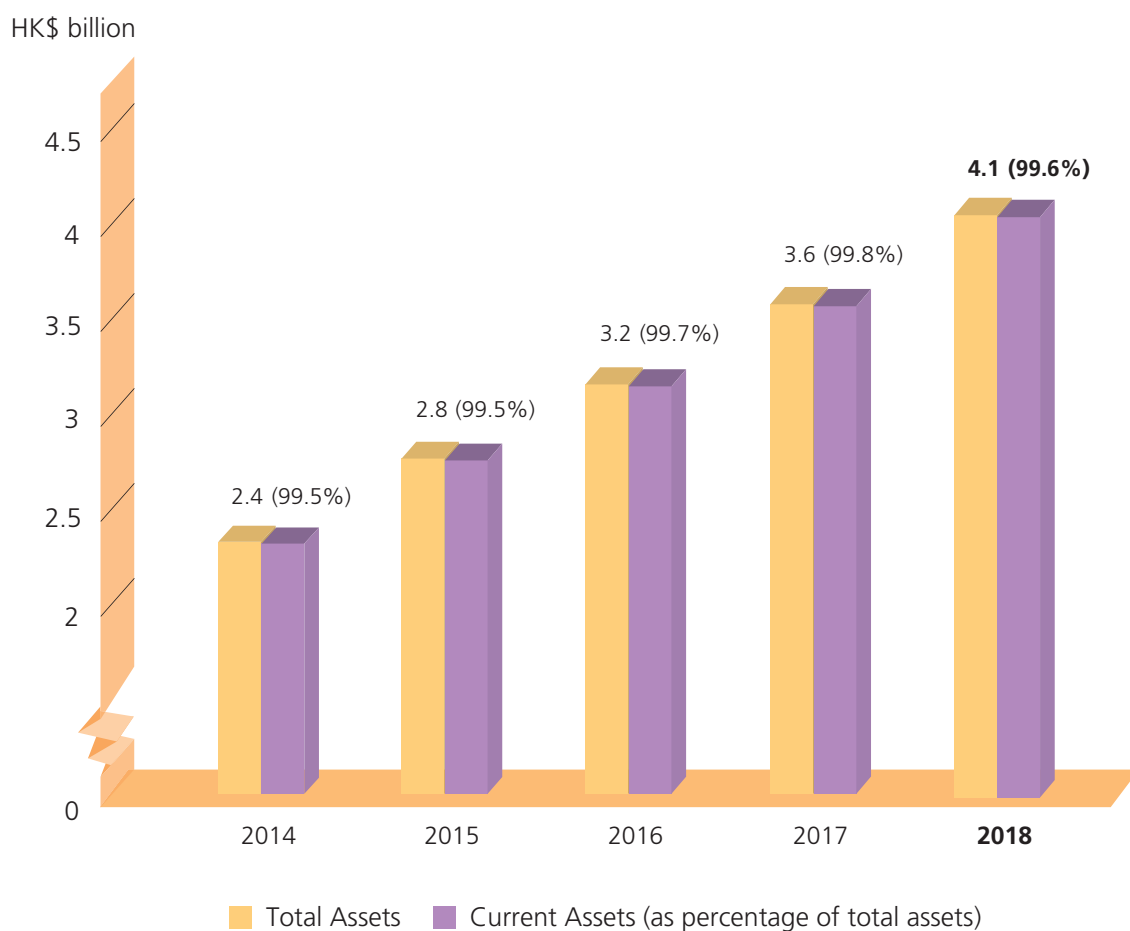
## SCHEME OPERATIONS

### DPS Fund Investments

Considering the uncertainties surrounding the global financial markets, the Board continued to maintain 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 2018. Despite the uncertain investment environment, the DPS Fund achieved an investment return of 1.28% for the year.

### DPS Fund's Assets





## SCHEME OPERATIONS

### REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF THE SCHEME

#### Overview

To reinforce public awareness and understanding of the DPS, the Board continued to adopt an integrated communication strategy during the year. This comprised a multi-media publicity campaign and a variety of community education outreach activities targeting different audience groups.

Building on the high public awareness and understanding of the DPS sustained over the years, the Board will further deepen public understanding of the Scheme through creative means and multiple communication channels. For community groups which might be less easily reached by mass communications, we will continue to engage them through tailored community education activities.

