

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

ANNUAL REPORT  
2019-2020



## HONG KONG DEPOSIT PROTECTION BOARD

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

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



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## MESSAGE FROM THE CHAIRMAN



Hong Kong has experienced some extraordinary challenges over the past year, challenges that have proved a vital reminder of the importance of the motto of the Hong Kong Deposit Protection Board (the Board), namely “Everyone Can Save with Confidence”. In particular, it has been especially critical for the Board to help maintain public confidence in Hong Kong’s banking system in an environment that has featured social unrest, the arrival of coronavirus and an economic downturn, all of which could foster misinformation and trigger public anxiety about the security of personal savings. In this connection, the Board has continued to work diligently to maintain high awareness of and confidence in the Deposit Protection Scheme (DPS) across the community, while taking practical steps to ensure the Scheme remains payout-ready.

Despite the tough environment, the Board successfully completed a comprehensive programme of publicity and community education activities for 2019-2020, organised around the theme of the “DPS Piggy Bank”. Harnessing the power of social media, we also launched campaigns that reached over 1.5 million social media users. A series of one-minute infotainment episodes were also aired on TVB Jade, driving home the message “Deposits are Protected. Save with Confidence!”. In response to the coronavirus outbreak, the Board reprioritised its scheduled

publicity efforts at the beginning of 2020 and increased the use of digital channels to ensure our public engagement remained strong. This included getting our message to more minority communities in Hong Kong, especially non-Chinese speakers. For instance, we ran DPS-related advertorials in newspapers and published website banners targeting Filipinos and Indonesians. We also broadened our reach through promotional clips delivered via TV networks in residential buildings and private clinics.

Another important milestone was the dissemination of the findings of our second survey on “Hongkongers’ Sense of Security on Savings”, which gained extensive media coverage. Apart from providing important information about the saving habits and expectations of Hong Kong depositors, the survey also proved valuable in reinforcing perceptions of the Board as the “Guardian of Savings”. Meanwhile, the annual opinion survey commissioned by the Board showed that the level of public awareness of the DPS was maintained at around 78%, indicating that the Board’s publicity efforts have been effective. More importantly, those parts of the survey that measure public understanding and confidence in the Scheme have indicated improvements. This is gratifying evidence that the Board’s community education work is having a positive effect on people’s attitudes.

## MESSAGE FROM THE CHAIRMAN

Alongside these efforts, the Board continued with projects to enhance the Scheme's efficiency and payout readiness in the event of bank failure. These have proceeded smoothly and are making good progress. Specifically, we have begun a project that will add electronic payment channels (including the Faster Payment System) to the traditional paper cheque payment currently available for paying DPS compensation. Once completed, it will offer depositors faster and more convenient payment channels should the need arise. The Board also regularly conducts payout rehearsals to ensure that we can make compensation payments to depositors within seven days in case of the Scheme being triggered. One such rehearsal was conducted in November 2019, during which we also tested the new payout system implemented in 2019, and confirmed that our target payout time frame remains achievable. Meanwhile, following the granting of licences for eight new virtual banks by the Hong Kong Monetary Authority (HKMA), we have been making practical assistance available to help these banks comply with the Board's Rules and Guidelines in their use of digital channels to interact with customers.

The coronavirus pandemic is likely to have a significant impact both on financial markets and the overall economic environment, and hence on individual depositors. In the coming year, constant vigilance and a readiness to respond promptly to new developments will be part of our culture as we move ahead in challenging times. In terms of our publicity and community education, we have a full year's worth of campaigns lined up. All are aimed at giving the public peace of mind about their bank deposits; some will target groups with a relatively lower awareness of the DPS. Work to enhance Scheme payout readiness will also continue. This will involve further system development and testing in preparation for implementing electronic payment channels, as well as tests with the banking industry to ensure that all necessary systems and procedures are in place by 2021.

My sincere thanks go out to Members of the Board and the Advisory Panel for their hard work and expert advice during the year. This year has seen changes to the membership of these bodies. I would like to recognise the diligent service of those Members who retired during the year, namely Professor Chan Ngai-hang, Mr Mat Ng, Ms Barbara Shiu, Professor Tam Kar-yan, and former Permanent Secretary for Financial Services and the Treasury (Financial Services), Mr Andrew Wong. I also warmly welcome our new Members, Mr Lawrence Chan, Professor Chan Koon-hung, Professor Matthew Lee, Mr Peter Lo, and Permanent Secretary for Financial Services and the Treasury (Financial Services), Ms Michelle Li. Furthermore, I would like to take the opportunity to welcome the Board's new external auditor, Deloitte Touche Tohmatsu, which was appointed in accordance with the Board's established selection mechanism after the end of the appointment of PricewaterhouseCoopers, our outgoing auditor, which I would also like to thank for its audit services provided to the Board over the past years.

Among our stakeholders, I offer sincere thanks to the HKMA and the Financial Services and the Treasury Bureau for their constant support, as well as to each of our Scheme members. Finally, my warmest thanks go out to the Board's hard-working management team and staff, who have frequently and willingly gone beyond the call of duty in their service. Their efforts have been crucial in maintaining our positive public profile and helping generate trust in the Board as Hong Kong's "Guardian of Savings" in these challenging 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 Hong Kong Deposit Protection Board (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.
- 存款保障計劃  
DEPOSIT  
PROTECTION  
SCHEME

【計劃成員名稱】是存款保障計劃的成員。本銀行接受的合資格存款受存款保障計劃保障，最高保障額為每名存款人HK\$500,000。

【Name of the Scheme member】 is a member of the Deposit Protection Scheme. Eligible deposits taken by this Bank are protected by the Scheme up to a limit of HK\$500,000 per depositor.
- Each depositor's aggregate deposits in a Scheme member are protected up to a limit of HK\$500,000. In the event of a bank failure, the compensation payable to a depositor is determined on a gross basis (i.e. without deducting the liabilities owed by the depositor to the bank concerned), and the target time frame for making full compensation payments to depositors is within seven days in most cases.
  - The DPS covers deposits denominated in Hong Kong dollars, renminbi or any other currencies.
  - 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.
  - The Deposit Protection Scheme Fund (DPS Fund) serves the purpose of 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\$5.9 billion.
  - Contributions payable by Scheme members for building up the DPS Fund are assessed annually using a differential premium system with reference to the supervisory rating of each Scheme member as determined by the Hong Kong Monetary Authority (HKMA).

## OVERVIEW

### Introduction

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, and the provision of deposit protection has contributed to the stability of the banking system. The Board is a member of the International Association of Deposit Insurers and has contributed to 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

- maintaining the DPS;
- collecting contributions payable by Scheme members;
- managing the DPS Fund;
- making payments to depositors in the event of the 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 power delegated from the Chief Executive of the Hong Kong Special Administrative Region (CE/HKSAR). Members are selected from different professions (such as accounting, banking, legal, 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 of the HKSAR Government. 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 to 10 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 11 and 12.

### 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 (MoU) 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 the division of responsibilities between the Chairman of the Board 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**

Vice Rector (Academic Affairs)  
Chair Professor of Marketing  
University of Macau

##### Members



**Mr CHAN Kam-man, Lawrence**  
(since January 2020)

Partner  
Wilkinson & Grist



**Professor CHAN Koon-hung**  
(since July 2019)

Professor of Business and Hospitality Management  
Caritas Institute of Higher Education  
Emeritus Professor of Department of Accountancy  
Lingnan University



**Ms GIDUMAL, Anita**

Director – Finance & Strategy  
Abercorn Trading Co. Ltd.



**Professor LEE Kwok-on, Matthew**  
(since July 2019)

Vice President (Development and External Relations)  
Chair Professor of Information Systems and Electronic Commerce  
City University of Hong Kong

# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

## Members



**Mr LO Chi-wai, Peter**  
(since January 2020)

Former Chief Country Officer, Hong Kong  
Deutsche Bank



**Ms ZEE, Helen**

Former Deputy Chief Executive and Managing Director  
Haitong International Capital Limited



**Ms LI Mei-sheung, Michelle, JP**  
(since September 2019)

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**

Deputy Chief Executive  
Hong Kong Monetary Authority

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



## ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

### Members



**Professor CHAN Ngai-hang**  
(until December 2019)

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



**Mr NG, Mat**  
(until June 2019)

Partner – Transaction Advisory Services  
Ernst & Young



**Ms SHIU, Barbara**  
(until June 2019)

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



**Professor TAM Kar-yan, MH**  
(until June 2019)

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



**Mr WONG Ho-yuen, Andrew, GBS, JP**  
(until September 2019)

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

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

# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

## 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 ZEE, Helen

(since August 2019, previously a member until July 2019)

Former Deputy Chief Executive and Managing Director  
Haitong International Capital Limited

#### Ms SHIU, Barbara

(until June 2019)

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

## Members

#### Professor CHAN Koon-hung

(since August 2019)

Professor of Business and Hospitality Management  
Caritas Institute of Higher Education  
Emeritus Professor of Department of Accountancy  
Lingnan University

#### Mr CHAN Shiu-lun, Christopher

(since August 2019)

Chief Investment Officer (Public Markets)  
Exchange Fund Investment Office  
Hong Kong Monetary Authority

#### Mr LO Chi-wai, Peter

(since January 2020)

Former Chief Country Officer, Hong Kong  
Deutsche Bank

#### Professor CHAN Ngai-hang

(until December 2019)

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

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

(until June 2019)

Chief Operating Officer  
Exchange Fund Investment Office  
Hong Kong Monetary Authority



## 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 Advisory Panel advises the Board on related matters, such as the development and implementation of strategies 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 FUNG Lap-wing (since September 2019)**

**Mr WONG Koon-shing (until August 2019)**

## 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 HKSAR Government and the HKMA. This arrangement is to facilitate a balanced contribution from the HKSAR Government, the HKMA (as the banking supervisor in Hong Kong) and external professionals, allowing for different 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 the Board meets about three times a year to discuss policy issues crucial to the operations and continuing development of the DPS. In 2019-2020, the Board met three times with an average attendance rate of close to 77%.

