

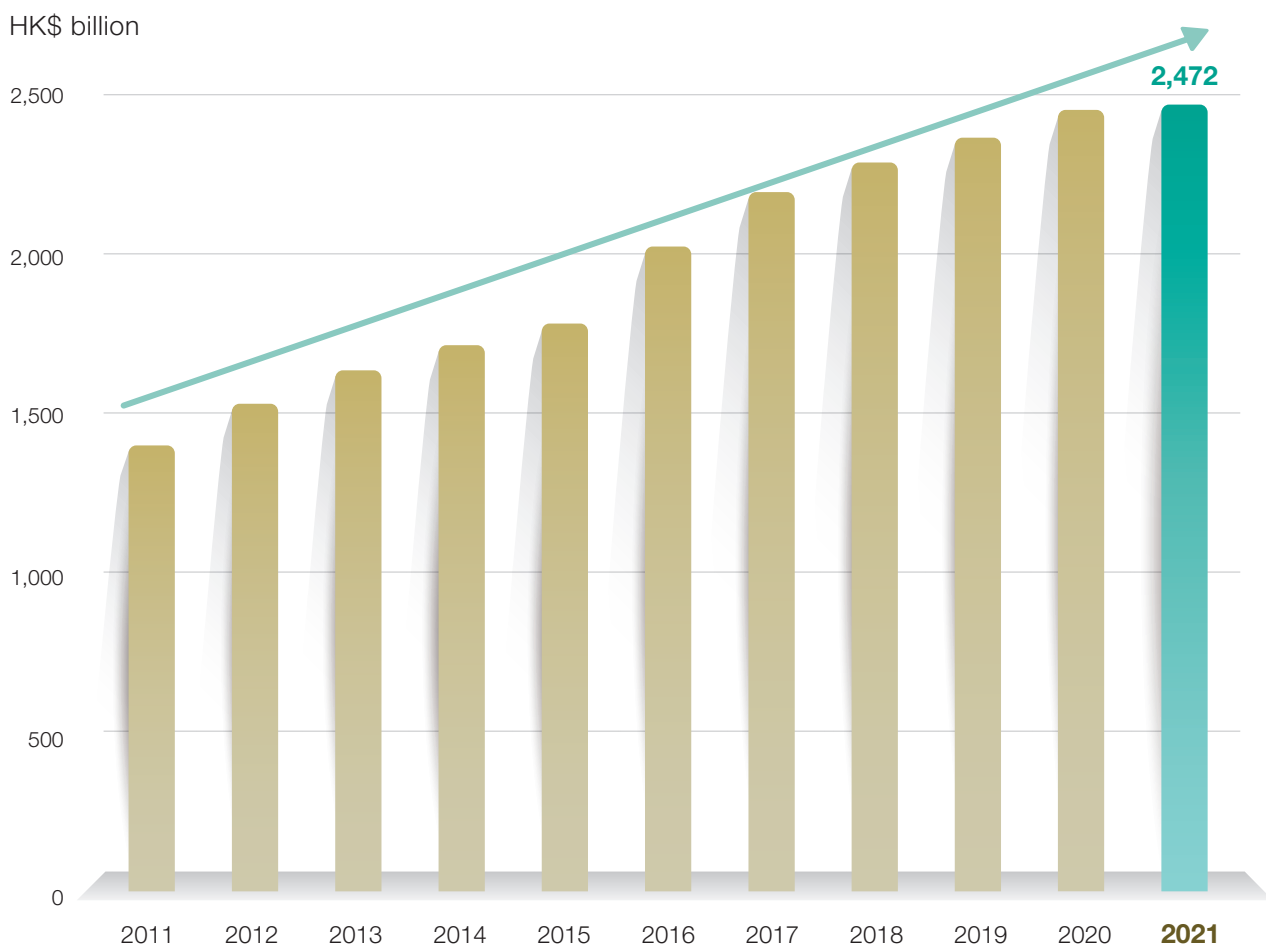


SCHEME MEMBERS' PROFILE AND PROTECTED DEPOSITS

At the end of March 2022, the Scheme had 154 members, with 31 incorporated locally and 123 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 deposits under DPS protection edged up to HK\$2,472 billion in 2021, compared with HK\$2,460 billion in 2020.

