

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



Annual Report **2022-2023**

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 practice.

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Message from the Chairman

I was honoured to be appointed as Chairman of the Hong Kong Deposit Protection Board (the Board) in July 2022. The position brings great responsibility, given the role of the Board in overseeing a scheme that underpins public confidence in our banking system, the Deposit Protection Scheme (DPS).

From year to year, the Board seeks to ensure that the DPS is providing optimal protection to Hong Kong depositors and that, should a payout be triggered, depositors will receive compensation as quickly as possible. With these goals in mind, the Board undertook a comprehensive review of the DPS in 2022 to identify areas in which the Scheme could be further enhanced to ensure that it is in line with international best practice and the latest developments in Hong Kong. In 2023 we will be inviting the public and other stakeholders to provide their views and comments on a number of proposals for enhancing the Scheme.

Recent advances in technology have made it important to ensure that our DPS payout arrangements reflect the latest technological developments. In addition to using paper cheques as the default channel for disbursing compensation under the DPS, we have also introduced electronic payment channels, such as the Faster Payment System in 2021. In the final quarter of 2022, the Board organised a comprehensive payout drill, in collaboration with the banking sector and other payout agents, with a special focus on processing DPS compensation payments via electronic payment channels. I am pleased to report that the drill went well. It has reassured us that using electronic payment channels for making DPS compensation is not only convenient, but also safe, quick and efficient, with the payout process further reduced by one to two days.

Apart from ensuring that the DPS payout arrangements are working well, the Board devotes significant resources each year to running advertising and promotion initiatives. The DPS is about sowing confidence in the banking system, and confidence depends on public knowledge and awareness of what the DPS is and how it works. Our focus has been on extending that knowledge and awareness to those groups most likely to be unaware of the Scheme – including young people, the elderly, members of ethnic minorities, and those



Message from the Chairman



from lower-income backgrounds. Indeed, it is exactly these groups that stand to benefit the most from the protection that the DPS offers.

This year, we ran a lively multimedia advertising campaign that included a new TV commercial with the theme “Keep Calm and Deposit Safely On”. The commercial featured our publicity ambassadors Ah Chuen and Ah Po, and focused on the importance of not over-reacting to rumours about bank stability. The advertisement assured viewers that their savings are automatically protected by the DPS and hence they should stay calm when bank rumours arise. Our publicity ambassadors were also featured in two dynamic social media and video campaigns, “Smart Picks – Protecting Ah Chuen” and “Ah Chuen & Ah Po Team Up Battle”, each focused on letting younger viewers know that their savings would always be safe under the DPS.

With the easing of the pandemic, we were able to resume many of our important community outreach and educational activities. These included a series of talks for the elderly, a “DPS Fun Day” for low-income families, and board game workshops and financial education talks for students. Alongside these was the “DPS Guardian Wagon” consumer campaign, which used exciting interactive games to promote the Board’s role as Hong Kong’s “Guardian of Deposits” and enrich the public understanding of the DPS.

One of the most effective ways of drawing people’s attention to the DPS has proven to be our annual “Hongkongers’ Sense of Security on Savings” survey. The survey attracts, as always, widespread media coverage. In 2022, our survey was covered by over 100 media articles – and is thus exceptionally helpful in raising the awareness of Hong Kong people about savings and savings protection. It is encouraging to note that the survey found 68% of Hongkongers had a regular savings habit, a significant increase from the 61% recorded in 2021, and that the most common form of savings

was bank deposits. Naturally, these findings have accentuated the role of the Board as Hong Kong’s “Guardian of Deposits”.

Every year, the Board also conducts a survey to assess how well it is doing in its task of maintaining public awareness of the DPS. Our 2022 survey was reassuring, indicating that public awareness remained high at 78%, while overall public understanding of the purpose and function of the DPS continued to be strong. Clearly, our promotional efforts are bearing fruit.

Looking ahead to 2023-2024, the Board will be launching a public consultation on proposed enhancements to the DPS. We will collect and consolidate the feedback from all stakeholders, and take them into careful account in finalising the proposals before submitting them for legislative approval. We also plan to conduct a payout rehearsal in 2023 that will focus on payout readiness and will use the opportunity to pursue ongoing improvement in the effectiveness of the payout process.

To conclude, I would like to pay tribute to a few individuals who have contributed enormously to the work of the Board over the past year and beyond. One is our former Chairman, Professor Michael Hui, who oversaw many important initiatives to clearly position the Board as the “Guardian of Deposits” in the minds of Hong Kong people. I would also like to thank two Board members who retired in the past year, Ms Anita Gidumal and Mr Peter Lo, for the hard work and valuable insights that they contributed to the Board during their tenure.

Ms Connie Lau Yin-hing, SBS, JP
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, including virtual banks, are required to participate in the DPS as a Scheme member unless otherwise exempted by the Hong Kong Deposit Protection Board (the Board). It is a statutory requirement for all Scheme members to prominently display a membership sign at their places of business, where applicable.
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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保計劃保障，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 without deducting any 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 and any other currencies.
 - Eligible deposits held with Scheme members are legally protected by the DPS without the need for registration or application. Depositors are not required to pay for the 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.
 - All Scheme members make contributions to the Deposit Protection Scheme Fund (DPS Fund). The target fund size is 0.25% of the total amount of protected deposits held with all Scheme members, which is equivalent to about HK\$6.3 billion in 2023.
 - The Scheme members' contributions are assessed annually using a differential levy 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 (IADI) and contributes to the efforts of the Association in promoting effective deposit insurance systems.

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 practice. 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) in his exercise of power delegated by the Chief Executive of the Hong Kong Special Administrative Region (CE/HKSAR). The Members are selected from different professions, such as accounting, banking, legal practice, 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 in total under normal circumstances. See pages 7 to 9 for the composition of the Board.

Committee and Advisory Panel of the Board

Under the DPSO, the Board may appoint committees and advisory panels to assist in performing its functions. Currently, an Investment Committee and an Advisory Panel on Communication and Public Education are assisting the Board. Their objectives and composition are set out on pages 10 and 11.

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, under detailed arrangements set out in a Memorandum of Understanding (MoU) between the two organisations. The Board reimburses costs incurred by the HKMA for such purposes on a cost-recovery basis in accordance with provisions set out in the DPSO.

The powers that the Board can exercise in administering the DPS are specified in the DPSO. The Board has clear guidelines on the division of responsibilities among the Board, the management team and supporting divisions of the HKMA, and on 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 practices. In general, the Board takes strategic decisions relating to the operations and development of the DPS and those decisions that require an exercise of the Board's powers under the DPSO. 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



**Ms LAU Yin-hing, Connie, SBS, JP
(since July 2022)**

Former Ombudsman
Former Chief Executive
Consumer Council



**Professor HUI King-man, Michael, MH
(until June 2022)**

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

Members



Mr CHAN Kam-man, Lawrence

Partner
DeHeng Law Offices (Hong Kong) LLP



Professor CHAN Koon-hung

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



About the Hong Kong Deposit Protection Board

Members



Mr CHEUNG Tai-keung, Jack
(since January 2023)

Former Chief Executive Officer
Treasury Markets Association



Professor LEE Kwok-on, Matthew

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



Mr MAK Yip-shing, Andrew, BBS, JP
(since July 2022)

Barrister
Sir Oswald Cheung's Chambers



Ms ZEE, Helen

Former Deputy Chief Executive and
Managing Director
Haitong International Capital Limited



Ms CHAN Wing-man, Manda, JP
(since October 2022)

Deputy 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



Ms GIDUMAL, Anita
(until June 2022)

Director – Finance & Strategy
Abercorn Trading Co. Ltd.



Mr LO Chi-wai, Peter
(until December 2022)

Former Chief Country Officer
Hong Kong Deutsche Bank



Ms YAN Mei-mei, Salina, JP
(until May 2022)

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



Ms CHAN Wing-shiu, May, JP
(between June and October 2022)

Deputy 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 most of the members of the Committee are also members of the Board. The membership of the Committee is as follows:

Chairperson

Ms ZEE, Helen

Former Deputy Chief Executive and Managing Director
Haitong International Capital Limited

Members

Professor CHAN Koon-hung

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

Mr CHEUNG Tai-keung, Jack

Former Chief Executive Officer
Treasury Markets Association

Mr CHAN Shiu-lun, Christopher

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



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, the Advisory Panel advises the Board on related matters, such as the development of strategies and implementation of activities in these areas. The membership of the Advisory Panel is as follows:

Chairman

Ms LAU Yin-hing, Connie, SBS, JP
(since July 2022)

Professor HUI King-man, Michael, MH
(until June 2022)

Members

Mr FUNG Lap-wing, Eric

Mr LAU Chung, Billie (since September 2022)

Ms LAU Mee-yee, Esme (since September 2022)

Ms CHAN Kwok-fai, Jenny (until August 2022)

Mr CHIU Sung-kei, Josiah (until August 2022)



About the Hong Kong Deposit Protection Board

CORPORATE GOVERNANCE

The Board

The Board is an independent statutory body formed under the DPSO. In line with good corporate governance standards applicable to deposit insurers, only a minority of the members of the Board are representatives 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 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 2022-2023, the Board met twice, with an average attendance rate of 83%.