### Risk Management and Audits

To manage the risks of the DPS, the Board ensures that appropriate and prudent risk management systems are adequately implemented and regularly reviewed. The Internal Audit Division (IAD) of the HKMA performs periodic reviews 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 audit findings and recommendations directly to the Board to ensure that any material issues identified are communicated independently and effectively to Board members. In 2019, the IAD conducted a review of the operations and internal controls of the Board and no major weaknesses were identified in the review.

The audit of the DPS Fund's annual statement of accounts is undertaken by an external auditor whose 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 2020 was Deloitte Touche Tohmatsu. To avoid conflicts of interest, the Board has a standing mechanism that preserves the independence of the financial audit undertaken by the appointed external auditor if it also participates in non-financial audit engagements.



## 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 Code 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 to report 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 DPS operations, and its annual report is publicly available. In addition, the Board has established multiple channels to answer enquiries from the public. The Board also conducts consultations with banking industry associations on any policies and initiatives relating to the operations of the DPS 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 Chairperson of the Tribunal, together with a panel of three persons who may be called upon as members of the Tribunal. Sittings of the Tribunal are convened only when required. To date, there have been no appeal cases reported or reviewed by the Tribunal.

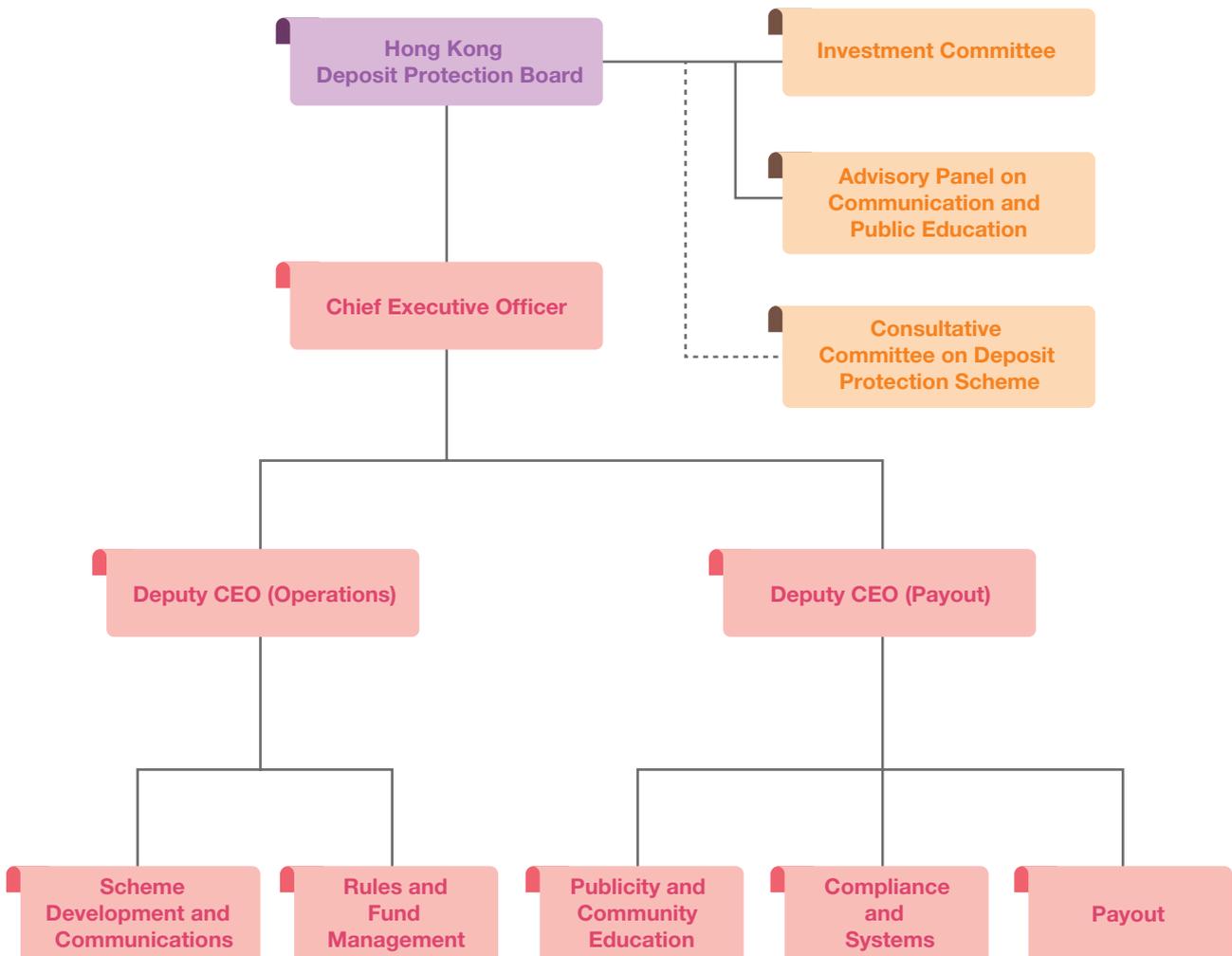
### Review of the Corporate Governance Structure

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 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 IAD conducted a review in the second quarter of 2018 and concluded that the Board's corporate governance framework was in line with industry best practices.

# ABOUT THE HONG KONG DEPOSIT PROTECTION BOARD

## ORGANISATIONAL STRUCTURE

(as at 31 March 2020)





## SCHEME OPERATIONS

### SCHEME MEMBERS' PROFILE AND RELEVANT DEPOSITS

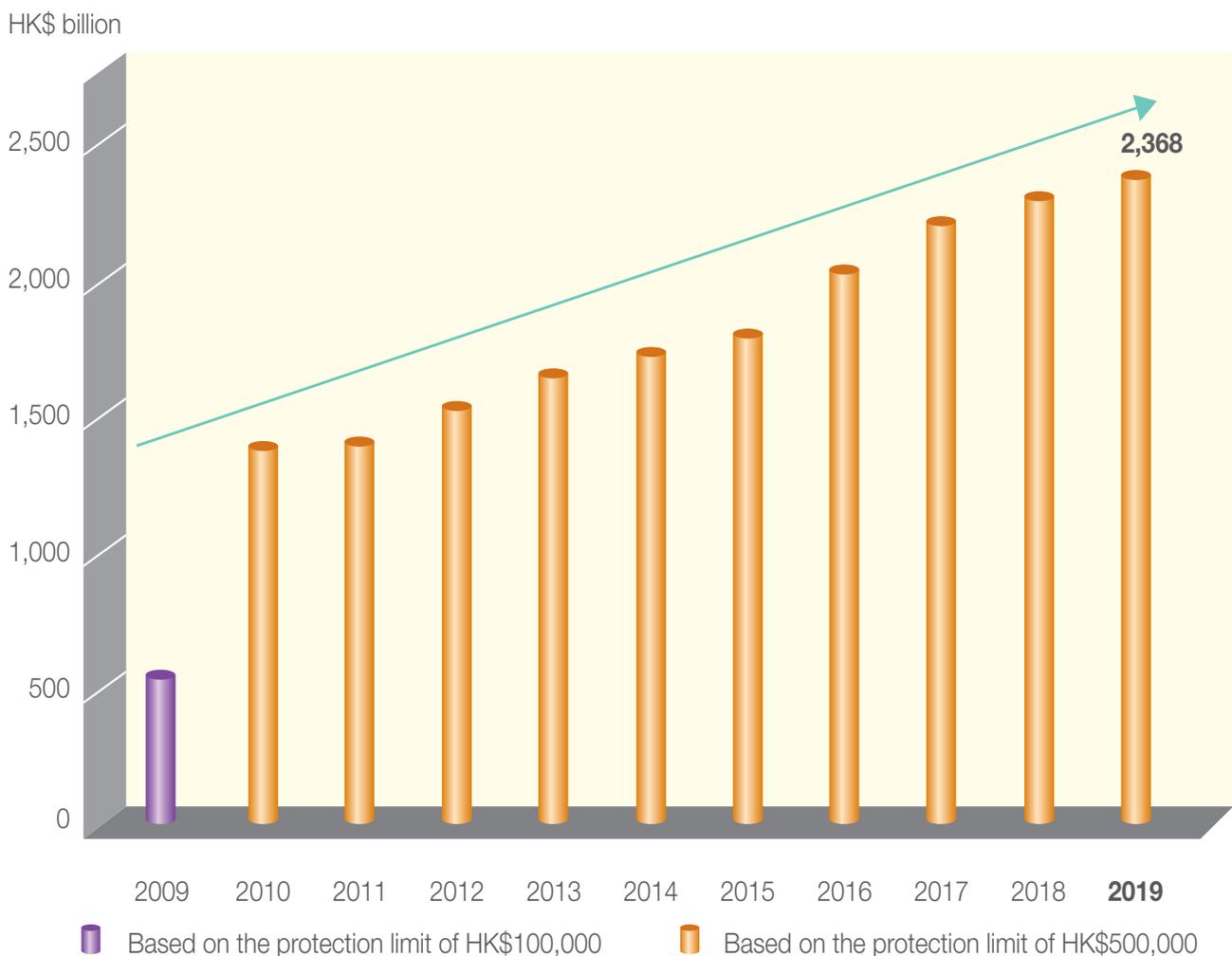
The Scheme had 159 members at the end of March 2020: 31 were incorporated locally and 128 were incorporated outside Hong Kong. This is largely in line with the number of retail and wholesale banks in Hong Kong.