Protected Deposits Held with Scheme Members

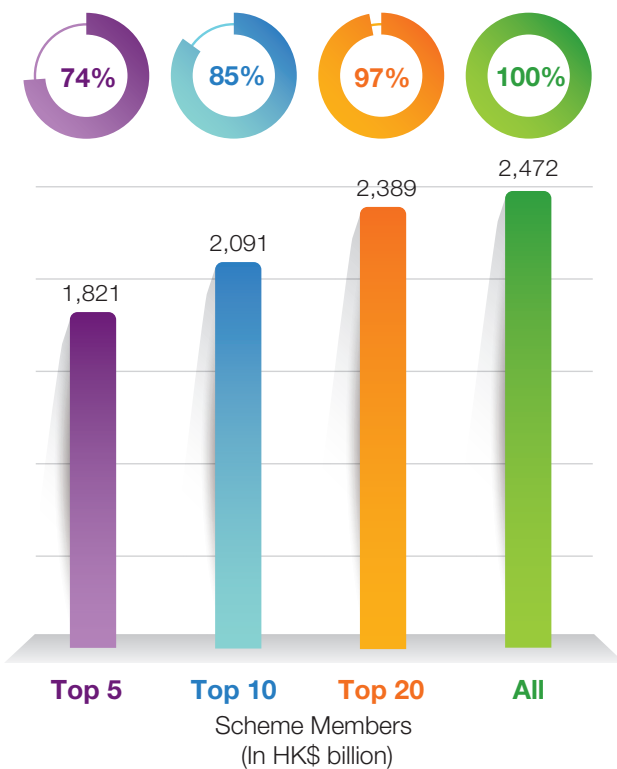




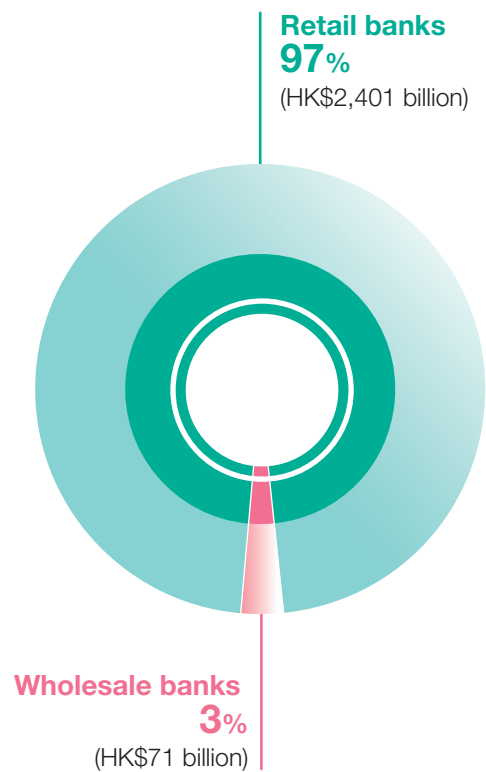
Scheme Operations

The distribution of protected deposits among Scheme members in 2021 was similar to that of 2020. The top 20 Scheme members, most of which were retail banks, held 97% of the industry’s aggregate protected deposits. According to statistics provided by Scheme members, close to 90% of depositors are fully protected by the DPS.

Distribution of Protected Deposits in 2021



Protected Deposits Held by Retail Banks and Wholesale Banks in 2021



REVIEW OF THE DPS

The Board conducts periodic reviews of the DPS to ensure that it remains efficient and effective in serving its public policy objectives and is well aligned with international best practices. In 2021, the Board completed a self-assessment on the compliance of the DPS with the IADI Core Principles for Effective Deposit Insurance Systems. The exercise concluded 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 a consultant to conduct an independent review of the DPS to ensure that it remains effective. The review is expected to be completed in the first half of 2022. The Board will consider the findings and recommendations of the review and look at ways to further enhance the DPS.



PAYOUT READINESS

Overview

The project to introduce new electronic payment channels for DPS compensation was completed in mid-2021 as scheduled, after which the Board conducted a payout rehearsal to test the use of these channels and the activation of business contingency arrangements due to the COVID-19 pandemic. The results were encouraging.

The Board also conducts compliance reviews on Scheme members' data readiness and simulation tests on systems and processes regularly to ensure that any payouts can be executed in an orderly and efficient manner.