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 appropriate and sufficient controls are in place to safeguard the Board against the potential risks identified. Audit findings and recommendations of the IAD, if any, are reported directly to the Board to ensure that any material issues identified are communicated independently and effectively to Board members. In 2022, the IAD reviewed the operations and internal controls of the Board and concluded that the established policies and procedures were adequate and properly complied with.

The Board appoints an external auditor under the approval of the FS to audit the DPS Fund's annual statement of accounts. The appointee reports the results and any findings directly to the Board. The external auditor for the financial year ended 31 March 2023 was Deloitte Touche Tohmatsu. To avoid any potential conflict of interest, the Board has a standing mechanism that safeguards the independence of the financial audit undertaken by the appointed external auditor. If the appointed external auditor also participates in other engagements with the Board, the financial auditing work will be conducted by a separate team.

About the Hong Kong Deposit Protection Board



Standards of Behaviour and Ethics

Clear guidelines and procedures, including requirements for declaration of interests, are set out in the DPSO and the Code of Conduct for members and staff of the Board to prevent any possible conflict of interest. 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 secretary keeps the Register of Members' Interests, which is available for public inspection upon request. Senior members of staff are required to make an annual declaration to the Chairman of the Board. Members and staff observe specific procedures 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 DPS operations, and makes its annual report publicly available. In addition, the Board operates 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 affect 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. The Tribunal convenes sittings only when required. To date, no appeal cases have been reported to or reviewed by the Tribunal.

Review of the Corporate Governance Structure

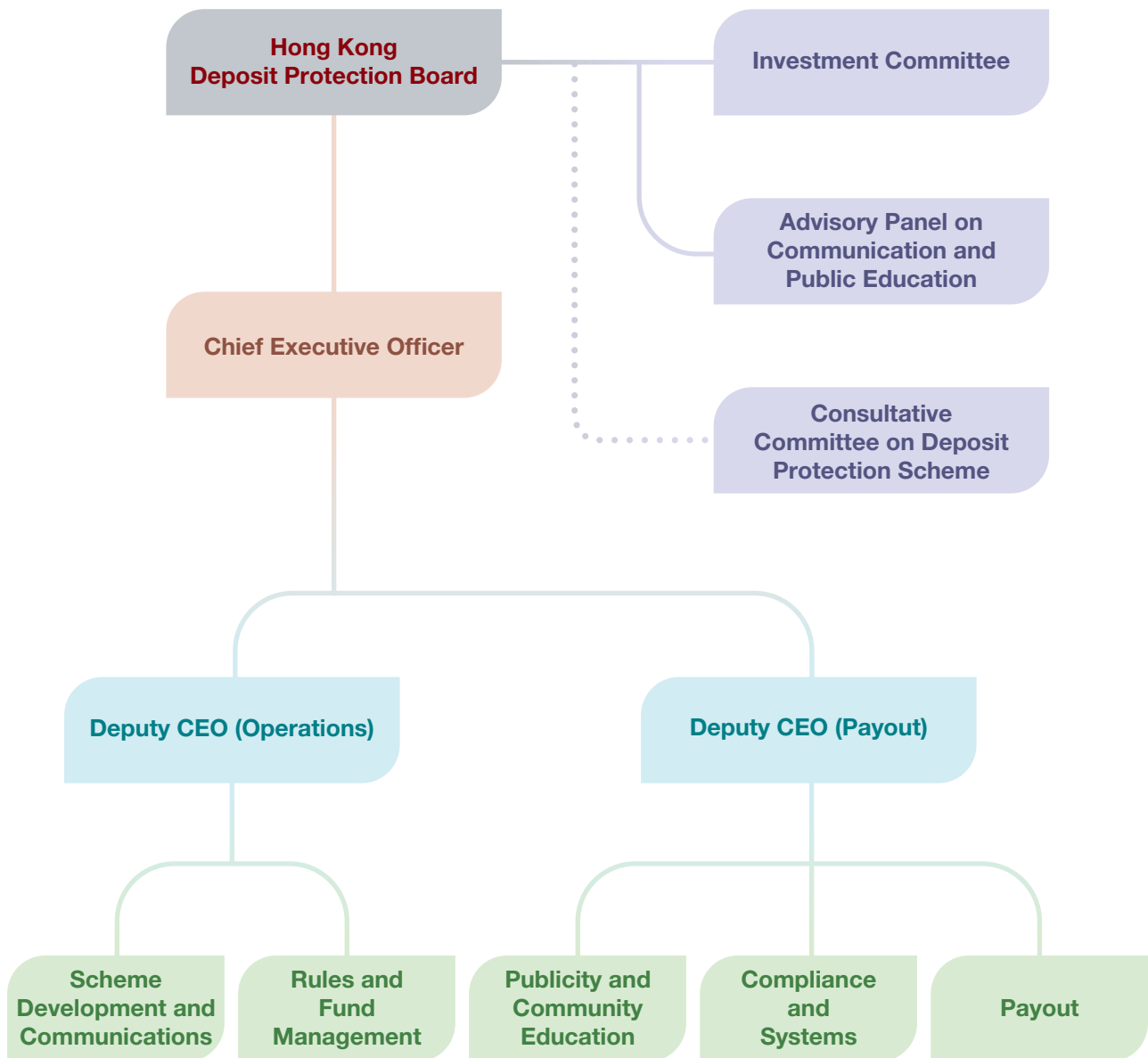
The Board has a policy of reviewing its corporate governance structure regularly to ensure that it continues to adhere to sound governance standards regardless of any changes in the scope of the Board's operations driven by the development of the DPS. Refinements are made between individual reviews to help the Board keep 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 review conducted in 2022 concluded that the Board's corporate governance framework was adequate.



About the Hong Kong Deposit Protection Board

ORGANISATIONAL STRUCTURE

(as at 31 March 2023)