#### Multi-media Publicity

##### *Thematic Campaign “Everyone Can Save with Confidence”*

A new TV advertisement on the theme of “Everyone Can Save with Confidence” was premiered in September 2017. Narrated by the iconic voices of famous artistes Mr Lo Hoi-pang (盧海鵬) and Ms Tam Yuk-ying (譚玉瑛), the advertisement shares the key features of the DPS and highlights that the DPS protection covers people from all walks of life. A radio advertisement, together with out-of-home, digital and social media publicity, was also launched to amplify the impact and extend the reach to a wider audience. Interesting elements about the advertisement were shared on the DPS Facebook Page “Save with Confidence”, further engaging visitors through fun yet informative games.



Mass publicity campaign keeps the key message “Everyone Can Save with Confidence” and DPS features fresh in the minds of the public

## SCHEME OPERATIONS

### Media Exposure

In addition to the mass publicity campaign, the Board also engages the media to disseminate key DPS messages and information to the public. During the year, the DPS was featured in newspapers and magazines. Such print media publicity facilitated the Board's sharing of more details targeting different readership groups, enabling them to have a deeper understanding of the DPS and its relevance to their daily lives.

### Community Education Outreach

#### DPS Fun Day

The Board launched the "DPS Fun Day" to engage our target segments in various districts. With an array of weekend activities comprising talks, bun-making classes and DPS board game workshops, we shared DPS knowledge with families covering new arrivals and members of non-Chinese speaking ethnic communities.



The Board Chairman, Professor Michael Hui, promotes the DPS in print media interviews



Magazine advertorial shares DPS information for different age groups



DPS Fun Day participants spend an enjoyable weekend full of fun and learning



## SCHEME OPERATIONS

### Expanding Our Communication Network

To strengthen our communication with non-Chinese speaking ethnic communities, the Board launched a multi-language DPS information leaflet covering Hindi, Nepali, Urdu, Tagalog, Bahasa Indonesia, Thai, Punjabi and English. The leaflet is distributed via the Social Welfare Department's integrated family service centres, consulates and non-government organisations (NGOs). The Board has also continued to leverage the e-platforms of NGOs to promote awareness and understanding of the DPS.



Sharing DPS information in multiple languages



## SCHEME OPERATIONS

### A Quick Glance of the DPS Community Education Outreach Activities

#### Ambassador and Helper Training Workshops

DPS ambassadors and helpers from diversified backgrounds are equipped with the relevant knowledge to share with their service targets (e.g. the elderly living alone), as well as their families and friends.



#### Board Game Activities

Through workshops and an inter-school competition on the DPS Board Game "Around the World in \$80", the younger generation learns money management, the basic concept of DPS protection and the importance of saving.



#### Consumer Shows and Engagement Activities

Public awareness and understanding of the DPS are enhanced through interactive educational games at a variety of consumer shows and on the DPS Facebook Page.



#### DPS Talks and Seminars

By collaborating with various organisations, DPS information is disseminated to a wide audience, including the elderly, students, homemakers, new arrivals to Hong Kong and low-income groups.