Electronic Channels for Compensation Payment

The electronic payment channels will provide depositors with quicker and easier access to DPS compensation electronically, either through direct

bank transfer to accounts held by the depositors with the Board's designated payout agent bank or through the Faster Payment System (FPS) to the default receiving accounts of the depositors, in addition to the traditional means of payment via cheque.

Now that these electronic payment channels have been adopted, two new payout agents, namely the payout agent bank and the Hong Kong Interbank Clearing Limited (HKICL), will join the payout exercise when the DPS is triggered. The payout agent bank will perform the tasks necessary for identifying depositors eligible for receiving compensation payments through electronic channels. The HKICL, as the FPS operator, will be requested to check if the depositors can be paid through the FPS. The payout agent bank will adopt a stringent approach when verifying the identity of depositors to ensure that the electronic payments are made to the correct deposit accounts.

Roles of All the Payout Agents and How They Co-ordinate in Case of a Payout

Payout agents



Payout functions

Accounting firms

▶▶ Project management, compensation determination

IT service providers

▶▶ System support, data checking and uploading

NEW Payout agent bank

▶▶ Electronic payment services

NEW Hong Kong Interbank Clearing Limited

▶▶ Support for DPS payout services via FPS

Public relations consultants

▶▶ Crisis management and communication

Call centre

▶▶ Handling of public enquiries

Law firms

▶▶ Legal services

Security printing firms

▶▶ Printing of compensation notices and cheques



Scheme Operations

The electronic payment channels not only shorten the payout time frame, but also provide depositors with convenient and secure access to DPS compensation without compromising the accuracy of payment. These new payment channels will allow all affected depositors to receive payment faster irrespective of the channel, thanks to the speediness of electronic payment and the lower printing volume of paper cheques.

The efficiency of the payout process relies not only on the payment channels but also on banks' ongoing ability to maintain up-to-date personal and contact details of their depositors. To ensure that DPS compensation payments can be received without delay, depositors should make sure the personal particulars maintained with their bank are the most up-to-date, including their name, identity document number, phone number and correspondence address.

Payout Rehearsal

A payout rehearsal was conducted in November, focusing on the use of the new electronic payment channels while also carrying out drills of the business contingency arrangements related to the COVID-19 pandemic. The results affirmed that the adoption of electronic payment channels could further speed up the payout process and shorten the time frame by one to two days compared to using only paper cheques. The results also showed that despite encountering some co-ordination and communication challenges in the execution of the business contingency arrangements, it was still possible to pay most of the eligible depositors within its payout target of seven days.

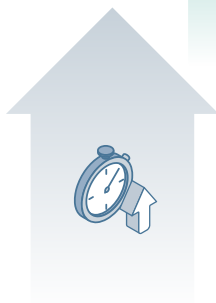
Advantages of Using Electronic Payment Channels



Convenient and secure



Provides depositors with quicker and easier access to DPS compensation



Improves efficiency of issuing cheques to depositors who do not use electronic channels



Simulated Meeting in a Payout Rehearsal

Regular information sessions are organised to maintain Scheme members' understanding of the IS requirements. The Board held four information webinars in 2021-2022, hosting more than 830 participants from Scheme members and audit firms which conducted independent assessments for them.

Monitoring of Scheme Members' Compliance with the IS Guideline

Information System Requirements and Compliance

Prompt submission of quality deposit records by Scheme members is critical to calculating compensation accurately and in a timely manner. The Board uses various measures under its Compliance Review Programme to regularly monitor the compliance of Scheme members with the Information System (IS) Guideline. These measures include carrying out regular and comprehensive reviews on selected Scheme members, and requiring Scheme members to commission an independent auditor to conduct a thorough assessment of their systems and processes every three years. To further guide auditors on identifying non-compliance, the Board enhanced the assessment steps in the Programme Guide for the Independent Assessment Programme in June 2021. According to the results of compliance monitoring activities held throughout 2021-2022, the overall compliance status was satisfactory.



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

Commissioned 52 Scheme members to submit independent assessment reports under the Compliance Review Programme



Reviewed all Scheme members' annual self-declaration on their compliance with the information system requirements



DEPOSIT PROTECTION SCHEME FUND

Composition of the DPS Fund

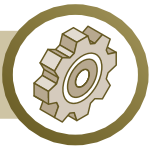
The DPS Fund is built up from two main sources: annual contributions paid to the Board by Scheme members, and returns generated by the DPS Fund's investments. The amount of deposits under DPS protection reported by Scheme members, together with the supervisory rating of each Scheme member as decided by the HKMA, serves as the basis for determining Scheme members' contributions for the coming year.