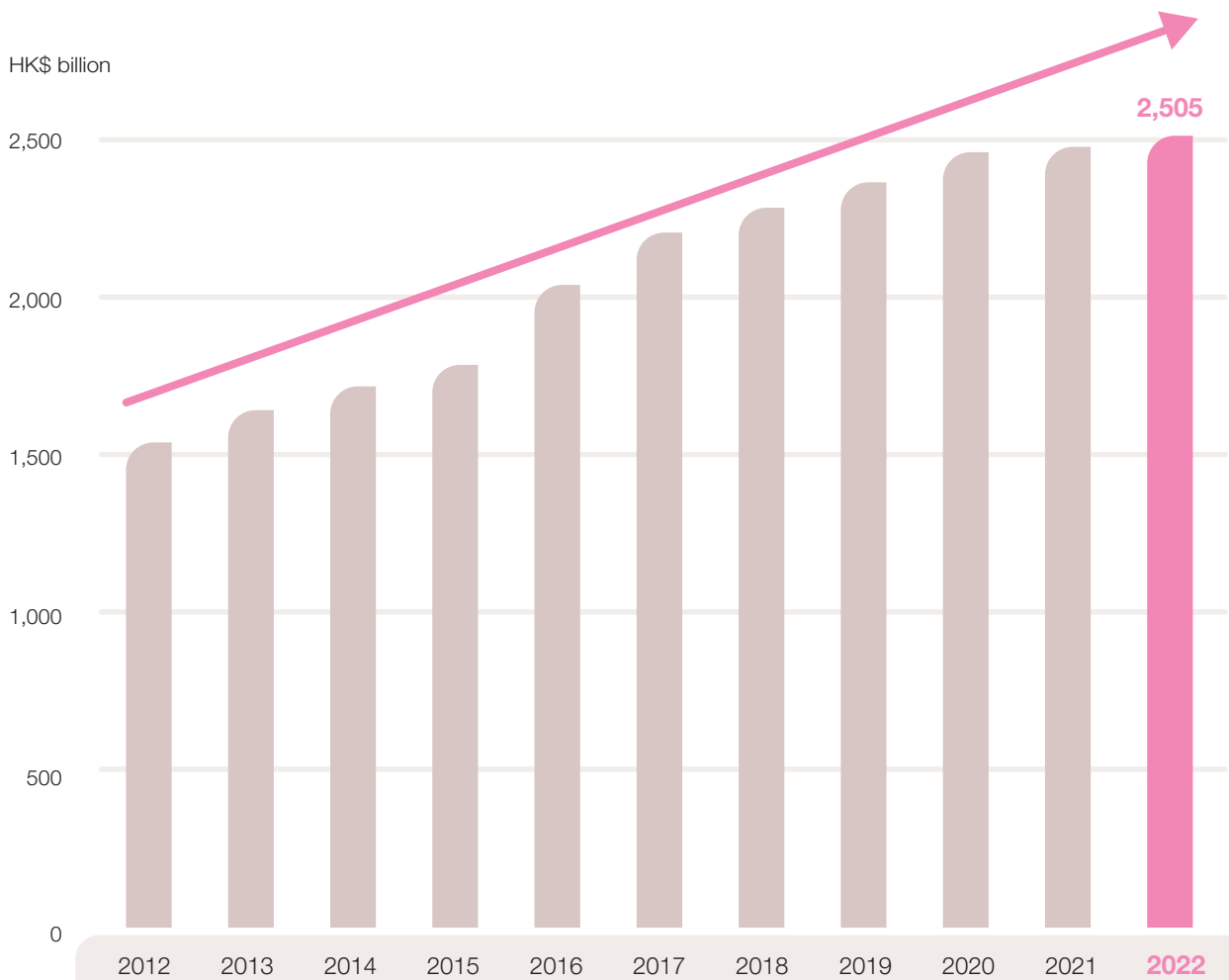


SCHEME MEMBERS' PROFILE AND PROTECTED DEPOSITS

At the end of March 2023, the Scheme had 152 members, with 31 incorporated locally and 121 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\$2,505 billion in 2022, compared with HK\$2,472 billion in 2021.

Protected Deposits Held with Scheme Members

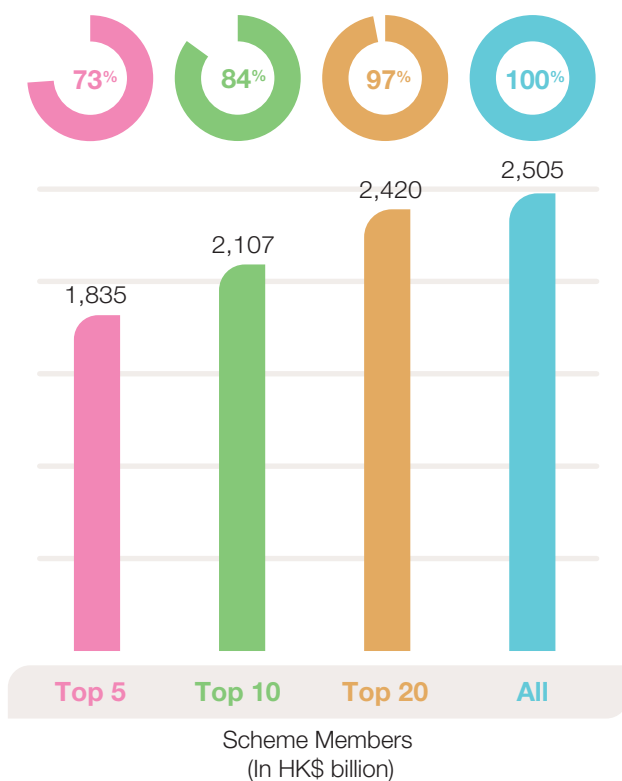




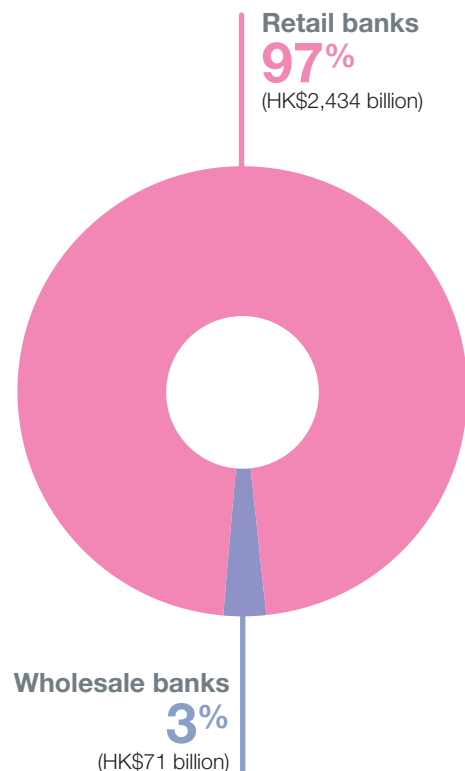
Scheme Operations

The distribution of protected deposits among Scheme members in 2022 was similar to that of 2021. The top 20 Scheme members, most of which were retail banks, held 97% of the industry's aggregate protected deposits. According to the latest statistics provided by Scheme members, 89% of depositors are fully protected by the DPS.

Distribution of Protected Deposits in 2022



Protected Deposits Held by Retail Banks and Wholesale Banks in 2022



REVIEW OF THE DPS

The DPS is a core part of the financial safety net that helps protect depositors, thus maintaining their confidence in Hong Kong's banking system and supporting financial stability. To ensure that the DPS remains effective in serving its public policy objectives and is well aligned with international best practice, the Board conducts periodic reviews to identify possible areas of enhancing the Scheme.

Since the launch of the DPS in 2006, the Scheme has undergone two rounds of major enhancements, in 2011 and 2016 respectively. These two exercises led to an increase in the protection limit from HK\$100,000 to HK\$500,000 in 2011, and a change in the payout approach to a gross basis in 2016 by removing the need to set off liabilities against protected deposits held by depositors. The change in payout approach substantially shortened the time required for disbursing compensation to depositors from 42 days to just seven days.



The Board has conducted a comprehensive review to ensure that the Scheme would keep up with international best practice and the latest developments in Hong Kong. The review consisted of a self-assessment against the Core Principles for Effective Deposit Insurance Systems stipulated by the International Association of Deposit Insurers, and a consultancy study to examine whether the design features of the DPS remain appropriate and the latest deposit insurance practices of selected jurisdictions. The Board also took the opportunity to review the representation regime in Hong Kong, which has been in operation for more than a decade since the 2011 enhancement, to make sure that the representation requirements on Scheme members remain appropriate and keep pace with the latest market developments.

Based on the findings of the review, the Board plans to solicit views from the public and other key stakeholders on a package of proposed enhancements to the DPS in 2023.

PAYOUT READINESS

Overview

The Board is constantly working to maintain operational readiness for paying DPS compensation to depositors promptly in the event of a bank failure. During the year, the Board conducted training and drills with its payout agents to ensure that they were well prepared to respond efficiently and effectively under a payout scenario. In 2023-2024, the Board will hold a rehearsal to ensure the payout readiness of all related parties and take the opportunity to pursue further improvement in the effectiveness of the payout process.

Payout Readiness Activities

To maintain the payout readiness of the Board's extensive network of payout agents, a payout walkthrough exercise and drills with these agents were carried out throughout the year. During the exercise, the Board provided both classroom training and simulation test for its pre-engaged payout agents, which were accounting firms and IT service providers, to maintain their readiness for payout operations.



