Press Release

Annual Report of Hong Kong Deposit Protection Board

The Hong Kong Deposit Protection Board (the "Board") today (30 September 2005) published its first Annual Report for the nine months ended 31 March 2005.

The Board is a statutory body created under the Deposit Protection Scheme Ordinance (the "Ordinance") which was enacted in May 2004. Under the Ordinance, a deposit protection scheme (DPS) with a coverage limit of HK$100,000 per depositor per bank will be established to provide a measure of protection to depositors and to contribute to the stability of the banking system.

Since its formation in July 2004, the Board has developed a two-year project plan for establishing the DPS. It has commenced work on a number of key preparatory tasks with progress as follows:

- A system for collecting contributions from member banks has been developed;

- The Board has identified the key principles to be incorporated into the rules governing the operation of the DPS and consulted the banking industry and other relevant parties on these principles. It is expected that these rules, which will be issued in the form of subsidiary legislation, will be ready for introduction into the Legislative Council by stages starting from the end of 2005;

- The Board has begun the development of a payout system for assessing and disbursing compensation to depositors in the event of a bank failure.

It is anticipated that, if everything goes smoothly, the DPS will be ready to start collecting contributions from member banks and providing deposit protection in the second half of 2006.

The Hong Kong Deposit Protection Board
30 September 2005