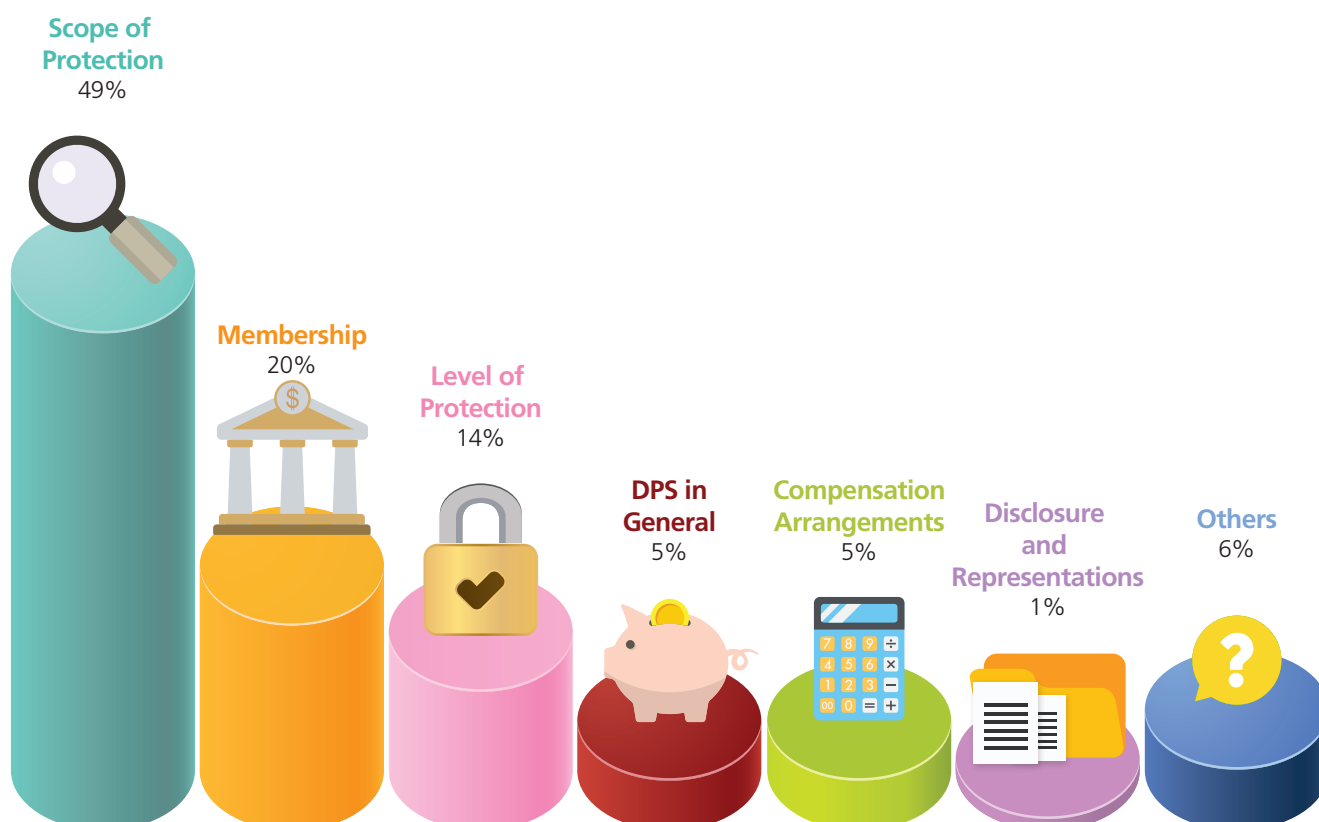
## SCHEME OPERATIONS

### Public Understanding and Enquiries about the DPS

According to the results of an independent public opinion survey conducted in 2017, the level of awareness of the DPS remained high at 79%. Of those who had heard of the Scheme, 82% knew about the HK\$500,000 protection limit and 86% realised that the protection provided by the DPS is statutory. The Board will continue to use the findings to fine-tune its publicity and community education strategies.

In addition to gauging public opinion, the Board operates the DPS Public Enquiry Service, which provides a convenient and effective channel for members of the public to enquire about different aspects of the Scheme and the functions of the Board. In 2017-2018, about half of the enquiries received were related to the scope of protection of the DPS, including the types of financial products protected by the DPS, and the compensation entitlements for depositors of joint accounts and company accounts.

### Nature of Enquiries Received by the DPS in 2017-2018



## SCHEME OPERATIONS



### 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 2016 to 30 June 2017. 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 generally satisfactory, 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 its 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.

### 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. To foster information sharing and co-operation on cross-border issues, the Board signed an MoU with the Singapore Deposit Insurance Corporation Limited in July 2017. In 2017-2018, the Board's personnel took part in a number of international meetings, including:

- The 16th IADI Annual General Meeting and 2017 Annual Conference in Québec City, Canada;
- The 15th IADI Asia-Pacific Regional Committee Annual Meeting, Regional Workshop and International Conference in Yogyakarta, Indonesia;
- 2017 Biennial IADI Research Conference "Designing an Optimal Deposit Insurance System — Theory and Practice" in Basel, Switzerland; and
- The 10th Deposit Insurance Corporation of Japan Round Table in Kyoto, Japan.



## 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 33 to 56, which comprises:

- the balance sheet as at 31 March 2018;
- 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 2018, 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.