Payout walkthrough exercise



Scheme Operations

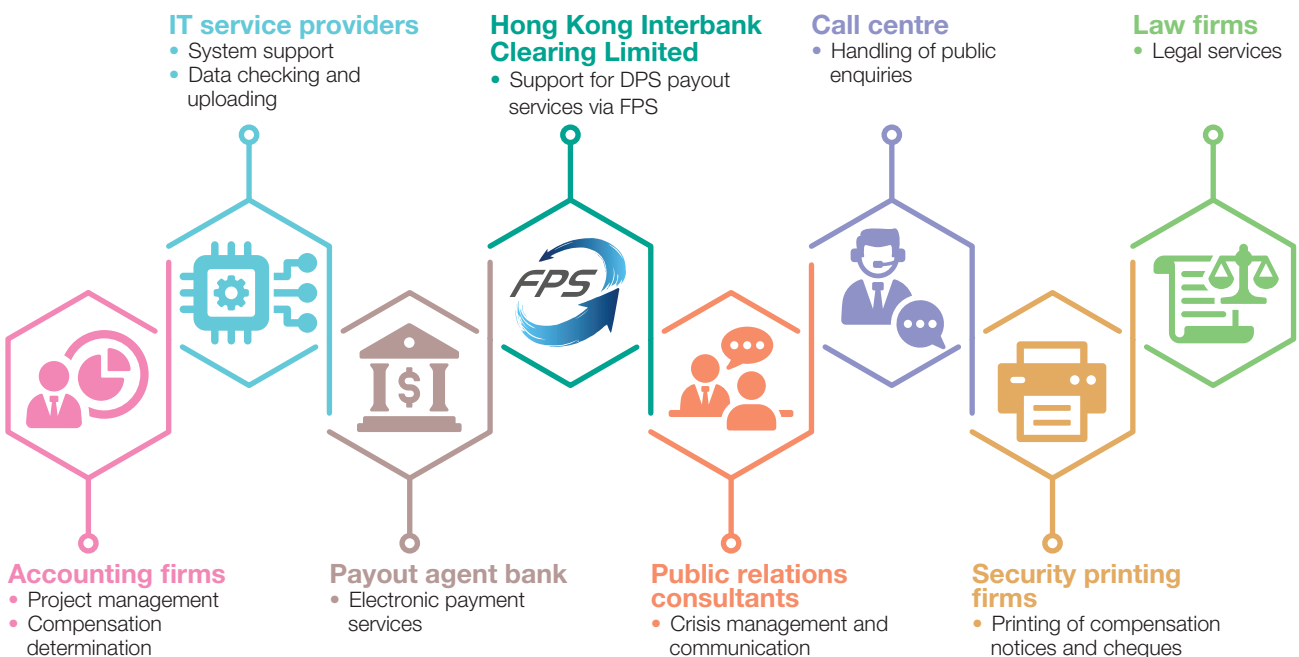
In the fourth quarter of 2022, a comprehensive drill was conducted with the banking sector to practise processing DPS compensation payments on electronic payment channels, with a special focus on the use of the Faster Payment System (FPS).

The Board's designated payout agent bank and the Hong Kong Interbank Clearing Limited (HKICL), the two payout agents supporting electronic payment services, also participated in the drill. The results

affirmed the familiarity of all parties with the payout procedures and their preparedness in distributing compensation payments through electronic channels in an orderly and efficient manner.

In 2023, the Board will perform a payout rehearsal with payout agents to ensure the readiness of all related parties and seek to further improve the effectiveness of the payout process.

Roles of Payout Agents and Their Coordination in Case of a Payout





Information System Requirements and Compliance

The information System Guideline (IS Guideline) issued by the Board sets out the requirements for Scheme members to prepare and submit the required information for compensation calculation during a payout. A swift payout requires Scheme members to carry out timely submission of quality information. The Board regularly monitors Scheme members' compliance with the IS Guideline using various measures under its Compliance Review Programme: a) carrying out regular and comprehensive reviews of selected Scheme members, b) requiring Scheme members to commission an independent auditor to assess their systems and processes every three years, and c) requiring each Scheme member to make a self-declaration of its compliance status every year. According to the results of compliance monitoring activities held throughout 2022-2023, the overall compliance status of Scheme members was satisfactory.

Regular training was organised to maintain Scheme members' understanding of the IS Guideline requirements. The Board held four information webinars in 2022-2023, engaging with more than 880 participants.

Monitoring of Scheme Members' Compliance with IS Guideline



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



Commissioned 49 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

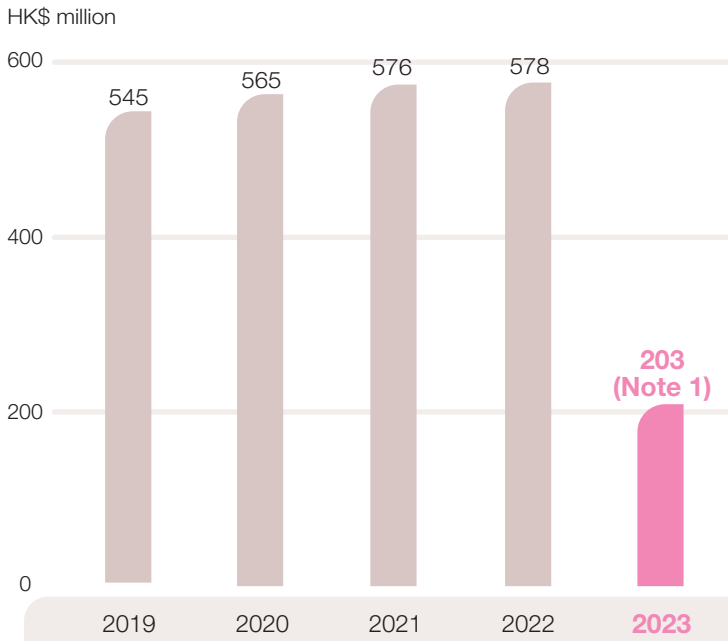
Contributions collected from Scheme members in 2023 amounted to HK\$203 million, a decline of 65% from 2022. Since the balance of the DPS Fund was close to the target fund size, according to section 3(6) of Schedule 4 to the DPSO, the total contributions payable by Scheme members for 2023 have been reduced to the extent that the balance of the DPS Fund after including the 2023 contributions will not exceed the target fund size. Similar to the distribution of protected deposits, the 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 report to the Board in accordance with the Board's return review policy. The Board selected 25 Scheme members to submit an audit report on the accuracy of their returns in 2023. The audit results were generally satisfactory.

Policy and Performance of the DPS Fund Investment

In view of the extremely uncertain investment environment, 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 2023, the DPS Fund amounted to HK\$6.4 billion, of which around 46% and 25% were invested in US Treasuries and Exchange Fund papers respectively, while the remaining sum was predominantly in the form of Hong Kong dollar deposits. The DPS Fund achieved an investment return of 1.59% for the year.

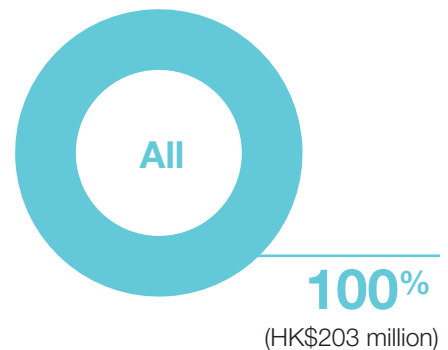
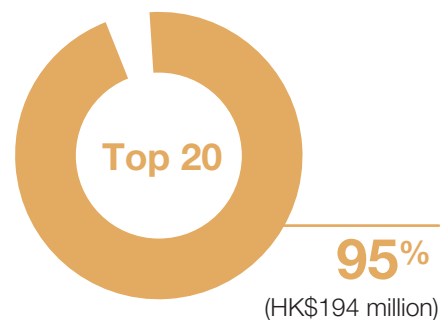
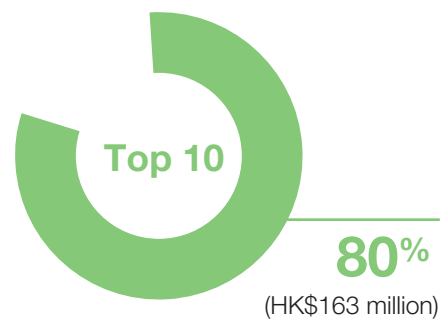
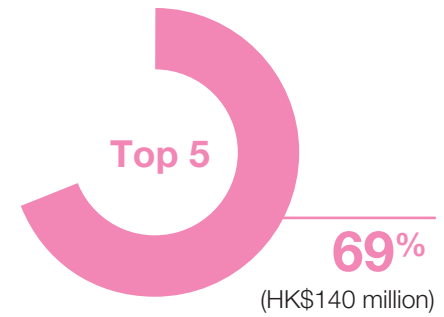


Contributions Paid by Scheme Members

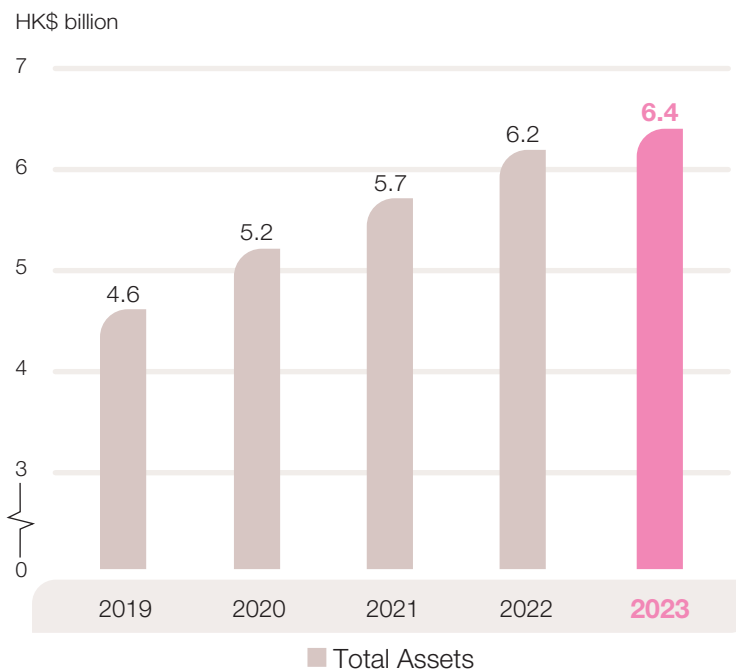


Note 1: Since the balance of the DPS Fund was very close to the target fund size, according to section 3(6) of Schedule 4 to the DPSO, the total contributions payable by Scheme members for 2023 have been reduced to the extent that the balance of the DPS Fund after including the contributions will not exceed the target fund size.

