



Message from the Chairman

In September 2021, the Hong Kong Deposit Protection Board (the Board) celebrated the 15th Anniversary of the launch of the Deposit Protection Scheme (DPS). Over the years, the Board has overseen some significant enhancements to the scheme. In particular, the protection limit provided by the DPS was raised from HK\$100,000 to HK\$500,000 in 2011, where it remains today. In 2016, the scheme moved to adopt a gross payout approach in the compensation calculation process, reducing the target payout time frame from 42 days to just seven. These initiatives expanded the protection offered to bank depositors in Hong Kong, and significantly enhanced the responsiveness of the DPS to a payout situation.

In June 2021, we further expedited the compensation process by launching new electronic payment channels to supplement traditional paper cheques. Now, in the case of a bank failure, depositors can receive compensation by direct bank transfer (if they hold accounts with one of the Board's designated payout agent banks), or via the Faster Payment System (FPS). This enhancement has brought a further level of convenience and efficiency to the DPS system.

A new electronic payout system is only as good as its execution. Recognising this, in November last year we carried out a payout rehearsal designed to test

the various electronic payment channels available, and to evaluate the effect on a payout of contingency arrangements implemented due to the COVID-19 pandemic. I am pleased to report that the rehearsal provided clear evidence that using electronic payment channels could reduce the payout time by one to two days compared with the time required for issuing paper cheques. Even in situations where pandemic business contingency plans were implemented, electronic payment could still be completed within the Board's target period of seven days.

Over the years, one of the Board's key missions has been to build and maintain a high level of public awareness of, and confidence in, the DPS. We monitor the level of public awareness annually, and can report that it has gradually risen over the years, from 66% in the early years of the DPS to around 79% in recent years. This strong level of awareness has been maintained despite disruptions





to our promotional and outreach efforts in the past two years due to the pandemic. Although many of our face-to-face publicity and community engagement initiatives had to be cancelled in 2021, this prompted the Board to explore new modes and methods of reaching out to the public, especially via digital channels and social media platforms. Our recent “Street Interviews” and “E-stamps Collection” campaigns are good examples of online initiatives that have proved highly successful in attracting attention and educating the public on the DPS and its benefits.

We have also aimed to ensure that the DPS remains in line with international best practices in deposit insurance, including through periodic reviews. In 2021, the Board completed a self-assessment exercise on the compliance of the DPS with the International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems. These principles relate to key features of deposit insurance systems such as deposit insurance coverage, funding and governance, reimbursement speed, and crisis preparedness and management. Our self-assessment found that the DPS is largely in compliance with the IADI Core Principles, with just a few areas requiring further research and analysis. The Board also engaged an external consultant to conduct an independent review of the DPS to ensure that it remains effective.

The fifth wave of the COVID-19 pandemic, which began to affect Hong Kong in January 2022, has taken a significant economic toll on many. As the guardian of bank deposits in Hong Kong, the Board recognises that it has an important role to play in reassuring the public and businesses of the safety of their bank deposits. We have a number of initiatives lined up for the year ahead aimed at maintaining high public confidence in the banking system, and ensuring that the Board can respond promptly and efficiently in any payout situation.

Our three-year communications strategy is an important cornerstone in our efforts to maintain a high level of public understanding of, and confidence in, the DPS. This year, that strategy will see us rolling out a range of publicity and educational campaigns for all age groups, with a special focus on young depositors.

We are also planning to conduct a comprehensive payout drill with members of the banking sector in the year. The aim of this is to ensure that all parties are familiar with the payout procedures, and can implement them without delay. There will be a special focus on using FPS to compensate depositors.

We also expect the independent review of the DPS to be concluded in the first half of this year. We will consider any recommendations made in the review, and look closely at ways to further enhance the DPS so that it remains optimally effective and in line with international best practices.

With this report, I come to the end of my six-year term as Chairman of the Board. I would like here to extend my support and best wishes to my successor, Ms Connie Lau. My warmest thanks also go out to the Board and Advisory Panel Members for their valuable support over the past year, and especially the service of those who have retired after completing their terms. Sincere thanks are also due to our major stakeholders, and of course to the Board’s loyal staff.

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Chairman

Hong Kong Deposit Protection Board