Based on returns submitted by Scheme members, the aggregate amount of their relevant deposits

grew by 3% from HK\$2,290 billion in 2018 to HK\$2,368 billion in 2019. This was attributed to an increase in total deposits held with Scheme members.

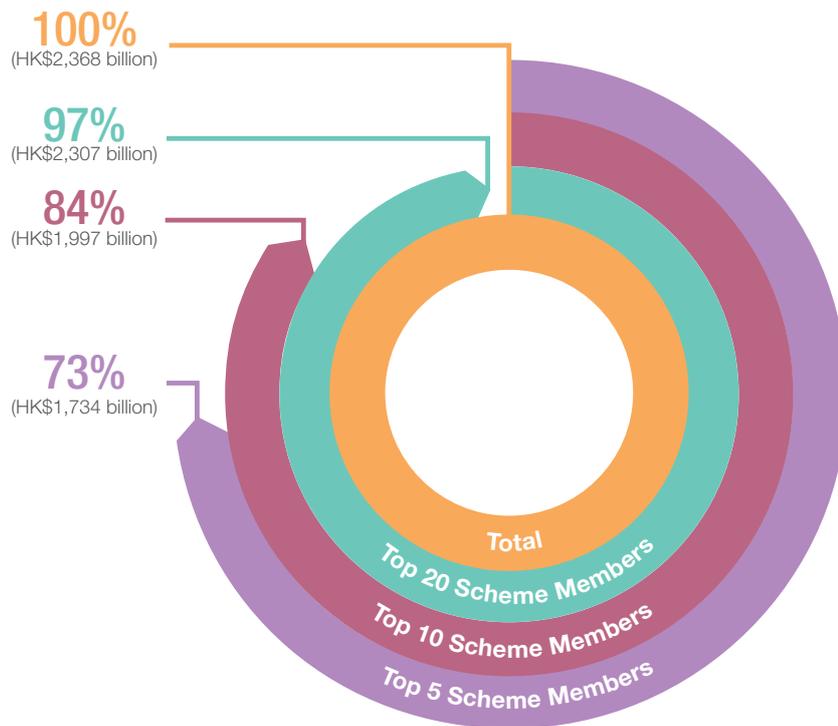
The distribution of relevant deposits among Scheme members in 2019 was similar to that of 2018. The top 20 Scheme members, most of which were retail banks, held 97% of the industry's aggregate relevant deposits. According to statistics provided by Scheme members, about 90% of depositors are fully protected by the DPS.

#### Relevant Deposits Held with Scheme Members

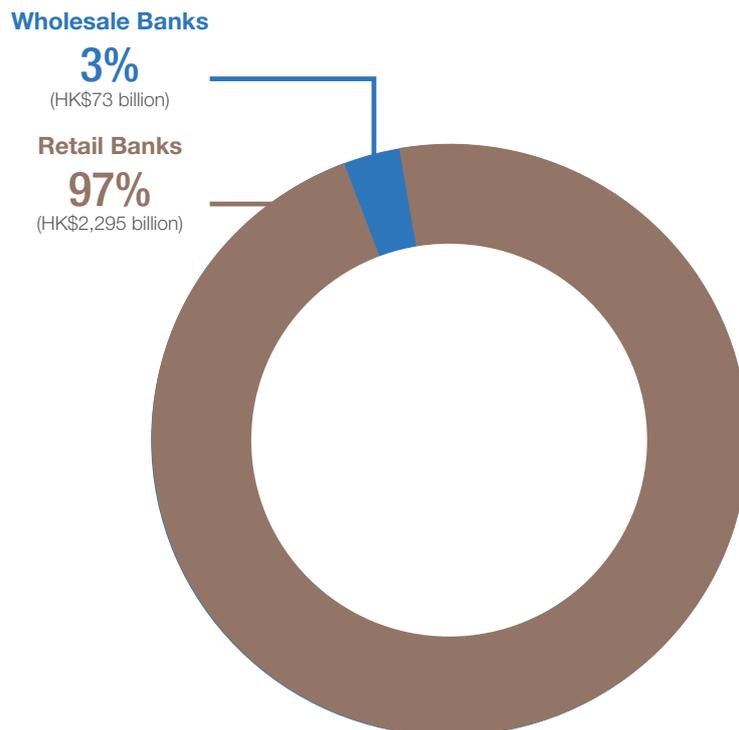


## Distribution of Relevant Deposits in 2019

As a percentage of total relevant deposits:



Represented by:





## SCHEME OPERATIONS

### PAYOUT READINESS

#### Overview

During the year, the Board continued its ongoing efforts to ensure that it is well prepared for effecting a timely payout in the event that the Scheme is triggered. These efforts included monitoring Scheme members' compliance with the data requirements for payout, and maintaining readiness through a payout rehearsal, which affirmed that the seven-day payout

target can be met. Additionally, given the rapid development and increasingly widespread adoption of electronic payment technology, the Board embarked on a project to improve DPS compensation payment using electronic payment channels for payout. Looking at the challenging year ahead, the Board will stay vigilant and make every effort to maintain its capacity and capability so that the objective of prompt payout is not affected.

### Concerted Efforts to Make a Fast Payout: Duties of Various Parties in a Payout



### Payout Rehearsal

It has always been one of the top priorities of the Scheme operations to maintain readiness to perform a payout at any time. To this end, the Board conducted a payout rehearsal during the year, which tested the coordination among payout agents in a “close-to-real-life” situation using the new payout system implemented last year. The rehearsal verified again that the seven-day payout target could be met, and it demonstrated the improved efficiency and resilience of the new payout system. Despite this enhanced payout capability, an efficient payout process also relies on Scheme members’ ongoing ability to maintain up-to-date personal and contact details of depositors.

### Electronic Payment Channels for Compensation Payment

The HKMA launched the Faster Payment System (FPS) in 2018, an electronic payment infrastructure that enables users to transfer money in Hong Kong instantly, easily and safely to recipients. The FPS has

been rapidly adopted in Hong Kong since its launch, illustrating the demand for and benefits of such a service. In the light of the success of the FPS, the Board is working on a project that aims to provide safe and fast DPS compensation payments through the introduction of electronic payment channels, including the FPS, to supplement the use of paper cheques for payout. During the year, the Board commenced the project with the initial steps of system development and business process formulation, together with payout agents. In the second half of 2020, the Board will engage the banking sector in comprehensive testing of the system, since effective implementation of the new electronic payment channels involves seamless system interfaces with many banks. When the project is rolled out in 2021, the use of electronic payment channels will enable even speedier payout to depositors, providing them with safer, faster and more convenient access to DPS compensation.

### Common Reasons for Delays in Receiving Compensation Payments



#### Invalid address

Affected depositors may be unable to receive paper cheque compensation if their correspondence address information maintained by the failed bank is invalid



#### Incorrect/outdated telephone number

Delays may arise if affected depositors cannot be reached by telephone to clarify relevant information used to determine the compensation amount



#### Incorrect name

Affected depositors may be unable to cash their compensation cheque at other banks if records of their names maintained by the failed bank are incorrect or outdated (e.g. if their names have been changed)



**It is important for depositors to keep their personal information up to date with their banks**



## SCHEME OPERATIONS

### Information System Requirements and Compliance

In order for the Scheme to calculate compensation quickly and accurately, Scheme members need to provide the Board with complete and correct deposit records in a timely manner. To this end, the Board uses a range of measures under the Compliance Review Programme to regularly monitor Scheme members' compliance with the Information System (IS) Guideline. Under the Programme, each Scheme member is required to submit a self-declaration annually and to commission an independent auditor to conduct a thorough assessment of its systems and processes once every three years. This year, the Board requested 47 Scheme members to undertake such an independent assessment and it conducted comprehensive reviews on six selected Scheme members. The results revealed that the overall compliance status was satisfactory.

During the first half of 2019, the HKMA granted licences to eight virtual banks. Accordingly, these virtual banks became Scheme members and are eligible for the same deposit protection as all other Scheme members that are conventional banks. To enable these virtual banks to ensure that their business processes and information systems meet the data requirements set by the Board for payout, the Board organised an information session with them in September 2019 when they were preparing to launch their businesses.

### Monitoring of Scheme Members' Compliance with the IS Guideline



**Conducted 6** comprehensive compliance reviews of controls and correctness in respect of the deposit records submitted by selected Scheme members



**Commissioned 47** Scheme members to submit independent assessment reports under the Compliance Review Programme



**Reviewed annual** self-declarations submitted by all Scheme members on their compliance with the information system requirements



The information session for virtual bank Scheme members

## DEPOSIT PROTECTION SCHEME FUND

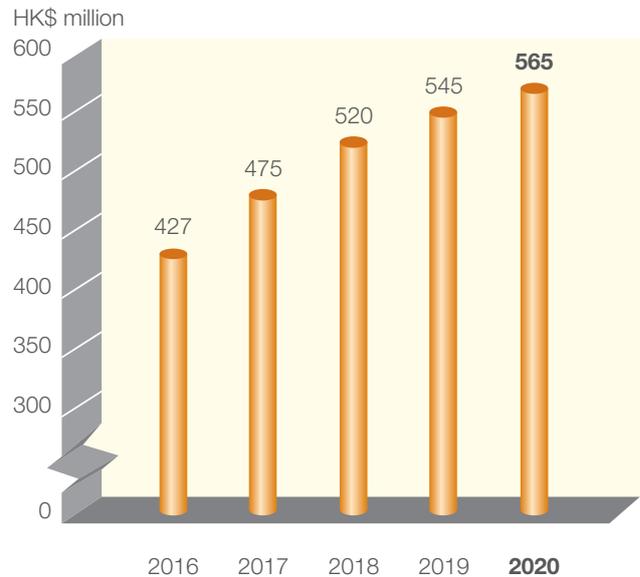
### Composition of the DPS Fund

The DPS Fund is built up from two main sources: 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 of each Scheme member as decided by the HKMA, serves as the basis for determining Scheme members' contributions for the coming year.