Distribution of Contributions Collected from Scheme Members



DPS Fund's Assets





Scheme Operations

REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF THE DPS

Overview

The period 2022-2023 was the second year of execution of the Board’s three-year communications plan, which aimed to reassure the public that their bank deposits would always be safe. Publicity initiatives were implemented to promote the Board’s role as the “Guardian of Deposits”. At the same time, the Board spared no effort in continuing educational outreach activities and allocated more resources to digital channels to deepen the public’s understanding of the DPS.

Mass Publicity

Multimedia Publicity Campaigns

Ah Chuen and Ah Po are the Board’s two iconic characters. Building on the rapport they had cultivated with the public, a new television commercial themed “Keep Calm and Deposit Safely On” was launched as part of a three-round advertising campaign and strategically deployed on various media channels to target different audiences. In addition to mass media publicity, the Board used Hongkong Post’s unique advertising platforms to extend the reach of its message to the elderly, homemakers and domestic helpers.



Advertising placements on TV, digital and outdoor media platforms





Social Media Campaigns

The Board devoted more resources to promoting the DPS on digital and social media to capitalise on the acceleration of digital adoption in the community.

- Two series of funny motion graphic videos were produced with the title, “Smart Picks – Protecting Ah Chuen” to promote the public’s understanding of the DPS. The videos, named “The Rumour Killer” and “Smart Challenges”, showed Ah Chuen and Ah Po playing games of strategy to tackle savings and real-life challenges.



- The Board also partnered with a popular YouTube channel to reach wider young audiences. A video campaign, “Ah Chuen & Ah Po Team-up Battle”, featured the iconic duo joining forces with artistes to compete in action games using their good knowledge of money management and DPS features.





Scheme Operations

Consumer and Public Relations Campaigns

With the end of the pandemic in sight and the relaxation of social distancing measures, the Board rolled out an in-person consumer campaign, “DPS Guardian Wagon”, in early 2023. A promotional truck wrapped up with the visuals of latest DPS advertisements was parked at different bustling spots around town on weekends to engage passers-by with interactive games while distributing educational giveaways to disseminate the message, “DPS protection is for people from all walks of life”.



The “DPS Guardian Wagon”

Survey on “Hongkongers’ Sense of Security on Savings”

In 2022, the Board conducted the fifth multiyear survey to keep track of the saving behaviours of the public and a younger sub-group aged 18 to 29. An online media briefing was organised to announce the survey results, which generated extensive coverage in the media. As bank deposits continued to be the most common method of saving money, this finding once again reinforced the importance of the Board’s role as the “Guardian of Deposits” in Hong Kong.



The HKDPB Chairman, Ms. Connie Lau, at the media briefing of the “Hongkongers’ Sense of Security on Savings” Survey



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

2022



Public
(Aged 18 or above)

68%

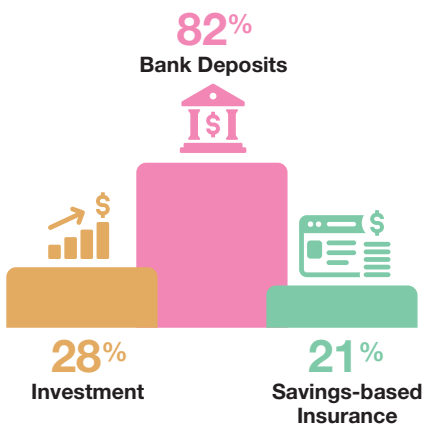
of the respondents have a habit of saving



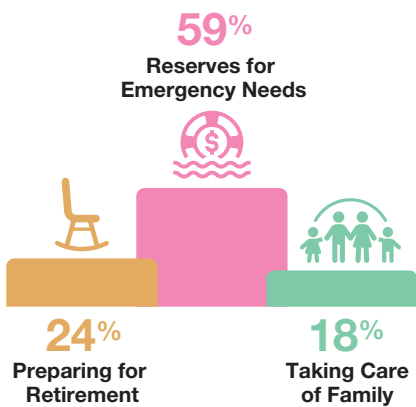
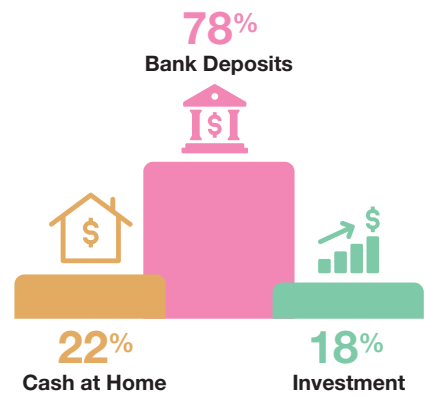
Young People
(Aged 18 to 29)

60%

of the respondents have a habit of saving



Top 3 Common Saving Ways of Saving Up



Top 3 Reasons for Saving Up





Scheme Operations

Community Education and Outreach

DPS Talks, Board Game Workshops and Student Engagement

DPS talks have been among the more effective educational outreach activities in promoting awareness and understanding of the Scheme to target groups. Both in-person and online DPS talks were organised for the elderly and students amid the pandemic to maintain the Board's community education efforts while complying with social distancing measures. Meanwhile, financial education talks have been extended from secondary schools to tertiary education institutions. To bridge the DPS knowledge gap of ethnic minorities, the Board also organised talks for Pakistani, Thai and Vietnamese people during the year.

Introductory workshops on DPS Board Games resumed at secondary schools upon the gradual relaxation of pandemic restrictions in the last quarter of 2022. During the year, the Board also engaged with students of Lingnan University through a project which required them to come up with a proposal on "How to promote the two DPS publicity ambassadors Ah Chuen and Ah Po as key opinion leaders in Hong Kong".



DPS talks at elderly centres and schools



Online DPS talks for ethnic minorities



A student engagement project with Lingnan University



“DPS Fun Day” and “Kids Flea Market”

The Board collaborated with non-governmental organisations (NGOs) to hold “DPS Fun Day” and the “Kids Flea Market” to promote DPS knowledge to children and families. The events featured bun-making, DPS Board Game workshops and game booths during after-school hours and the summer holiday.



“DPS Fun Day” and “Kids Flea Market”

Participation in High-traffic Consumer Shows

The Board took part in two consumer shows, the Hong Kong Book Fair 2022 and the 56th Hong Kong Brands and Products Expo. At these events, the public was engaged using interactive educational games, DPS information leaflets and promotional giveaways.



