

Press Release

Hong Kong Deposit Protection Board

The Hong Kong Deposit Protection Board (the “Board”) announced that the following four pieces of subsidiary legislation were published in the Gazette today (19 May 2006) and will be tabled before the Legislative Council (LegCo) for negative vetting on 24 May 2006:

- (i) Deposit Protection Scheme Ordinance (Amendment of Schedules 1 and 4) Notice 2006 (hereinafter referred to as “Amendment Notice”);
- (ii) Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (hereinafter referred to as “Representation Rules”);
- (iii) Deposit Protection Scheme (Payment of Contributions, Late Payment Fees and Rebates) Rules (hereinafter referred to as “Contribution Rules”); and
- (iv) Deposit Protection Scheme Ordinance (Commencement) Notice 2006 (hereinafter referred to as “Commencement Notice”).

The Board is established under section 3 of the Deposit Protection Scheme Ordinance (Cap. 581) (the “Ordinance”). It is charged with the responsibility for establishing and maintaining a deposit protection scheme (DPS) in Hong Kong. Under the DPS, each depositor is entitled to compensation up to a maximum of HK\$100,000 in the event of a bank failure. Since its formation in July 2004, the Board has been making the necessary preparations for the launch of the DPS.

The Amendment Notice is made by the Chief Executive in Council in accordance with section 54 of the Ordinance. It serves to clarify that structured products are not protected by the DPS and provides for miscellaneous amendments to improve the operation of Schedules 1 and 4 to the Ordinance. For more details about the Amendment Notice, please refer to the LegCo brief enclosed at [Annex 1](#).

The Representation Rules and the Contribution Rules are made by the Board under section 51 of the Ordinance. The former rules govern the representations that should be made by members of the DPS (Scheme members) regarding their membership and the protection status of their financial products. The latter rules prescribe the manner in which Scheme members should pay contributions and any late payment fees to the Board, as well as the manner in which the Board should pay rebates of contributions to Scheme members. For more details about these two sets of rules, please refer to the LegCo brief enclosed at [Annex 2](#).

In preparing the Amendment Notice and the rules, the Board has consulted relevant parties, including the Hong Kong Association of Banks and the

Consumer Council. It has also briefed the LegCo Panel on Financial Affairs about these three pieces of legislation. Comments received during the consultation process have been taken on board where appropriate.

In addition to the development of the above subsidiary legislation, the other preparatory tasks to be completed before the DPS can start providing deposit protection and collecting contributions from Scheme members are close to completion. These tasks include the establishment of a payout system and a set of payout procedures for assessing and disbursing compensation to depositors in the event of a bank failure, and the formulation of a publicity campaign to promote public understanding of the protection available under the DPS. Based on the current work schedule, the Board expects that the DPS will be in a position to commence operation in the second half of 2006 as planned.

In view of the latest progress, the Secretary for Financial Services and the Treasury has issued the Commencement Notice for the purpose of bringing the entire DPS Ordinance into operation. He has appointed 25 September 2006 as the day on which those provisions of the Ordinance that have not come into operation shall come into operation.

A spokesman of the Board said that, “when the DPS will start providing deposit protection hinges on the completion of the negative vetting process in relation to the subsidiary legislation. The exact launch date of the DPS is therefore not yet final. The Board will make a formal announcement as regards when the DPS will be fully operational nearer the time.”

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19 May 2006