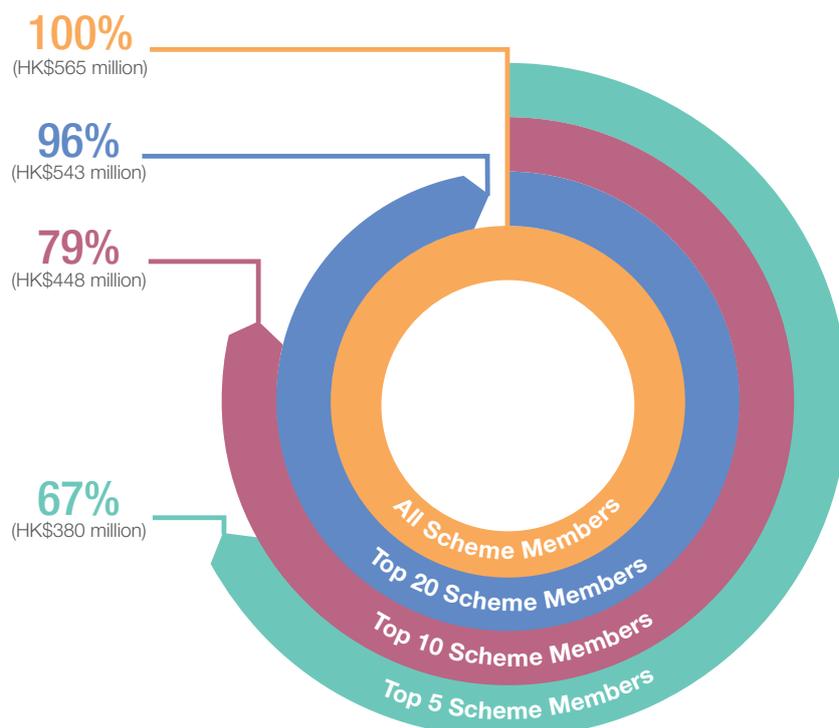
### Assessment and Collection of Contributions

The contributions collected from Scheme members in 2020 amounted to HK\$565 million, an increase of 4% from 2019. 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 validate the accuracy of reporting made by Scheme members on their relevant

Contributions Paid by Scheme Members



Distribution of Contributions Collected from Scheme Members





## SCHEME OPERATIONS

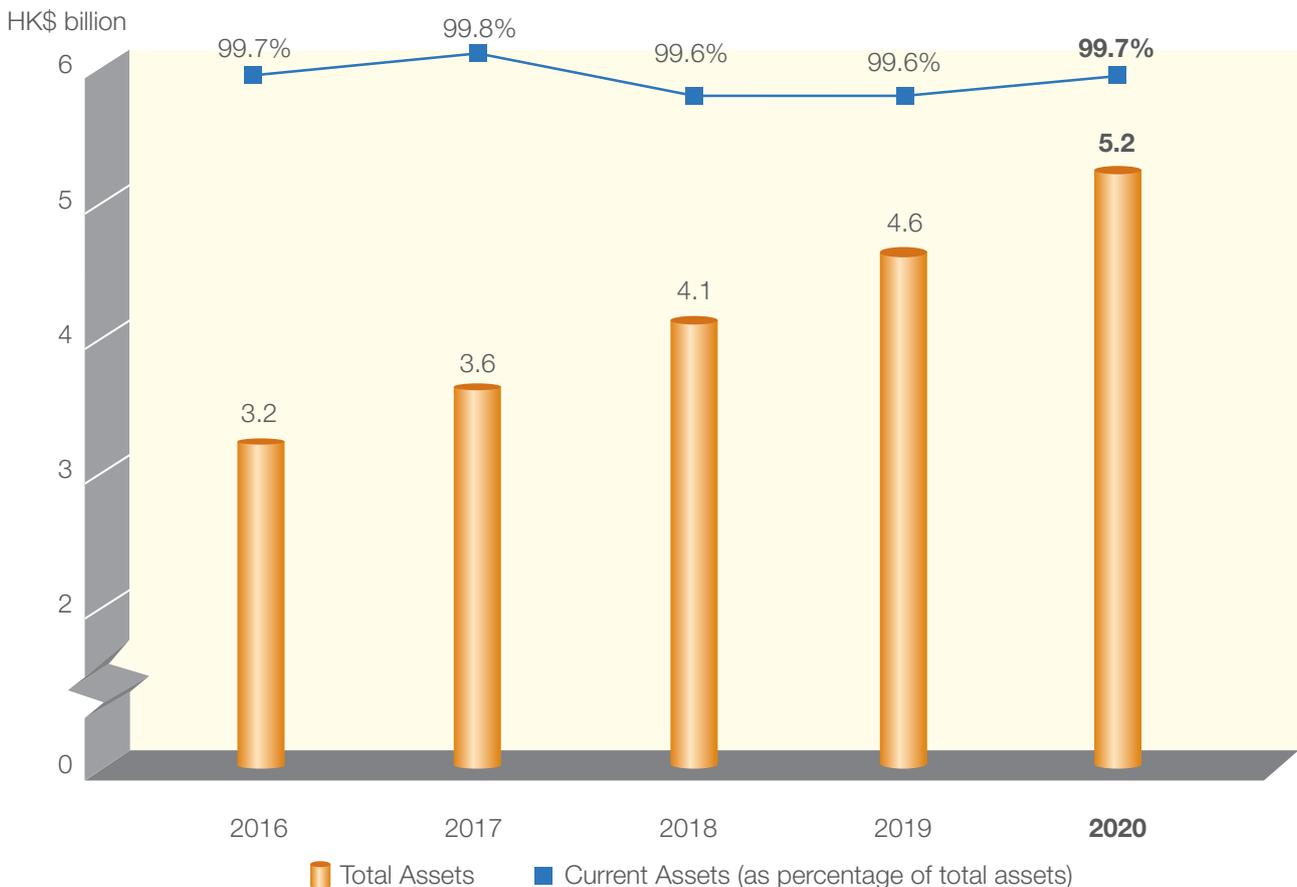
deposits, the Board has since 2007 requested Scheme members to conduct regular audit reviews of their returns of relevant deposits in accordance with the policy for reviewing these returns. The Board selected 24 Scheme members to submit an audit report on the accuracy of their returns in 2020. The audit results were generally satisfactory, and the Board noted that there was no reporting error leading to a material impact on the amount of contributions collected.

### DPS Fund Investments

In view of the uncertain and volatile investment environment during the financial year 2019-2020, the

Board continued to adopt a prudent approach in managing the investment of the DPS Fund. Investments were made in strict compliance with the DPSO, the DPS Fund's investment policy and the DPS Fund's investment control policy. The DPSO and the policies set out clear guidelines on risk assessment and control measures, and the segregation of duties required for investment activities. As at the end of March 2020, the DPS Fund held highly liquid assets predominantly in the form of Hong Kong dollar deposits. The DPS Fund achieved an investment return of 1.26% for the financial year 2019-2020.

### DPS Fund's Assets



## REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF THE SCHEME

### Overview

In the second year of implementing its three-year communication strategy, the Board launched the “DPS Piggy Bank” publicity campaign in early 2019, putting extra focus on enhancing the public’s in-depth understanding of the DPS key features, on top of maintaining a high level of public awareness of deposit protection. In addition to piggy bank-themed publicity and consumer campaigns, a variety of other public relations, promotional and community education activities were implemented to reach out to different target groups. In response to the exceptional circumstances under the coronavirus outbreak, publicity efforts were reprioritised in the first quarter of 2020 to reinforce awareness of the DPS with the aim of fortifying public confidence.

### Multimedia Publicity

#### *Mass Advertising and Consumer Campaigns*

To maximise the exposure of the animated piggy bank characters created to promote the DPS, two advertising campaign bursts employing the “DPS Piggy Bank” TV commercials were executed to reach the general public through traditional channels like TV, print and outdoor advertising, as well as through new platforms like digital and social media for targeted audience groups. Synergistically, “My Piggy Bank” Art Installation roving roadshows were held in different locations around Hong Kong to directly engage the public with DPS educational games, interactive workshops and information panels promoting the DPS key features.



Visitors participating in DPS educational games and taking pictures with piggy-bank art pieces at roving roadshows



## SCHEME OPERATIONS

People often save money for personal reasons, suggesting there are untold stories of love and devotion behind their deposits. To convey the message that people's valuable deposits are protected, and to deepen the public's understanding of the DPS key features, the Board selected and showcased a few of these personal stories by adapting them into creative formats that appealed to different target audiences. "Deposits are Protected. Save with Confidence!", an infotainment drama series epitomising people's money-management stories during different stages of their lives, was broadcast during prime time on a major TV channel. And around Mother's Day, videos and interviews sharing money-saving stories from mothers of different ages were posted on the "Moms' Money-Saving Hacks" column of a popular online portal to share DPS knowledge.