Visitor engagement at consumer show



Scheme Operations

Public Awareness and Enquiries

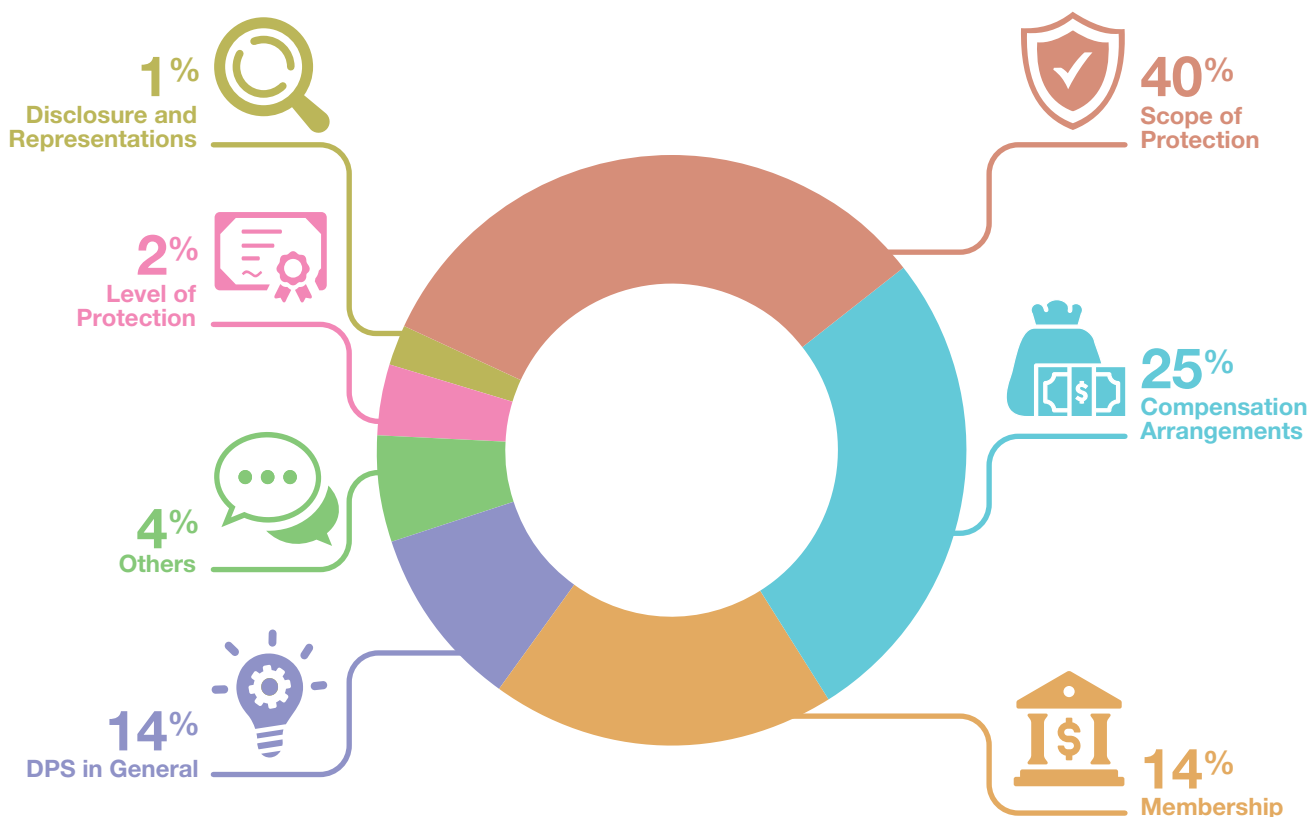
Public Opinion Survey 2022

In 2022, the Board commissioned an independent public opinion survey which found that public awareness of the DPS remained high at 78.1%, of whom 83.1% knew about the HK\$500,000 protection limit and 84.2% 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 reach the Board for questions about the Scheme and the functions of the Board. About 65% of the enquiries received in 2022-2023 were related to the scope of protection of the DPS, including the deposit protection coverage at virtual banks, the types of financial products covered by the DPS, the coverage for non-Hong Kong residents, and compensation arrangements for joint accounts.

Nature of Public Enquiries Received by the Board in 2022-2023





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 2021 to 30 June 2022. 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 action. 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 objective, 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. In September 2022, the Board signed an updated MoU that superseded the original MoU to reflect factual updates agreed among the three parties since it was first signed in 2008.

International Co-operation

As a member of the IADI, the Board participates in IADI conferences and seminars and other events organised by the Association's 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. Representatives from the Board took part in a number of virtual international meetings that included the following:

- 20th IADI Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference;
- IADI 2022 APRC Meeting;
- IADI APRC Virtual Workshop and Exhibits; and
- IADI APRC Ad-hoc Meeting.



OVERVIEW

The Board is committed to incorporating sustainability considerations across its operations and functions, with the aim of fulfilling corporate social responsibility. In 2022-2023, the Board continued to put in place various measures relating to the environment, people and social responsibility, so as to contribute to a greener and more sustainable future.

Environment

Green Initiatives

The Board is committed to fulfilling corporate social responsibility by promoting a green working environment. With the introduction of the following green office initiatives, the Board aims to gradually lower paper and energy usage while cutting down on waste to protect the environment:

Reducing the Use of Paper and Printing



- using the Board’s official website to publish Annual Reports online. The Board prints minimal copies of Annual Reports for official distribution only, and reviews the printing quantity annually to prevent wastage;

- using online channels in communicating the publication of Annual Reports to stakeholders in order to replace the issuance of printed copies of the Annual Report and notifications;



- introduced electronic documents in 2020 as an alternative option to printed copies for use at Board meetings. With support from the Board’s members and staff, paper usage has lessened gradually over time.

- requested Scheme members to submit only soft copies of their annual IS Guideline self-declaration form and questionnaire to the Board since 2022;



- introduced an electronic version of the DPS leaflet in 2018 by incorporating a QR code on the hard copy of the DPS leaflets to encourage readers to view the information on the Board’s website. Scheme members can also provide the e-version of the leaflet to customers;

- adopting automation and electronic processes for internal matters, such as e-remittance advices in place of physical pay slips, conference room bookings and leave applications; and
- using recycled paper whenever possible.



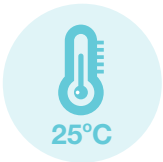


Sustainability

Energy Savings



- Installing energy-saving devices, including light-emitting diode (LED) lights, motion sensors and auto-timers to control indoor lighting; and



- Setting a default room temperature of 25°C.

People

The Board strives to introduce health and safety measures that foster staff well-being and improve work productivity.

Health and Safety During Pandemic

During the COVID-19 pandemic, the Board provided a number of support measures to safeguard the health and safety of all staff. Split-team and work-from-home arrangements were activated, while masks and alcohol wipes were distributed.

Waste Management



- Collecting different types of waste, including paper, cans, bottles, food waste and ink cartridges, for recycling; and



- Increasing the number of recycling bins in the office premises.

Wellness Office

The Board provides workstations that are equipped with height-adjustable desks to improve staff health and productivity. Staff members' liquid-crystal display (LCD) monitors include eye protection features to lessen eye strain.



A height-adjustable desk and an eye-protecting LCD monitor at a workstation



Social Responsibility

The Board supports the community through activities and measures that address the needs of Hong Kong people, and integrates sustainability considerations in its operations.

Support for the Community

One of the Board's social responsibilities is to educate the public about the value and importance of the DPS in safeguarding bank deposits and contributing to the stability of Hong Kong's banking system. This is achieved through a variety of publicity campaigns and educational outreach activities.

The Board made particular efforts to reach out to the elderly and ethnic minorities to increase their awareness of deposit protection provided by the DPS. These include working with NGOs to make home visits and distribute blessing bags with DPS messages to the elderly and organise DPS talks for ethnic minorities.



An elderly home visit by youth volunteers



Community outreach activities



Online DPS talks for ethnic minorities



Independent Auditor's Report

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 37 to 63, which comprises the balance sheet as at 31 March 2023, 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 2023, 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 ("HKSAAs") 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 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.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional 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

16 June 2023

Deposit Protection Scheme Fund – Statement of Comprehensive Income



For the year ended 31 March 2023

	Notes	2023 HK\$	2022 HK\$
Income			
Contributions		485,184,002	576,343,199
Interest income from cash and balances with banks and the Exchange Fund		35,715,875	2,971,113
Interest income from financial assets measured at amortised cost	5	58,509,913	2,670,604
Exchange gains		3,958,699	6,343,049
Other income		90,000	90,000
		583,458,489	588,417,965
Expenditure			
Staff costs	6	11,679,616	11,743,835
Premises costs		355,877	359,988
Depreciation and amortisation		6,589,697	6,583,215
Office supplies		40,254	59,116
Transport and travelling		1,193	2,318
Operating expenses reimbursable to the HKMA	11	25,250,263	24,993,522
Hire of services		9,846,195	8,914,930
Interest expenses on lease liabilities	10	7,050	12,156
Communications		55,044	77,052
Publicity and printing		11,546,375	11,709,125
Other expenses		2,814,401	2,471,432
		68,185,965	66,926,689
Surplus for the year		515,272,524	521,491,276
Total comprehensive income for the year		515,272,524	521,491,276

The notes on pages 41 to 63 form part of this statement of accounts.