---

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSA) 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



---

### 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.

---

### 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.

---

### 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 HKSAs 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 HKSAs, 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, 19 June 2018

# DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK\$	2017 HK\$
<b>Income</b>			
Contributions		485,892,994	438,937,497
Interest income from cash and balances with banks and the Exchange Fund		8,194,331	10,622,289
Interest income from available-for-sale securities	5	23,105,926	—
Net realised losses on disposal of available-for-sale securities	5	(1,561,477)	—
Exchange gains		15,671,955	404
Other income		95,063	77,397
Gain on disposal of fixed assets		—	3,000
		<b>531,398,792</b>	<b>449,640,587</b>
<b>Expenditure</b>			
Staff costs	6	10,309,803	10,831,037
Premises costs		5,866,687	5,857,366
Depreciation and amortisation		3,227,788	3,876,885
Office supplies		55,811	128,623
Overseas travel		148,742	151,373
Transport and travelling		7,108	6,651
Operating expenses reimbursable to the HKMA	11	24,250,327	25,277,800
Hire of services		9,668,986	6,859,793
Communications		160,845	158,965
Publicity and printing		10,660,858	10,567,624
Other expenses		4,697,734	5,200,591
		<b>69,054,689</b>	<b>68,916,708</b>
Surplus for the year		<b>462,344,103</b>	<b>380,723,879</b>
Total comprehensive income for the year		<b>462,344,103</b>	<b>380,723,879</b>

The notes on pages 37 to 56 form part of this statement of accounts.

# DEPOSIT PROTECTION SCHEME FUND — BALANCE SHEET

As at 31 March 2018

	Note	2018 HK\$	2017 HK\$
Non-current assets			
Fixed assets	7	9,025,449	1,901,113
Intangible assets	8	6,659,449	4,406,819
		<b>15,684,898</b>	6,307,932
Current assets			
Other receivables	9	2,873,949	1,942,210
Cash and balances with banks and the Exchange Fund		4,044,426,439	3,559,180,636
		<b>4,047,300,388</b>	3,561,122,846
Current liabilities			
Contributions received in advance		389,909,270	356,016,451
Other payables	10	27,341,520	28,023,934
		<b>417,250,790</b>	384,040,385
Net current assets		<b>3,630,049,598</b>	3,177,082,461
Net assets		<b>3,645,734,496</b>	3,183,390,393
Represented by			
Accumulated surplus		<b>3,645,734,496</b>	3,183,390,393
		<b>3,645,734,496</b>	3,183,390,393

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 19 June 2018

**Professor Hui King-man, Michael**

Chairman

The notes on pages 37 to 56 form part of this statement of accounts.

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

For the year ended 31 March 2018

	2018 HK\$	2017 HK\$
Fund balance as at 1 April	3,183,390,393	2,802,666,514
Surplus for the year	462,344,103	380,723,879
Fund balance as at 31 March	3,645,734,496	3,183,390,393

The notes on pages 37 to 56 form part of this statement of accounts.

# DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK\$	2017 HK\$
<b>Operating activities</b>		
Surplus for the year	462,344,103	380,723,879
Interest income	(31,300,257)	(10,622,289)
Exchange gains on available-for-sale securities	(14,000,265)	—
Net realised losses on disposal of available-for-sale securities	1,561,477	—
Depreciation and amortisation	3,227,788	3,876,885
Gain on disposal of fixed assets	—	(3,000)
Cash from operating surplus before changes in operating assets and liabilities	421,832,846	373,975,475
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in other receivables	(845,597)	568,926
Increase in contributions received in advance	33,892,819	35,702,849
Decrease in other payables	(682,414)	(2,300,759)
Net cash from operating activities	454,197,654	407,946,491
<b>Investing activities</b>		
Purchase of intangible assets	(4,180,320)	(33,920)
Purchase of fixed assets	(8,424,434)	(93,600)
Proceeds from disposal of fixed assets	—	3,000
Interest received	8,108,189	10,598,862
Purchase of available-for-sale securities	(2,543,475,173)	—
Proceeds from disposal of available-for-sale securities	2,579,019,887	—
Net cash from investing activities	31,048,149	10,474,342
Net increase in cash and cash equivalents	485,245,803	418,420,833
Cash and cash equivalents at 1 April	3,559,180,636	3,140,759,803
Cash and cash equivalents at 31 March	4,044,426,439	3,559,180,636
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and balances with banks and the Exchange Fund	4,044,426,439	3,559,180,636

The notes on pages 37 to 56 form part of this 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 2017 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 2017 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 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard is mandatory for financial years beginning on or after 1 January 2018.