Assessment and Collection of Contributions

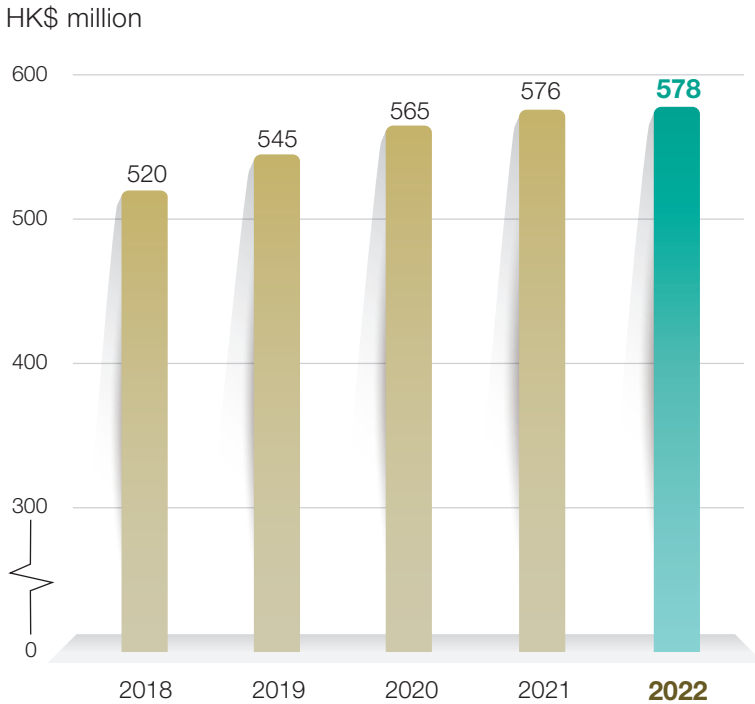
Contributions collected from Scheme members in 2022 amounted to HK\$578 million, an increase of 0.3% from 2021. Similar to the distribution of protected deposits, the amount of contributions collected from the top 20 Scheme members accounted for about 95% of the total. To validate the accuracy of reporting made by Scheme members on their protected deposits, the Board requests Scheme members to conduct regular audit reviews of their total deposits that are under DPS protection and reported to the Board in accordance with the Board's return review policy. The Board selected 23 Scheme members to submit an audit report on the accuracy of their returns in 2022. The audit results were generally satisfactory.

Policy and Performance of the DPS Fund Investment

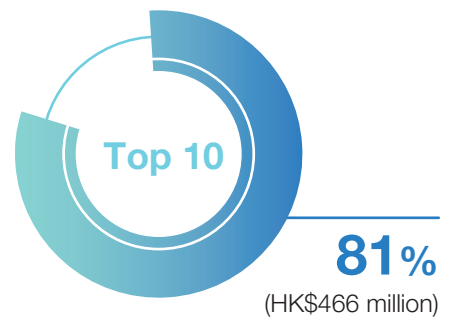
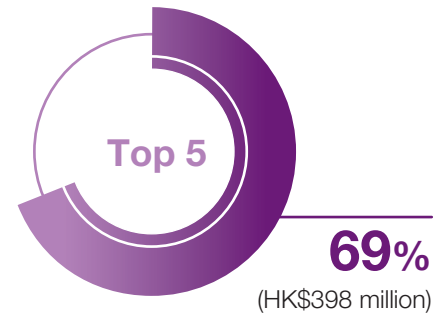
In view of the extremely uncertain investment environment during the financial year 2021-2022, the Board continued to adopt a prudent approach in managing the investment of the DPS Fund. Investments were made in strict compliance with the DPSO and the DPS Fund's investment-related policies. The policies 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 2022, the DPS Fund amounted to HK\$6.2 billion, of which around 23% was invested in US Treasury notes and the remaining amount was predominantly in the form of Hong Kong dollar deposits. The DPS Fund achieved an investment return of 0.21% for the year.