### *Survey on "Hongkongers' Sense of Security on Savings"*

The second annual "Hongkongers' Sense of Security on Savings" survey was conducted this year to monitor Hong Kong people's saving behaviours and money management habits. To account for the increasing importance people attach to retirement planning, a sub-study of the survey this year investigated how pre-retirees prepare for retirement with savings. Interesting findings of the survey were announced at a press briefing, with the extensive media coverage that followed reinforcing the Board's important role as the "Guardian of Savings".



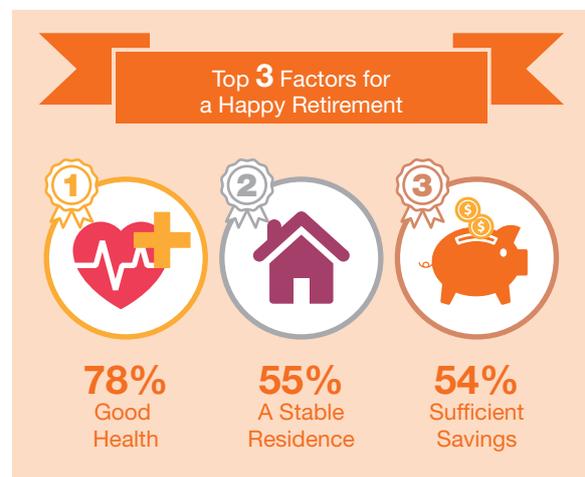
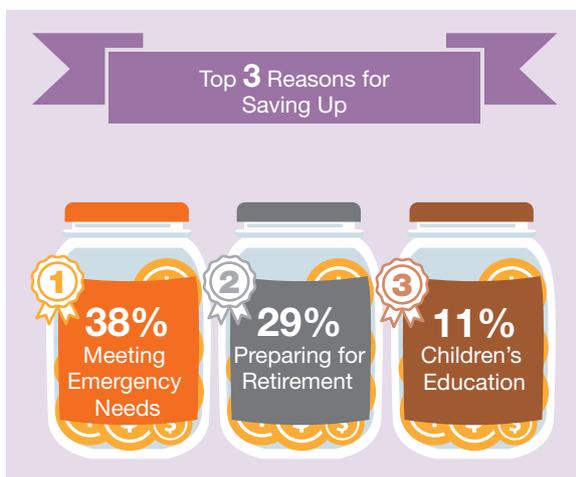
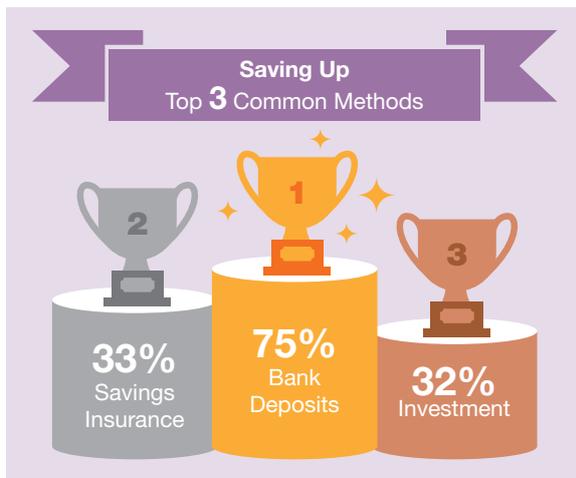
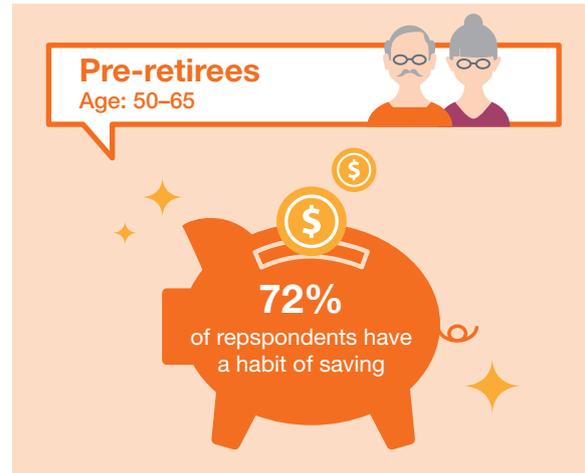
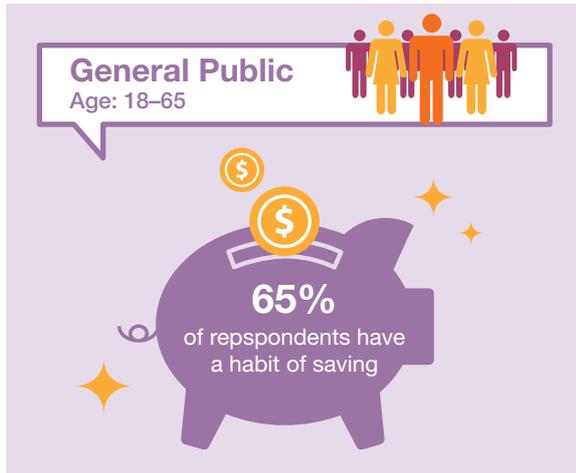
Snapshots of the infotainment drama series and money-saving stories from mothers



Professor Michael Hui, the Chairman of the Board, attended the press conference of the second annual survey

## Interesting Findings of “Hongkongers’ Sense of Security on Savings” Survey

2019





## SCHEME OPERATIONS

### Social Media Campaigns

Three social media campaigns were executed on the Board's social media platforms during the year to promote the public's knowledge of the protection

provided by the DPS in a light-hearted manner. The campaigns led to increased engagement and viewership, reaching more than 1.5 million social media users.

### A Quick Glance at the DPS Social Media Campaigns



**1** Launched a motion-graphics video series featuring the two DPS Facebook ambassadors, Ah Chuen and Ka Po, whose characters and performances deciphered the “Myths of the City” to introduce the DPS key features.

**2** Conducted several rounds of an “E-stamps Collection” campaign, which included questions testing DPS knowledge to engage homemakers and the elderly who habitually collect promotional stamps/coupons.

**3** Rolled out a “Street Interviews” campaign with videos posted on the DPS Facebook fanpage featuring interesting street interviews with couples sharing their saving habits and passers-by declaring their determination to quit living pay cheque to pay cheque.

### Segment-Targeted Publicity Campaigns

To extend the reach to target groups who are not easily accessible through mass media campaigns (such as foreign domestic helpers, non-Chinese-speaking ethnic community groups, homemakers and the elderly), a segment-targeted campaign was implemented with advertising placements on non-traditional communication platforms. These included advertorials in newspapers and digital website banners targeting Filipinos and Indonesians, and messaging on social media and TVs in residential buildings and private clinics.

In order to sustain effectiveness of the Scheme, the Board strives to maintain a high level of public awareness and confidence in DPS protection through different consumer promotions and publicity campaigns. In response to the changes in lifestyle and media consumption habits of the public during the coronavirus outbreak, publicity efforts have been reprioritised to enhance advertising placements on TV and digital channels, as well as to disseminate DPS board game sets via NGO networks as an educational tool to support home-learning for less-privileged families.

### Community Education Outreach

#### Introducing the New “Fly with DPS” Board Game for Junior Primary Students

Disseminating educational messages through game playing has proven to be effective for students. The Board continues to organise board game workshops for senior primary and secondary students using the board game “Around the World in \$80”, which has resulted in positive responses from schools. This year, the Board engaged students of Hong Kong Community College (an affiliate of The Hong Kong Polytechnic University) via the mentorship programme and also developed the new “Fly with DPS” board game targeting junior primary students.

A “Fly with DPS” launch ceremony, including free trial sessions, was held at the Hong Kong Book Fair 2019, with children from primary schools and new-immigrant families invited to attend the event. Subsequently, board game introductory workshops utilising the two DPS board games (“Around the World in \$80” and “Fly with DPS”) were regularly organised at both primary and secondary schools. A presentation to promote these workshops was also conducted for school heads attending the School Liaison Committee meeting.



“Fly with DPS” launch ceremony in 2019



## SCHEME OPERATIONS

### Participation in High-Traffic Consumer Shows

Apart from organising DPS talks at elderly centres, the Board also participated in the Hong Kong Book Fair 2019, the 54th Hong Kong Brands and Products Expo, as well as the Child Development Fund Award Ceremony and Fun Day organised by New Home Association to engage the public with DPS educational games and information panels. To better connect with audiences, DPS senior ambassadors were trained to perform in an on-stage drama promoting DPS knowledge.