The Fund's debt instruments that are currently classified as available-for-sale will be reclassified as debt instruments at amortised cost. These instruments meet the solely payments of principal and interest criterion, are not actively traded and are held with the intention to collect cash flows and without the intention to sell.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Fund's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Fund has assessed the impact of HKFRS 9 and expects that the standard will have no significant impact, when applied, on the statement of accounts of the Fund.

##### HKFRS 15, Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Fund has assessed the impact of HKFRS 15 and expects that the standard will have no significant impact, when applied, on the statement of accounts of the Fund.





## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

- (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted (continued)*

#### HKFRS 16, Leases

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It will supersede HKAS 17 related to leases. The new standard is mandatory for financial years beginning on or after 1 January 2019.

It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability. The right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17.

HKFRS 16 will primarily affect the Fund's accounting as a lessee of leases for premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income and expenditure account over the period of the leases. As disclosed in note 12, the Fund has non-cancellable operating leases commitments of HK\$13 million as at 31 March 2018.

The Fund is currently assessing the impact of HKFRS 16 and it is not practicable to quantify the effect on adoption of the standard as at the date of the statement of accounts of the Fund.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (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.

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 1 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.

If collection of loans and other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

#### (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.

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



## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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.

Other payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### (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.

##### *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.



### 3 RISK MANAGEMENT *(continued)*

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

##### *Fair value of financial assets and financial liabilities (continued)*

##### (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 for 2018 and 2017 have been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

### 5 PURCHASE AND DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES

During the year, the Fund purchased and disposed of the US Treasury Bills resulting in interest income of HK\$23,105,926 (2017: Nil), exchange gain of HK\$14,000,265 (2017: Nil) and net realised losses on disposal of available-for-sale securities of HK\$1,561,477 (2017: Nil) which have been separately disclosed in the statement of comprehensive income. Taking these three components together, the purchase and sale of the US Treasury Bills have generated a net income amounted to HK\$35,544,714 (2017: Nil) for the year.

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



### 6 STAFF COSTS

	2018 HK\$	2017 HK\$
Salaries	9,205,353	9,563,912
Gratuity	196,484	292,116
Other employee benefits	907,966	975,009
	<b>10,309,803</b>	<b>10,831,037</b>

### 7 FIXED ASSETS

	Office equipment, furniture and fixtures HK\$	Computer hardware/ software HK\$	Total HK\$
<b>Cost</b>			
As at 1 April 2017	1,647,992	16,734,386	18,382,378
Additions	—	8,424,434	8,424,434
As at 31 March 2018	1,647,992	25,158,820	26,806,812
<b>Accumulated depreciation</b>			
As at 1 April 2017	1,445,103	15,036,162	16,481,265
Charge for the year	100,311	1,199,787	1,300,098
As at 31 March 2018	1,545,414	16,235,949	17,781,363
<b>Net book value</b>			
As at 31 March 2018	102,578	8,922,871	9,025,449
As at 31 March 2017	202,889	1,698,224	1,901,113

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



### 8 INTANGIBLE ASSETS

	Development costs of Payout System HK\$
<b>Cost</b>	
As at 1 April 2017	30,705,438
Additions	4,180,320
As at 31 March 2018	34,885,758
<b>Accumulated amortisation</b>	
As at 1 April 2017	26,298,619
Charge for the year	1,927,690
As at 31 March 2018	28,226,309
<b>Net book value</b>	
As at 31 March 2018	6,659,449
As at 31 March 2017	4,406,819

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



### 9 OTHER RECEIVABLES

	2018 HK\$	2017 HK\$
Prepayment	2,215,962	1,848,546
Interest receivables	117,306	31,164
Others	540,681	62,500
	<b>2,873,949</b>	<b>1,942,210</b>

### 10 OTHER PAYABLES

	Note	2018 HK\$	2017 HK\$
Hire of services	(a)	25,065,796	26,699,359
Staff expenses		1,369,834	1,120,361
Others		905,890	204,214
		<b>27,341,520</b>	<b>28,023,934</b>

- (a) This amount includes operating expenses of HK\$24,250,327 (2017: HK\$25,277,800) reimbursed to the Hong Kong Monetary Authority (HKMA), services fee for payout rehearsal of HK\$467,322 (2017: HK\$1,032,410) and fees for other hire of services of HK\$348,147 (2017: HK\$389,149).