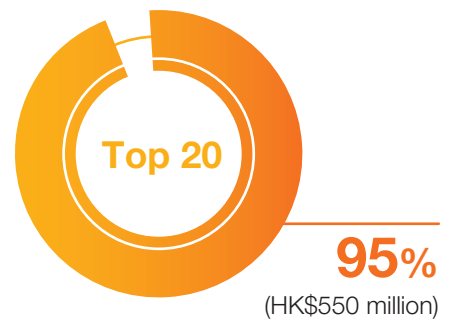
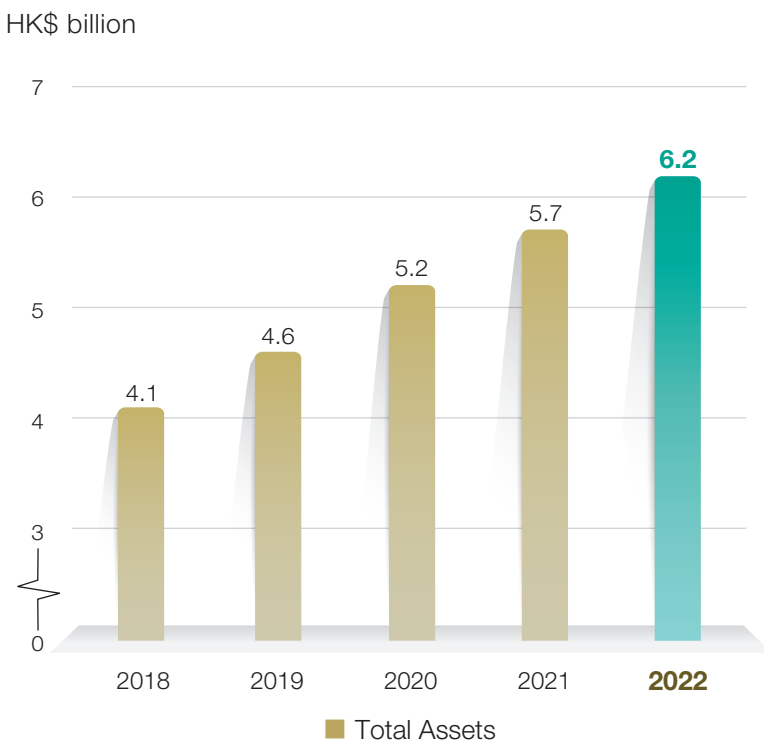
Contributions Paid by Scheme Members



Distribution of Contributions Collected from Scheme Members



DPS Fund's Assets





Scheme Operations

REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF THE DPS

Overview

The year 2021-2022 marked the 15th anniversary of the DPS since its launch in 2006. A series of publicity initiatives were implemented to promote the Board’s role as the “Guardian of Deposits” and the importance of the DPS in contributing to the stability of Hong Kong’s banking system. The anniversary also coincided with the start of the Board’s second three-year communications plan, which aimed to reassure the public that their deposits are safe. Educational outreach activities also continued, by adopting a flexible approach based on the severity of the pandemic.

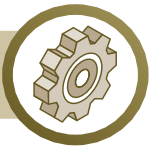
Mass Publicity

15th Anniversary of the DPS

Leveraging the occasion of the 15th-year milestone, the Board organised a 15th DPS Anniversary media briefing, which was well-attended by all major media outlets and drew extensive media coverage. The Board also produced a “DPS Milestones” video to recount the evolution of the DPS for release on the Board’s social media platforms, and carried out an online campaign, “Guardian of Deposits”, with the theme “Lasting Protection in an Ever-changing World”. The campaign featured stories on how savings were built up by selected key opinion leaders who represented people at different stages in life, to bring out the importance of DPS protection. It was intertwined with several rounds of competition inviting the public to share smart saving tips for a chance to win a DPS commemorative gold coin.



The 15th Anniversary of the DPS
“Lasting Protection in an Ever-Changing World”



Multimedia Publicity Campaigns

The Board reran two rounds of the 30-second TV commercial, “Bank Deposits Always Come With Protection”, in which two DPS ambassadors Ah Chuen (symbolising “deposits”) and Ah Po (symbolising “protection”) returned to instil confidence in the public about deposit protection. The advertisements were strategically placed on TV, radio, digital and outdoor platforms to reach a wide spectrum of people, including the younger generation and non-Chinese-speaking ethnic minority groups.