Promoting DPS knowledge at New Home Association's Fun Day

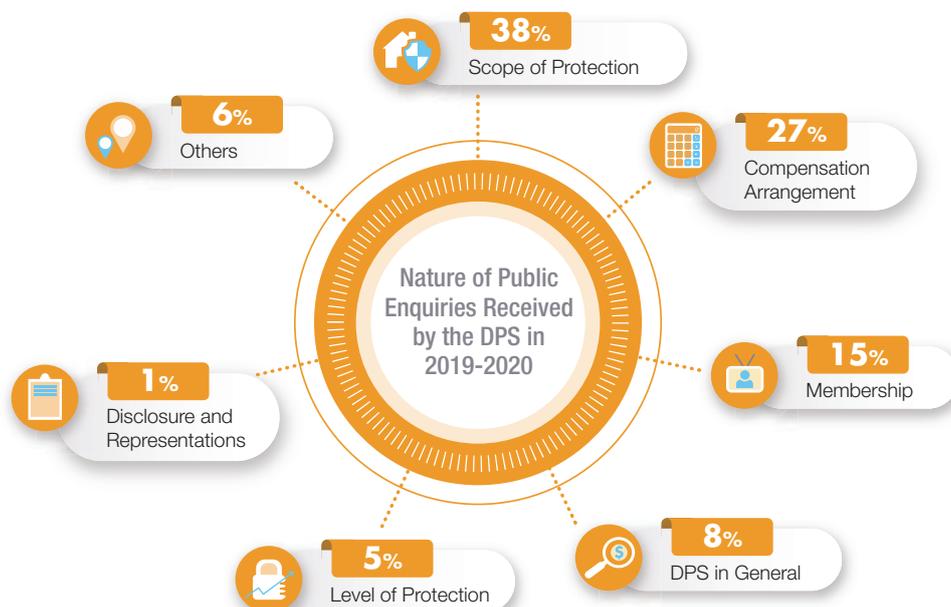
### Public Awareness and Enquiries

#### 2019 Opinion Survey Top-Line Results

According to the results of an independent public opinion survey conducted in 2019, the level of public awareness of the DPS remained high at about 78%. Of those aware of the Scheme, around 83% knew about the HK\$500,000 protection limit and close to 87% realised that the protection provided by the DPS is statutory. The Board will continue to use the survey findings to fine-tune its communication strategy.

#### DPS Public Enquiry Service

The Board operates the DPS Public Enquiry Service, which provides a convenient and effective channel for members of the public to ask questions about different aspects of the Scheme and the functions of the Board. About 40% of the enquiries received in 2019-2020 were related to the scope of protection of the DPS (including the deposit protection coverage of virtual banks and the types of financial products covered by the DPS), and about one-quarter were related to compensation arrangements (including the compensation entitlements for joint accounts and the determination of compensation for foreign currency deposits).



### COMPLIANCE WITH THE REPRESENTATION RULES

The DPS (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 Scheme members' compliance with the representation requirements, the Board requested Scheme members to conduct a self-assessment review covering 1 July 2018 to 30 June 2019. In addition, the HKMA continued to conduct on-site examinations to further assess selected Scheme members' compliance with the Representation Rules. The Board reviewed the self-assessment reports and findings of the on-site examinations and took appropriate follow-up actions where necessary. The assessment and examination results indicated that the overall compliance level of Scheme members was generally satisfactory, and no non-compliance cases of a systemic nature were identified.

### RELATIONSHIPS WITH OTHER SAFETY NET PLAYERS

#### Co-operation with the HKMA

The Board and the HKMA share the common objective of promoting the stability of the banking system. To accomplish this, the two parties signed an MoU that sets out how they should co-operate in the performance of their respective functions in respect of the DPS. In line with the DPSO requirement that the Board perform its functions through the HKMA, the Board and the HKMA have also agreed on the extent of the support provided by the HKMA to the Board on a day-to-day basis. Moreover, the Board has in place a standby facility from the HKMA Exchange Fund to obtain 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 so as to enable a fast DPS payout.



## SCHEME OPERATIONS

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

In the event of a bank failure, the funds of a depositor or a portion of those funds may, in certain circumstances, be covered by both the DPS and the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance to compensate securities or futures investors. To ensure that no person receives double compensation, the Board and the Securities and Futures Commission (SFC) have agreed on a set of arrangements to co-ordinate and exchange information with each other. These have been documented in an MoU between the Board, the SFC and the Investor Compensation Company, which was established by the SFC to administer the ICF. The MoU recognises that in the event of a bank failure, the DPS will normally pay depositors first, and that the parties involved will avoid double compensation, facilitated by exchanging relevant information.

### **International Co-operation**

As a member of the International Association of Deposit Insurers (IADI), the Board participates in IADI conferences and seminars and other events organised by IADI members and international organisations, and exchanges knowledge and views on issues relevant to deposit protection in international fora. Such international cooperation is important in enabling the Board to keep up with overseas developments, and to share experience with other IADI members on reform measures, which may provide the Board with insights into possible enhancements of the DPS. In 2019-2020, representatives from the Board took part in a number of international meetings, including the following:

- IADI Asia-Pacific Regional Committee (APRC) CEO Dialogue: Global and Asia-Pacific Economic Outlook and Responses to Challenges Facing APRC Deposit Insurers (in Taipei);
- The 17th IADI APRC Annual Meeting, Technical Assistance Workshop and International Conference (in St Petersburg, Russia); and
- The 18th IADI Annual General Meeting and 2019 Annual Conference (in Istanbul, Turkey).

## TO THE HONG KONG DEPOSIT PROTECTION BOARD

(established under section 14 of the Deposit Protection Scheme Ordinance)

### OPINION

We have audited the statement of accounts of the Deposit Protection Scheme Fund (the "Fund") set out on pages 34 to 58, which comprises the balance sheet as at 31 March 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the statement of accounts, including a summary of significant accounting policies.

In our opinion, the statement of accounts gives a true and fair view of the financial position of the Fund as at 31 March 2020, 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 Deposit Protection Scheme Ordinance (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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OTHER MATTER

The statement of accounts for the year ended 31 March 2019 was audited by another auditor who expressed an unmodified opinion on the statement of accounts on 19 June 2019.



## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the statement of accounts and our 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 Board is responsible for the preparation of the statement of accounts that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Board determines is necessary to enable the preparation of statement of accounts that is free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the Fund's financial reporting process.

### 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 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 HKSAAs 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.

## 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 skepticism 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 represent 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, including any significant deficiencies in internal control that we identify during our audit.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

19 June 2020



## DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 HK\$	2019 HK\$
<b>Income</b>			
Contributions		550,330,187	524,194,131
Interest income from cash and balances with banks and the Exchange Fund		21,792,506	59,104,904
Interest income from financial assets measured at amortised cost	5	78,620,613	—
Exchange losses	5	(42,535,753)	—
Other income		90,000	90,000
Gain on disposal of fixed assets		2,740	—
		<b>608,300,293</b>	<b>583,389,035</b>
<b>Expenditure</b>			
Staff costs	6	12,243,099	10,438,859
Rental expenses under operating lease		—	5,168,100
Other premises costs		732,057	717,383
Depreciation and amortisation		9,917,114	2,037,686
Office supplies		217,927	98,369
Overseas travel		96,272	84,690
Transport and travelling		2,676	3,056
Operating expenses reimbursable to the HKMA	11	25,123,020	24,719,955
Hire of services		9,569,834	7,132,066
Interest expenses on lease liabilities	10	123,576	—
Communications		61,198	104,380
Publicity and printing		10,983,808	10,864,267
Other expenses		1,448,624	2,714,919
		<b>70,519,205</b>	<b>64,083,730</b>
Surplus for the year		<b>537,781,088</b>	<b>519,305,305</b>
Total comprehensive income for the year		<b>537,781,088</b>	<b>519,305,305</b>

The notes on pages 38 to 58 form part of this statement of accounts.

## DEPOSIT PROTECTION SCHEME FUND — BALANCE SHEET

As at 31 March 2020

	Note	2020 HK\$	2019 HK\$
Non-current assets			
Fixed assets	7	9,108,511	8,608,173
Intangible assets	8	8,644,264	11,259,557
		<b>17,752,775</b>	19,867,730
Current assets			
Other receivables	9	1,018,424	1,189,496
Cash and balances with banks and the Exchange Fund		5,143,417,086	4,582,189,098
		<b>5,144,435,510</b>	4,583,378,594
Current liabilities			
Contributions received in advance		426,015,031	410,602,984
Other liabilities	10	33,715,606	27,603,539
		<b>459,730,637</b>	438,206,523
Net current assets		<b>4,684,704,873</b>	4,145,172,071
Net assets		<b>4,702,457,648</b>	4,165,039,801
Represented by			
Accumulated surplus		4,702,457,648	4,165,039,801
		<b>4,702,457,648</b>	4,165,039,801

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 19 June 2020

**Professor Hui King-man, Michael**

Chairman

The notes on pages 38 to 58 form part of this statement of accounts.



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

For the year ended 31 March 2020

	Note	<b>Total</b> HK\$
Fund balance as at 1 April 2018		3,645,734,496
Surplus for the year		519,305,305
<hr/>		
Fund balance as at 31 March, 2019		4,165,039,801
Adjustment on initial application of HKFRS 16	2(a)(i)	(363,241)
<hr/>		
At 1 April 2019, as adjusted		4,164,676,560
Surplus for the year		537,781,088
<hr/>		
Fund balance as at 31 March 2020		4,702,457,648
<hr/>		

The notes on pages 38 to 58 form part of this statement of accounts.

## DEPOSIT PROTECTION SCHEME FUND — STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK\$	2019 HK\$
<b>Operating activities</b>		
Surplus for the year	537,781,088	519,305,305
Interest income	(100,413,119)	(59,104,904)
Interest expenses on lease liabilities	123,576	—
Exchange losses on financial assets measured at amortised cost	38,709,564	—
Depreciation and amortisation	9,917,114	2,037,686
Gain on disposal of fixed assets	(2,740)	—
Cash from operating surplus before changes in operating assets and liabilities	486,115,483	462,238,087
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in other receivables	(132,679)	1,767,847
Increase in contributions received in advance	15,412,047	20,693,714
Increase in other payables	3,737,448	262,019
Interest portion of lease payments	(123,576)	—
Net cash from operating activities	505,008,723	484,961,667
<b>Investing activities</b>		
Purchase of intangible assets	(398,751)	(6,220,518)
Purchase of fixed assets	(153,008)	—
Interest received	21,901,759	59,021,510
Purchase of financial assets measured at amortised cost	(3,448,893,951)	—
Proceeds from redemption of financial assets measured at amortised cost	3,488,805,000	—
Proceeds from disposal of fixed assets	2,740	—
Net cash from investing activities	61,263,789	52,800,992
<b>Financing activities</b>		
Principal portion of lease payments	(5,044,524)	—
Net cash used in financing activities	(5,044,524)	—
Net increase in cash and cash equivalents	561,227,988	537,762,659
Cash and cash equivalents at 1 April	4,582,189,098	4,044,426,439
Cash and cash equivalents at 31 March	5,143,417,086	4,582,189,098
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and balances with banks and the Exchange Fund	5,143,417,086	4,582,189,098

The notes on pages 38 to 58 form part of this statement of accounts.