Deposit Protection Scheme Fund – Balance Sheet

As at 31 March 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Fixed assets	7	5,035,073	8,927,682
Intangible assets	8	3,726,931	6,006,149
Financial assets measured at amortised cost	5	1,610,714,628	1,407,523,946
		1,619,476,632	1,422,457,777
Current assets			
Other receivables	9	1,748,758	1,895,500
Financial assets measured at amortised cost	5	2,979,790,258	—
Cash and balances with banks and the Exchange Fund		1,826,528,989	4,768,298,143
		4,808,068,005	4,770,193,643
Current liabilities			
Contributions received in advance		153,358,645	435,121,433
Other liabilities	10	30,929,250	28,206,577
		184,287,895	463,328,010
Net current assets		4,623,780,110	4,306,865,633
Non-current liability			
Other liability	10	—	1,339,192
Net assets		6,243,256,742	5,727,984,218
Represented by			
Accumulated surplus		6,243,256,742	5,727,984,218
		6,243,256,742	5,727,984,218

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 16 June 2023.

Lau Yin-hing, Connie

Chairman

The notes on pages 41 to 63 form part of this statement of accounts.

Deposit Protection Scheme Fund – Statement of Changes In Equity



For the year ended 31 March 2023

Total

HK\$

At 1 April 2021	5,206,492,942
Surplus for the year	521,491,276
<hr/>	
Fund balance as at 31 March 2022	5,727,984,218
<hr/>	
At 1 April 2022	5,727,984,218
Surplus for the year	515,272,524
<hr/>	
Fund balance as at 31 March 2023	6,243,256,742
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The notes on pages 41 to 63 form part of this statement of accounts.



Deposit Protection Scheme Fund – Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$	2022 HK\$
Operating activities		
Surplus for the year	515,272,524	521,491,276
Interest income	(94,225,788)	(5,641,717)
Interest expenses on lease liabilities	7,050	12,156
Exchange gains on financial assets measured at amortised cost	(4,143,625)	(6,269,389)
Depreciation and amortisation	6,589,697	6,583,215
Cash from operating surplus before changes in operating assets and liabilities	423,499,858	516,175,541
Changes in operating assets and liabilities		
Decrease/(increase) in other receivables	251,514	(241,135)
(Decrease)/increase in contributions received in advance	(281,762,788)	1,184,488
Increase/(decrease) in other payables	2,839,507	(1,706,403)
Interest portion of lease payments	(7,050)	(12,156)
Net cash from operating activities	144,821,041	515,400,335
Investing activities		
Purchase of intangible assets	(357,300)	(780,378)
Purchase of fixed assets	(60,570)	(79,516)
Interest received	59,745,098	2,948,367
Purchase of financial assets measured at amortised cost	(3,144,461,397)	(1,398,583,953)
Net cash used in investing activities	(3,085,134,169)	(1,396,495,480)
Financing activities		
Principal portion of lease payments	(1,456,026)	(1,450,920)
Net cash used in financing activities	(1,456,026)	(1,450,920)
Net decrease in cash and cash equivalents	(2,941,769,154)	(882,546,065)
Cash and cash equivalents at 1 April	4,768,298,143	5,650,844,208
Cash and cash equivalents at 31 March	1,826,528,989	4,768,298,143
Analysis of balance of cash and cash equivalents		
Cash and balances with banks and the Exchange Fund	1,826,528,989	4,768,298,143

The notes on pages 41 to 63 form part of this statement of accounts.



1 PURPOSE AND ACTIVITIES

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

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*

There are no amended standards that are effective for the first time in the current year's financial statements that would have a material impact on the Fund.

(ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2022 and have not been early adopted*

The Fund has not early applied any of the following amended standards which may be relevant to the Fund, that have been issued but are not yet effective.

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)²</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

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.



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 deposits under DPS protection 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.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

	Years
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office equipment, furniture 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.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(f) 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.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leases *(continued)*

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.

(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.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

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.

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.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

Impairment of financial assets (continued)

Determining the stage for impairment *(continued)*

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.

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.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

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.

(i) 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.

(j) 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.

(k) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the statement of accounts are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The statement of accounts is presented in Hong Kong dollars, which is the Fund's functional and presentation currency.



2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Translation of foreign currencies *(continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of debt securities denominated in foreign currency classified as 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.

(o) Critical accounting estimates and assumptions

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements 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.



3 RISK MANAGEMENT

(a) Governance

The Fund is established under the Ordinance for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks which are members of the Scheme. Under Part 4 of the Ordinance, the Fund is to consist of:

- contributions and late payment fees collected from Scheme members;
- money recovered by the Board from, or out of the assets of, failed Scheme members;
- returns on investments;
- money borrowed by the Board for the purpose of performing its functions; and
- any other money lawfully paid into the Fund.

The Board established an Investment Committee and delegated its power to the Committee to place, or invest, money of the Fund that is not immediately required by the Board for the performance of its functions. In particular, the Investment Committee:

- makes recommendations on the investment policy and strategy in respect of the Fund;
- monitors the investment performance of the Fund and establishes proper risk management controls for the investment activities of the Board; and
- works on any other investment-related matters as determined from time to time by the Board.

Operating within the requirements under the Ordinance and policies endorsed by the Investment Committee, the Board's Management Team conducts the day-to-day investment management and risk management of the Fund.



3 RISK MANAGEMENT *(continued)*

(b) Investment management and control

Under section 21 of the Ordinance, the Fund or any part of it may be invested in the following investment instruments:

- deposits with the MA for the account of the Exchange Fund;
- Exchange Fund Bills;
- US Treasury Bills; and
- any other investment approved by the Financial Secretary.

In December 2008, the Financial Secretary approved an expansion of the investment scope of the Fund to cover Exchange Fund Notes and US Treasury Notes with remaining term to maturity of not more than 2 years, and Hong Kong dollar and US dollar deposits of up to 3 months in tenor with financial institutions.

Investment activities of the Fund are conducted in accordance with the requirements set out in the Ordinance and the policies endorsed by the Investment Committee to ensure the investment objectives of capital preservation and maintaining sufficient liquidity are met.

The Board's Management Team is responsible for the day-to-day investment management of the Fund. Investment reports showing the latest market values, rate of return, maturity profile, types of financial instruments held and limits versus exposures are regularly submitted to the Investment Committee for control purpose.



3 RISK MANAGEMENT *(continued)*

(c) Financial risk management

Market risk

Market risk is the risk that changes in market variables such as interest rates, equity prices and exchange rates 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 and financial assets measured at amortised cost, 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.



3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

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.

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.

Fair value measurement

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1 – fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are determined involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – fair values are determined with inputs that are not based on observable market data (unobservable inputs).

The fair values of financial assets measured at amortised cost are disclosed in note 5.



Deposit Protection Scheme Fund – Notes to the Statement of Accounts

4 TAXATION

No provision for Hong Kong Profits Tax for 2023 and 2022 have been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

5 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2023 HK\$	2022 HK\$
Non-current assets		
US Treasury Bills and Notes	—	1,407,523,946
Exchange Fund Notes	1,610,714,628	—
	1,610,714,628	1,407,523,946
Current assets		
US Treasury Bills and Notes	2,979,790,258	—
	2,979,790,258	—
Total	4,590,504,886	1,407,523,946
Fair value at the year end, Level 1	4,514,339,320	1,369,510,584



5 FINANCIAL ASSETS MEASURED AT AMORTISED COST *(continued)*

The movements in financial assets are summarised as follows:

	2023 HK\$	2022 HK\$
Carrying value at the year beginning	1,407,523,946	—
Purchase	3,144,461,397	1,398,583,953
Interest received	(24,133,995)	—
Interest income	58,509,913	2,670,604
Exchange gains	4,143,625	6,269,389
Carrying value at the year end	4,590,504,886	1,407,523,946

6 STAFF COSTS

	2023 HK\$	2022 HK\$
Salaries	10,610,353	10,456,681
Gratuity	24,302	43,215
Other employee benefits	1,044,961	1,243,939
	11,679,616	11,743,835



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\$	
Cost				
As at 1 April 2021	3,004,750	13,709,498	4,969,688	21,683,936
Additions	—	79,516	—	79,516
As at 31 March 2022	3,004,750	13,789,014	4,969,688	21,763,452
As at 1 April 2022	3,004,750	13,789,014	4,969,688	21,763,452
Additions	—	60,570	—	60,570
As at 31 March 2023	3,004,750	13,849,584	4,969,688	21,824,022
Accumulated depreciation				
As at 1 April 2021	319,103	7,842,926	727,271	8,889,300
Charge for the year	584,257	1,907,670	1,454,543	3,946,470
As at 31 March 2022	903,360	9,750,596	2,181,814	12,835,770
As at 1 April 2022	903,360	9,750,596	2,181,814	12,835,770
Charge for the year	574,896	1,923,740	1,454,543	3,953,179
As at 31 March 2023	1,478,256	11,674,336	3,636,357	16,788,949
Net book value				
As at 31 March 2023	1,526,494	2,175,248	1,333,331	5,035,073
As at 31 March 2022	2,101,390	4,038,418	2,787,874	8,927,682