In addition, a two to three-minute story was woven into an episode of the popular TV series “Come Home Love” during prime time to enhance the public’s appreciation of DPS protection and remind people not to panic over bank-related rumours.



Multimedia Advertising Placements on TV, Digital and Outdoor Platforms



Scheme Operations

Social Media Campaigns

The Board has been devoting more resources to promoting the DPS on social media in the midst of the pandemic:

- Several rounds of the “E-stamps Collection” campaign and “Voting for Daily Saving Habits” campaign were executed, using interactive games to deepen the public’s understanding of DPS features and to collect insights on savings habits.
- A series of short videos were produced and published, featuring “Street Interviews” with passers-by on interesting savings-related topics that the public could identify with, and incorporating DPS messages to bring out the importance of savings.
- Lunar New Year WhatsApp stickers of Ah Chuen and Ah Po were created with a download link.

Consumer and Public Relations Campaigns

The Board rolled out a consumer campaign to strengthen the public’s awareness and understanding of the DPS. Newspaper and online articles were published in the media, and online quizzes were rolled out to test people’s knowledge of DPS features. The campaign led to increased viewership of Facebook pages and attracted around 1,700 participants for the quizzes.



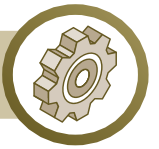
Newspaper Advertorial



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1. “E-stamps Collection”
2. “Street Interviews” video
3. “Voting for Daily Saving Habits”
4. Lunar New Year WhatsApp Stickers





Survey on “Hongkongers’ Sense of Security on Savings”

In 2021, the Board conducted its fourth multi-year survey to keep track of Hong Kong people’s saving behaviour and to study the money management habits of married people. Results of the survey were announced at an online media briefing, which

generated around 100 write-ups in the media. The survey showed that bank deposits remained the most common form of savings, which again reinforced the importance of the Board’s role in safeguarding the hard-earned money that people had deposited with banks.

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

Public

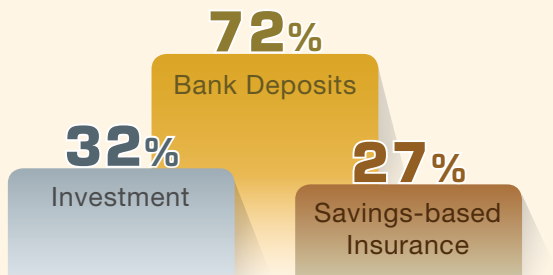


62%

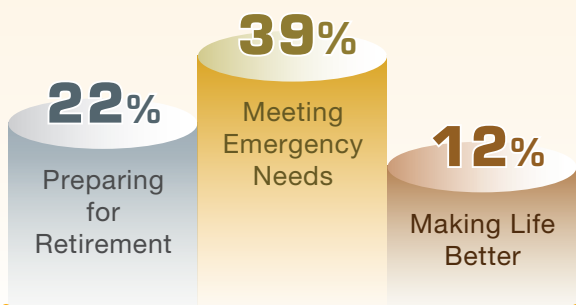
of the respondents have a habit of saving



Top 3 Common Ways of Saving Up



Top 3 Reasons for Saving Up



Married People

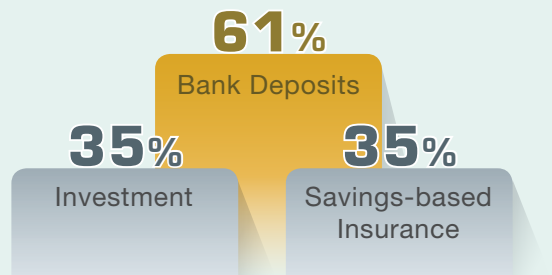


78%

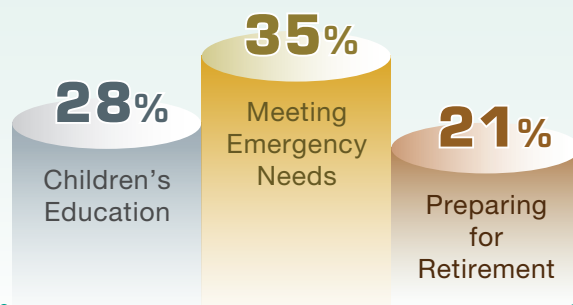
of the respondents have a habit of saving



Top 3 Common Ways of Saving Up



Top 3 Reasons for Saving Up





Scheme Operations

Community Education and Outreach

In order to adapt to the evolving local pandemic situation throughout the year, community education activities were held both on-site and online to continue reaching out to different target groups.