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

## 1 PURPOSE AND ACTIVITIES

The Deposit Protection Scheme Fund (the Fund) is established under the Deposit Protection Scheme Ordinance (the Ordinance) for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks that are members of the Deposit Protection Scheme (the Scheme or the DPS). Currently, the protection limit is set at HK\$500,000 per depositor per bank. The Hong Kong Deposit Protection Board (the Board) manages the Fund in accordance with the provisions of the Ordinance. The Fund mainly consists of contributions collected from Scheme members and returns on investments of the Fund. Expenditure incurred in the establishment and maintenance of the Scheme, as well as the management and administration of the Fund are paid from the Fund.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The statement of accounts of the Fund has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Hong Kong (IFRIC) Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. The statement of accounts has been prepared under the historical cost convention.

The preparation of statement of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies.

The Board 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*

The HKICPA has issued certain new or amended HKFRSs that are effective in 2019. The following HKFRS has been adopted by the Fund for the first time for the accounting year beginning on 1 April 2019. Other than explained below as regard the impact of HKFRS 16, the new or amended HKFRSs that are applicable to the Fund and became effective in 2019 have had no material impact on the Fund's financial positions and performance for the current and prior years and/or on the disclosures set out in this statement of accounts.

#### HKFRS 16: Leases

HKFRS 16 replaces HKAS 17. 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.

The adoption of HKFRS 16 has primarily affected the Fund's accounting as a lessee. The Fund elected to apply the modified retrospective approach where the comparative figures were not restated, with the cumulative effect of initial application recognised as an adjustment to equity as at 1 April 2019.

The right-of-use assets were measured at their carrying amounts as if HKFRS 16 had been applied since the commencement of the leases and discounted using the Fund's incremental borrowing rate as at 1 April 2019.

Lease liabilities were measured on a present value of the remaining lease payments, discounting using the Fund's incremental borrowing rate as at 1 April 2019.



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

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

###### HKFRS 16: Leases *(continued)*

The effect of the adoption of HKFRS 16 on balance sheet as at 1 April 2019 is as follows. Line items that were not affected by the change have not been included.

	<b>Balance at 1 April 2019</b>	<b>Adjustments on Initial application of HKFRS 16</b>	<b>Balance at 1 April 2019, As adjusted</b>
	HK\$	HK\$	HK\$
Fixed assets	8,608,173	7,630,894	16,239,067
Other receivables	1,189,496	(194,498)	994,998
Total assets	4,603,246,324	7,436,396	4,610,682,720
Other liabilities	27,603,539	7,799,637	35,403,176
Total liabilities	438,206,523	7,799,637	446,006,160
Accumulated surplus and total equity	4,165,039,801	(363,241)	4,164,676,560

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening balance sheet as at 1 April 2019 as disclosed above.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

##### HKFRS 16: Leases *(continued)*

The table below shows the difference between operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 and lease liabilities recognised under HKFRS 16 in the balance sheet as at 1 April 2019.

	HK\$
Operating lease commitments at 31 March 2019 and remaining lease payments under HKFRS 16 (without discounting)	7,946,648
Less: total future interest expenses	(147,011)
<hr/>	
Lease liabilities recognised at 1 April 2019	7,799,637
<hr/>	
Analysed as:	
Current	5,037,166
Non-current	2,762,471
<hr/>	
	7,799,637
<hr/>	
Incremental borrowing rate applied to lease liabilities at 1 April 2019	2.582%

The carrying amount of right-of-use assets relating to operating lease recognised as at 1 April 2019 is HK\$7,799,637.

#### (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2020 and have not been early adopted*

The Fund has not early applied the following new and amendments to HKFRSs which may be relevant to the Fund, that have been issued but are not yet effective.

- Definition of “material” — Amendments to HKAS 1 and HKAS 8
- Revised Conceptual Framework for Financial Reporting

The Fund is in the process of finalising its assessment of what the potential impact of these new and amended standards upon initial application. So far the Management’s preliminary assessment indicates that the adoption of them is not expected to have a significant impact on the Fund’s statements of accounts.



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

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (b) Revenue recognition

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 during each calendar year and the advance portion is presented as contributions received in advance in the balance sheet.

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.

#### (c) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

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

## 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:

	<b>Years</b>
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office furniture, equipment and fixtures	5
Right-of-use assets arising from leases of premises	over the shorter of the lease terms and their estimated useful lives

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.



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

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (f) Leases

##### *From 1 April 2019*

After the adoption of HKFRS 16 “Leases”, a lease is recognised in the balance sheet as a right-of-use asset with a corresponding lease liability at the lease commencement date, except that variable lease payments associated with short-term leases having a lease term of 12 months or less and leases of low-value assets are charged to the income and expenditure account on a straight-line basis over the lease term.

A right-of-use asset is recognised as fixed assets and measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the asset’s estimated useful life.

The lease liability is recognised as other liabilities and is measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Fund’s incremental borrowing rate. The lease liability is subsequently adjusted by the effect of the interest on and the settlement of the lease liability.

Lease payments included in the measurement of the Fund’s lease liability mainly comprise:

- Fixed payments, less any lease incentives receivable;
- Lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is remeasured if the Fund changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### *Before 1 April 2019*

Under HKAS 17 “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.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Financial assets

#### *Classification, recognition, measurement and derecognition*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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 contractual rights to receive the cash flows from the financial assets expire, or where the financial assets together with substantially all the risks and rewards of ownership have been transferred.

#### *Impairment of financial assets*

The Fund applies a three-stage approach to measure expected credit losses (ECLs) and impairment losses or reversals, for financial instruments measured at amortised cost that are not measured at fair value through profit or loss.

The change in credit risk since initial recognition determines the measurement bases for ECLs:

##### Stage 1: 12-month ECLs

For financial instruments for which there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECLs that represent the ECLs that result from default events that are possible within the 12 months after the reporting period are recognised.

##### Stage 2: Lifetime ECLs — not credit impaired

For financial instruments for which there has been a significant increase in credit risk since initial recognition but that are not credit impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial instrument are recognised.

##### Stage 3: Lifetime ECLs — credit impaired

For financial instruments that have become credit impaired, lifetime ECLs are recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of loss allowance) rather than the gross carrying amount.



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

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (g) Financial assets *(continued)*

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

###### Determining the stage for impairment

At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for financial instruments since initial recognition by comparing the risk of default occurring over the remaining expected life as at the reporting date with that as at the date of initial recognition. The assessment considers quantitative and qualitative information as well as forward-looking information. A financial asset is assessed to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Fund assesses whether there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For collective assessment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account investment type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the counterparty or borrower and other relevant factors.

Debt investments with an external credit rating of investment grade are considered to have a low credit risk. Other financial instruments are considered to have a low credit risk if they have a low risk of default and the counterparty or borrower has a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on these financial instruments is assessed as not having increased significantly since initial recognition.

For a financial asset with lifetime ECLs recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime ECLs to 12-month ECLs.

When a financial asset is uncollectible, it is written off against the related loss allowance. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Financial assets *(continued)*

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

##### Measurement of ECLs

ECLs of a financial instrument are an unbiased and probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A credit loss is the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. For a financial asset that is credit impaired at the reporting date, the Fund measures the ECLs as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

### (h) 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.

### (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.



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

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (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.

##### (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 financial assets measured at fair value through other comprehensive income 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, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial assets are included in other comprehensive income.

#### (l) 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.

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) 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.

### (n) 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.



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

### 3 RISK MANAGEMENT *(continued)*

#### (a) Governance *(continued)*

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 Management Team conducts the day-to-day investment management and risk management of the Fund.

#### (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 currency 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, liquidity risk also refers to the risk that 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.

#### *Credit risk*

The Fund is exposed to credit risk when 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 mainly comprises (i) counterparty risk from placement activities; (ii) counterparty risk from investment transactions; (iii) issuer risk arising from debt securities holdings; and (iv) country risk.



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

### 3 RISK MANAGEMENT *(continued)*

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

##### *Credit risk (continued)*

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. To mitigate the issuer risk arises from investments in debt securities, the Board confines the types of investment securities of the Fund to Exchange Fund Bills and Notes and US Treasury Bills and Notes, both with minimal default risk. The Management Team considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. 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.

### 4 TAXATION

No provision for Hong Kong Profits Tax for 2020 and 2019 have been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

### 5 PURCHASE AND REDEMPTION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

During the year ended 31 March 2020, the Fund purchased and redeemed of the US Treasury Bills resulting in interest income of HK\$78,620,613 (2019: Nil) and exchange losses of HK\$38,709,564 (2019: Nil) which have been included in "exchange losses" in the statement of comprehensive income. Taking these two components together, the purchase and redemption of the US Treasury Bills have generated a net income amounted to HK\$39,911,049 (2019: Nil).