8 INTANGIBLE ASSETS

	Development costs of payout system HK\$
Cost	
As at 1 April 2021	42,974,494
Additions	780,378
As at 31 March 2022	43,754,872
As at 1 April 2022	43,754,872
Additions	357,300
As at 31 March 2023	44,112,172
Accumulated amortisation	
As at 1 April 2021	35,111,978
Charge for the year	2,636,745
As at 31 March 2022	37,748,723
As at 1 April 2022	37,748,723
Charge for the year	2,636,518
As at 31 March 2023	40,385,241
Net book value	
As at 31 March 2023	3,726,931
As at 31 March 2022	6,006,149



Deposit Protection Scheme Fund – Notes to the Statement of Accounts

9 OTHER RECEIVABLES

	2023 HK\$	2022 HK\$
Prepayment	1,565,897	1,817,411
Interest receivables	132,161	27,389
Others	50,700	50,700
	1,748,758	1,895,500

10 OTHER LIABILITIES

	Note	2023 HK\$	2022 HK\$
Other payables			
Hire of services	(a)	27,913,042	25,494,962
Staff expenses		1,309,686	992,273
Others		367,330	263,316
Lease liabilities			
Current portion	(b)	1,339,192	1,456,026
Non-current portion	(b)	—	1,339,192
		30,929,250	29,545,769

(a) This amount includes operating expenses of HK\$25,250,263 (2022: HK\$24,993,522) reimbursed to the Hong Kong Monetary Authority (HKMA).



10 OTHER LIABILITIES *(continued)*

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

	2023 HK\$	2022 HK\$
Balance at the year beginning	2,795,218	4,246,138
Changes from financing cash flows		
Principal portion of lease payments (e)	(1,456,026)	(1,450,920)
Non-cash changes		
Interest expenses on lease liabilities	7,050	12,156
Other changes		
Interest portion of lease payments	(7,050)	(12,156)
Balance at the year end	1,339,192	2,795,218

(c) 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.

	2023 HK\$	2022 HK\$
1 month or less	121,923	121,923
3 months or less but over 1 month	243,846	243,846
1 year or less but over 3 months	975,384	1,097,307
2 years or less but over 1 year	—	1,341,153
Total	1,341,153	2,804,229

(d) The total cash outflows for leases of the Fund for the year ended 31 March 2023 was HK\$1,463,076 (2022: HK\$1,463,076).

(e) In July 2020, the Fund entered into a lease agreement with the HKMA, setting out the understanding between both parties regarding the provision of office space to the Fund with a term up to 29 February 2024. At the commencement date of the lease, the Fund recognised right-of-use assets and lease liabilities of HK\$4,969,688. During the year, principal amount of the lease payment HK\$1,456,026 (2022: HK\$1,450,920) and interest amount of the lease payment HK\$7,050 (2022: HK\$12,156) were resulted from this lease agreement.



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:

	Notes	2023 HK\$	2022 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	1,813,487,090	4,760,501,343
Investment in Exchange Fund Notes	(b)	1,610,714,628	—
Lease with the HKMA			
Right-of-use assets	7	1,333,331	2,787,874
Lease liabilities	10(b)	1,339,192	2,795,218
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	35,707,543	2,971,061
Interest income from Exchange Fund Notes	(b)	25,737,991	—
Operating expenses reimbursed to the HKMA	(c)	25,501,917	25,242,088
Lease payments to the HKMA			
Principal portion	10(e)	1,456,026	1,450,920
Interest portion	10(e)	7,050	12,156

- (a) During the year, the Fund placed deposits with the Exchange Fund and earned interest amounting to HK\$35,707,543 (2022: HK\$2,971,061) at a rate which is referenced to the market interest rates. As at 31 March 2023, the deposits amounted to HK\$1,813,487,090 (2022: HK\$4,760,501,343).



11 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

- (b) As at 31 March 2023, the Fund held the Exchange Fund Notes amounting to HK\$1,610,714,628 (2022: nil) and the interest thereon was HK\$25,737,991 (2022: nil).
- (c) 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 amounting to HK\$25,250,263 (2022: HK\$24,993,522) and the management fee in respect of the lease agreement with the HKMA amounting to HK\$251,654 (2022: HK\$248,566).
- (d) 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 (2022: HK\$120 billion) of which nil (2022: nil) was drawn during the year.

12 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 16 June 2023.



Annex: List of Scheme Members as at 31 March 2023

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
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	BANQUE PICTET & CIE SA
BANCO SANTANDER, S.A.	BARCLAYS BANK PLC
BANGKOK BANK PUBLIC COMPANY LIMITED	BDO UNIBANK, INC.
BANK J. SAFRA SARASIN AG	BNP PARIBAS
BANK JULIUS BAER & CO. LTD.	CA INDOSUEZ (SWITZERLAND) SA
BANK OF AMERICA, NATIONAL ASSOCIATION	CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF CHINA (HONG KONG) LIMITED	CATHAY BANK
BANK OF CHINA LIMITED	CATHAY UNITED BANK COMPANY, LIMITED
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	CHANG HWA COMMERCIAL BANK, LTD.
BANK OF COMMUNICATIONS CO., LTD.	CHIBA BANK, LTD. (THE)
BANK OF DONGGUAN CO., LTD.	CHINA BOHAI BANK CO., LTD.
BANK OF EAST ASIA, LIMITED (THE)	CHINA CITIC BANK INTERNATIONAL LIMITED
BANK OF INDIA	CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
BANK OF MONTREAL	CHINA CONSTRUCTION BANK CORPORATION
	CHINA DEVELOPMENT BANK

Annex: List of Scheme Members as at 31 March 2023



CHINA EVERBRIGHT BANK CO., LTD.	DBS BANK LTD.
CHINA GUANGFA BANK CO., LTD.	DZ BANK AG DEUTSCHE ZENTRAL- GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN
CHINA MERCHANTS BANK CO., LTD.	
CHINA MINSHENG BANKING CORP., LTD.	E.SUN COMMERCIAL BANK, LTD.
CHINA ZHESHANG BANK CO., LTD.	EAST WEST BANK
CHIYU BANKING CORPORATION LIMITED	EFG BANK AG
CHONG HING BANK LIMITED	ERSTE GROUP BANK AG
CHUGOKU BANK, LTD. (THE)	FAR EASTERN INTERNATIONAL BANK
CIMB BANK BERHAD	FIRST ABU DHABI BANK PJSC
CITIBANK (HONG KONG) LIMITED	FIRST COMMERCIAL BANK, LTD.
CITIBANK, N.A.	FUBON BANK (HONG KONG) LIMITED
CMB WING LUNG BANK LIMITED	FUSION BANK LIMITED
COMMONWEALTH BANK OF AUSTRALIA	HACHIJUNI BANK, LTD. (THE)
COÖPERATIEVE RABOBANK U.A.	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	HUA NAN COMMERCIAL BANK, LTD.



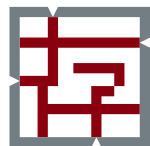
Annex: List of Scheme Members as at 31 March 2023

HUA XIA BANK CO., LIMITED	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 PLC
KOOKMIN BANK	NONGHYUP BANK
LAND BANK OF TAIWAN CO., LTD.	O-BANK CO., LTD.
LGT BANK AG	OCBC WING HANG BANK LIMITED
LIVI BANK LIMITED	OVERSEA-CHINESE BANKING CORPORATION LIMITED
MALAYAN BANKING BERHAD	PHILIPPINE NATIONAL BANK
MASHREQ BANK - PUBLIC SHAREHOLDING COMPANY	PING AN BANK CO., LTD.
	PING AN ONECONNECT BANK (HONG KONG) LIMITED

Annex: List of Scheme Members as at 31 March 2023



PT. BANK NEGARA INDONESIA (PERSERO) TBK.	TAI SANG BANK LIMITED
PUBLIC BANK (HONG KONG) LIMITED	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
SUMITOMO MITSUI TRUST BANK, LIMITED	YUANTA COMMERCIAL BANK CO., LTD
	ZA BANK LIMITED



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