DPS Talks

In collaboration with non-governmental organisations (NGOs), elderly centres and schools, online DPS talks were conducted for the elderly and students to maintain the community education efforts while complying with prevailing social-distancing measures. On-site educational outreach activities, such as DPS board game workshops, resumed as the local pandemic situation improved in the third and fourth quarters of 2021. Online DPS financial education talks for secondary schools were well received. These talks were considered a very effective use of resources in reaching a large number of students and were extended to the Chinese University of Hong Kong and the Hong Kong Metropolitan University.

For the second year in a row, the Board offered an academic project for business students of Lingnan University to come up with proposals on how to promote DPS knowledge to their post-secondary peers. DPS messages were also disseminated through articles shared on the e-platforms of NGOs to target groups.



DPS Talks for Schools and Elderly Centres



Participation in High-traffic Consumer Shows

The Board participated in the Hong Kong Book Fair 2021, the 6th Golden Age Expo and Summit and the 55th Hong Kong Brands and Products Expo. At these events, visitors to the Board's booths played interactive educational games, received DPS information leaflets and promotional giveaway items, and watched drama performances that were aimed at elderly spectators.

Multilingual DPS Information Leaflets

To reach out to non-Chinese-speaking ethnic minority groups, the Board updated its multilingual DPS information leaflet with the addition of the Vietnamese language, and distributed the leaflets to target recipients via the respective Consulates and the Labour Department.

Educational Radio Programmes

In collaboration with RTHK Radio 2, a series of educational programmes and a quiz competition recorded on video were produced for radio broadcast and for release on digital platforms to impart knowledge of DPS features.



Consumer Shows



Scheme Operations

Public Awareness and Enquiries

Public Opinion Survey 2021

The Board commissioned an independent public opinion survey which found that public awareness of the DPS remained high at 78.4%, of whom 81.2% knew about the HK\$500,000 protection limit and 83.0% were aware that the protection provided by the DPS was statutory. The survey results showed clearly that the Board's diligent publicity and community outreach efforts had paid off.

DPS Public Enquiry Service

The Board operates the DPS Public Enquiry Service on the hotline 1831 831 and the webpage <https://www.dps.org.hk/en/contact.php>. These are convenient and effective channels for members of the public to ask questions about the Scheme and the functions of the Board. About 60% of the enquiries received in 2021-2022 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 the compensation arrangements, including the payout entitlements for joint accounts and the arrangement for determining the payout amount due to depositors.

Nature of Public Enquiries Received by the Board in 2021-2022





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 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 the period from 1 July 2020 to 30 June 2021. 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. The assessment and examination results indicated that the overall compliance level of Scheme members was generally satisfactory.

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 have signed an MoU to set out the mode of co-operation on the operation of the DPS. In line with the DPSO requirement that the Board perform its functions through the HKMA, the two parties have also agreed on the extent of the support provided by the HKMA to the Board on a day-to-day basis. In addition, the Board and the HKMA have a co-operative agreement to establish an early warning system of a potential bank failure so as to enable a fast DPS payout. In the event of an actual bank failure, the Board has a standby facility from the Exchange Fund to obtain the liquidity required to pay the compensation.



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 arrangements are 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 be the one to pay depositors first, and that the parties involved will avoid double compensation by exchanging relevant information.

International Co-operation

As a member of the IADI, the Board participates in IADI conferences and seminars and other events organised by IADI members and international organisations, and shares relevant experiences on deposit protection issues. Such international co-operation is important in enabling the Board to keep up with overseas developments, which may provide the Board with insights into possible enhancements of the DPS. Due to the COVID-19 pandemic, the conferences were held online in 2021-2022. Representatives from the Board took part in a number of virtual international meetings that included the following:

- 19th IADI Asia-Pacific Regional Committee (APRC) Annual Meeting, International Conference and CEO Dialogue;
- IADI 2021 Extraordinary General Meeting for Members and APRC Meeting; and
- IADI Round Table hosted by the Deposit Insurance Corporation of Japan.