### 6 STAFF COSTS

	2020 HK\$	2019 HK\$
Salaries	10,939,150	9,522,670
Gratuity	37,083	8,768
Other employee benefits	1,266,866	907,421
	<b>12,243,099</b>	<b>10,438,859</b>

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

### 7 FIXED ASSETS

	Owned assets		Right-of- use assets	Total HK\$
	Office equipment, furniture and fixtures HK\$	Computer hardware/ software HK\$	Premises HK\$	
<b>Cost</b>				
As at 1 April 2018	1,647,992	25,158,820	—	26,806,812
Additions	—	—	—	—
<hr/>				
As at 31 March 2019	1,647,992	25,158,820	—	26,806,812
<hr/>				
As at 1 April 2019	1,647,992	25,158,820	—	26,806,812
Adjustment on initial application of HKFRS 16	—	—	7,630,894	7,630,894
<hr/>				
As at 1 April 2019, as adjusted	1,647,992	25,158,820	7,630,894	34,437,706
Additions	43,755	109,253	—	153,008
Lease remeasurement	—	—	(380,494)	(380,494)
Disposals	—	(12,457,454)	—	(12,457,454)
<hr/>				
As at 31 March 2020	1,691,747	12,810,619	7,250,400	21,752,766
<hr/>				
<b>Accumulated depreciation</b>				
As at 1 April 2018	1,545,414	16,235,949	—	17,781,363
Charge for the year	42,543	374,733	—	417,276
<hr/>				
As at 31 March 2019	1,587,957	16,610,682	—	18,198,639
<hr/>				
As at 1 April 2019	1,587,957	16,610,682	—	18,198,639
Charge for the year	32,684	1,907,893	4,962,493	6,903,070
Written back on disposal	—	(12,457,454)	—	(12,457,454)
<hr/>				
As at 31 March 2020	1,620,641	6,061,121	4,962,493	12,644,255
<hr/>				
<b>Net book value</b>				
As at 31 March 2020	71,106	6,749,498	2,287,907	9,108,511
<hr/>				
As at 31 March 2019	60,035	8,548,138	—	8,608,173
<hr/>				



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

### 8 INTANGIBLE ASSETS

	<b>Development costs of payout system</b> HK\$
<b>Cost</b>	
As at 1 April 2018	34,885,758
Additions	6,220,518
<hr/>	
As at 31 March 2019	41,106,276
<hr/>	
As at 1 April 2019	41,106,276
Additions	398,751
<hr/>	
As at 31 March 2020	41,505,027
<hr/>	
<b>Accumulated amortisation</b>	
As at 1 April 2018	28,226,309
Charge for the year	1,620,410
<hr/>	
As at 31 March 2019	29,846,719
<hr/>	
As at 1 April 2019	29,846,719
Charge for the year	3,014,044
<hr/>	
As at 31 March 2020	32,860,763
<hr/>	
<b>Net book value</b>	
As at 31 March 2020	8,644,264
<hr/>	
As at 31 March 2019	11,259,557
<hr/>	

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

### 9 OTHER RECEIVABLES

	2020 HK\$	2019 HK\$
Prepayment	864,477	926,296
Interest receivables	91,447	200,700
Others	62,500	62,500
	1,018,424	1,189,496

### 10 OTHER LIABILITIES

	Note	2020 HK\$	2019 HK\$
Other payables			
Hire of services	(a)	29,492,083	25,352,840
Staff expenses		1,309,069	1,105,875
Others		539,835	1,144,824
Lease liabilities	(b)	2,374,619	—
		33,715,606	27,603,539

- (a) This amount includes operating expenses of HK\$25,123,020 (2019: HK\$24,719,955) reimbursed to the Hong Kong Monetary Authority (HKMA).



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

### 10 OTHER LIABILITIES *(continued)*

- (b) The changes in lease liabilities arising from financing activities are as follows:

	HK\$
Balance at 1 April 2019	—
Adjustments on initial application of HKFRS 16	7,799,637
<hr/>	
Balance at 1 April, as adjusted	7,799,637
Changes from financing cash flows	
Principal portion of lease payments	(5,044,524)
Non-cash changes	
Interest expenses on lease liabilities	123,576
Lease remeasurement	(380,494)
Other changes	
Interest portion of lease payments	(123,576)
<hr/>	
Balance at 31 March 2020	2,374,619

The following table shows the remaining contractual maturities at the end of the reporting period of lease liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay.

	2020 HK\$	2019 HK\$
1 month or less	430,675	—
3 months or less but over 1 month	861,350	—
1 year or less but over 3 months	1,091,043	—
<hr/>		
	2,383,068	—

- (c) The total cash outflows for leases of the Fund for the year ended 31 March 2020 was HK\$5,168,100.
- (d) The lease of the office premises contains an early termination option exercisable by the Fund or the landlord. As at 1 April 2019, the Fund assessed the length of the lease contract by considering the non-cancellable period, the enforceability of the contract and any significant penalty in accordance with HKFRS 16. In January 2020, the landlord exercised the termination option and the lease will be ending on the day close to the end of the non-cancellable lease period, and the impact has been reflected on the statement of accounts.

## 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	2020 HK\$	2019 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	5,135,106,861	4,578,468,535
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	21,732,427	59,104,453
Operating expenses reimbursed to the HKMA	(b)	25,123,020	24,719,955

- (a) During the year, the Fund placed deposits with the Exchange Fund and earned interest amounting to HK\$21,732,427 (2019: HK\$59,104,453) at a rate which is referenced to the market interest rates. As at 31 March 2020, the deposits amounted to HK\$5,135,106,861 (2019: HK\$4,578,468,535).
- (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 with 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 (2019: HK\$120 billion) of which nil (2019: 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:

	2019 HK\$
No later than 1 year	5,168,100
Later than 1 year and no later than 5 years	2,778,548
	<hr/>
	7,946,648

From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the balance sheet in accordance with the accounting policies as set out in note 2(f).

### 13 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 19 June 2020.

## ANNEX : LIST OF SCHEME MEMBERS AS AT 31 MARCH 2020

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



## ANNEX : LIST OF SCHEME MEMBERS AS AT 31 MARCH 2020

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

## ANNEX : LIST OF SCHEME MEMBERS AS AT 31 MARCH 2020

ICBC STANDARD BANK PLC	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
ICICI BANK LIMITED	MELLI BANK PLC
INDIAN OVERSEAS BANK	MITSUBISHI UFJ TRUST AND BANKING CORPORATION
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED	MIZUHO BANK, LTD.
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED	MORGAN STANLEY BANK ASIA LIMITED
INDUSTRIAL BANK CO., LTD.	MOX BANK LIMITED
INDUSTRIAL BANK OF KOREA	MUFG BANK, LTD.
ING BANK N.V.	NANYANG COMMERCIAL BANK, LIMITED
INTESA SANPAOLO SPA	NATIONAL AUSTRALIA BANK LIMITED
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	NATIONAL BANK OF PAKISTAN
KBC BANK N.V.	NATIXIS
KEB HANA BANK	NATWEST MARKETS N.V.
KOOKMIN BANK	NATWEST MARKETS PLC
LAND BANK OF TAIWAN CO., LTD.	O-BANK CO., LTD.
LGT BANK AG	OCBC WING HANG BANK LIMITED
LIVI VB LIMITED	OVERSEA-CHINESE BANKING CORPORATION LIMITED
MACQUARIE BANK LIMITED	PHILIPPINE NATIONAL BANK
MALAYAN BANKING BERHAD	PICTET & CIE (EUROPE) S.A.
MASHREQ BANK — PUBLIC SHAREHOLDING COMPANY	PING AN BANK CO., LTD.



## ANNEX : LIST OF SCHEME MEMBERS AS AT 31 MARCH 2020

PING AN ONECONNECT BANK (HONG KONG) LIMITED	SUMITOMO MITSUI TRUST BANK, LIMITED
PT. BANK NEGARA INDONESIA (PERSERO) TBK.	SVENSKA HANDELSBANKEN AB (PUBL)
PUBLIC BANK (HONG KONG) LIMITED	TAI SANG BANK LIMITED
PUNJAB NATIONAL BANK	TAI YAU BANK, LIMITED
QATAR NATIONAL BANK (Q.P.S.C.)	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
ROYAL BANK OF CANADA	TAISHIN INTERNATIONAL BANK CO., LTD
SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. (THE)	TAIWAN BUSINESS BANK, LTD.
SHANGHAI COMMERCIAL BANK LIMITED	TAIWAN COOPERATIVE BANK, LTD.
SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.
SHIGA BANK, LTD. (THE)	TORONTO-DOMINION BANK
SHINHAN BANK	UBS AG
SHIZUOKA BANK, LTD. (THE)	UCO BANK
SKANDINAVISKA ENSKILDA BANKEN AB	UNION BANCAIRE PRIVÉE, UBP SA
SOCIETE GENERALE	UNION BANK OF INDIA
STANDARD CHARTERED BANK	UNITED OVERSEAS BANK LTD.
STANDARD CHARTERED BANK (HONG KONG) LIMITED	WELAB BANK LIMITED
STATE BANK OF INDIA	WELLS FARGO BANK, NATIONAL ASSOCIATION
STATE STREET BANK AND TRUST COMPANY	WESTPAC BANKING CORPORATION
SUMITOMO MITSUI BANKING CORPORATION	WOORI BANK
	YUANTA COMMERCIAL BANK CO., LTD
	ZA BANK LIMITED



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