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



### 11 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	2018 HK\$	2017 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	4,039,314,656	3,554,639,283
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	8,193,999	10,622,267
Operating expenses reimbursed to the HKMA	(b)	24,250,327	25,277,800

- (a) During the year, the Fund placed deposits with the Exchange Fund amounting to HK\$4,039,314,656 (2017: HK\$3,554,639,283) and earned interest amounting to HK\$8,193,999 (2017: HK\$10,622,267) 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 (2017: HK\$120 billion) of which nil (2017: nil) was drawn during the year.

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



### 12 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:

	2018 HK\$	2017 HK\$
No later than 1 year	5,168,100	1,507,363
Later than 1 year and no later than 5 years	7,946,648	—
	13,114,748	1,507,363

### 13 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 19 June 2018.

## ANNEX: LIST OF SCHEME MEMBERS AT 31 MARCH 2018

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.	CA INDOSUEZ (SWITZERLAND) SA
BANK OF AMERICA, NATIONAL ASSOCIATION	CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF BARODA	CANARA BANK
BANK OF CHINA (HONG KONG) LIMITED	CATHAY BANK
BANK OF CHINA LIMITED	CATHAY UNITED BANK COMPANY, LIMITED
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	CHANG HWA COMMERCIAL BANK, LTD.
BANK OF COMMUNICATIONS CO., LTD.	CHIBA BANK, LTD. (THE)
BANK OF EAST ASIA, LIMITED (THE)	CHINA CITIC BANK INTERNATIONAL LIMITED
BANK OF INDIA	CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
BANK OF MONTREAL	CHINA CONSTRUCTION BANK CORPORATION

## ANNEX: LIST OF SCHEME MEMBERS AT 31 MARCH 2018



CHINA DEVELOPMENT BANK	DBS BANK LTD.
CHINA EVERBRIGHT BANK CO., LTD.	DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN
CHINA MERCHANTS BANK CO., LTD.	
CHINA MINSHENG BANKING CORP., LTD.	E.SUN COMMERCIAL BANK, LTD.
CHINA ZHESHANG BANK CO., LTD.	EAST WEST BANK
CHIYU BANKING CORPORATION LIMITED	EFG BANK AG
CHONG HING BANK LIMITED	ERSTE GROUP BANK AG
CHUGOKU BANK, LTD. (THE)	FAR EASTERN INTERNATIONAL BANK
CIMB BANK BERHAD	FIRST ABU DHABI BANK PJSC
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 ET 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

## ANNEX: LIST OF SCHEME MEMBERS AT 31 MARCH 2018



HUA NAN COMMERCIAL BANK, LTD.

ICBC STANDARD BANK PLC

ICICI BANK LIMITED

INDIAN OVERSEAS BANK

INDUSTRIAL AND COMMERCIAL BANK OF  
CHINA (ASIA) LIMITED

INDUSTRIAL AND COMMERCIAL BANK OF  
CHINA LIMITED

INDUSTRIAL BANK CO., LTD.

INDUSTRIAL BANK OF KOREA

ING BANK N.V.

INTESA SANPAOLO SPA

IYO BANK, LTD. (THE)

JPMORGAN CHASE BANK, NATIONAL  
ASSOCIATION

KBC BANK N.V.

KEB HANA BANK

KOOKMIN BANK

LAND BANK OF TAIWAN CO., LTD.

LGT BANK AG

MACQUARIE BANK LIMITED

MALAYAN BANKING BERHAD

MASHREQ BANK – PUBLIC SHAREHOLDING  
COMPANY

MEGA INTERNATIONAL COMMERCIAL BANK  
CO., LTD.

MELLI BANK PLC

MITSUBISHI UFJ TRUST AND  
BANKING CORPORATION

MIZUHO BANK, LTD.

NANYANG COMMERCIAL BANK, LIMITED

NATIONAL AUSTRALIA BANK LIMITED

NATIONAL BANK OF PAKISTAN

NATIXIS

O-BANK CO., LTD.

OCBC WING HANG BANK LIMITED

OVERSEA-CHINESE BANKING CORPORATION  
LIMITED

PHILIPPINE NATIONAL BANK

PICTET & CIE (EUROPE) S.A.

PT. BANK NEGARA INDONESIA (PERSERO) TBK.

PUBLIC BANK (HONG KONG) LIMITED

PUNJAB NATIONAL BANK

ROYAL BANK OF CANADA

## ANNEX: LIST OF SCHEME MEMBERS AT 31 MARCH 2018



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