Press Release

Deposit Protection Scheme operates smoothly in the first year

(Hong Kong, 24 September 2007) The Hong Kong Deposit Protection Board (the "Board") announced that the Deposit Protection Scheme (the "Scheme") has had a year of smooth operation. The Scheme aiming at strengthening public confidence in the banking system and contributing to the maintenance of financial stability celebrates its first anniversary on 25 September 2007.

Major achievements and progress made in the key operational areas of the Scheme include:

- collection of contributions for 2006 and 2007 from all member banks on schedule. Contributions paid by member banks to the Deposit Protection Scheme Fund for the two years amounted to approximately HK$390 million;

- completed development of payout infrastructure, including engagement of payout agents and development of payout system and procedures, which will facilitate efficient calculation and payment of compensation to depositors in the event of a payout;

- completed development of mechanisms for regularly monitoring member banks' compliance with the rules and guidelines governing the operation of the Scheme; and

- launch of a comprehensive publicity campaign to promote public awareness and enhance understanding of the Scheme.

To help evaluate the effectiveness of the Scheme in strengthening public confidence in the banking system, the Board commissioned the Hong Kong Institute of Asia-Pacific Studies of the Chinese University of Hong Kong to conduct two rounds of territory-wide opinion survey in December 2006 and June 2007 respectively. The results indicated that the publicity activities conducted by the Board were effective in fostering and maintaining a high level of public awareness of the Scheme. The most recent survey found 67% of the respondents were aware of the Scheme, and among these respondents 76% knew the maximum protection limit is HK$100,000. More importantly, the survey showed that public confidence in the banking system in general had been enhanced. Positive responses were gathered in areas including the perceived level of security of deposits at banks, and confidence in small to medium-sized banks.

Professor Andrew Chan Chi-fai, Chairman of the Board, said "The successful launch of the Scheme last year marked an important milestone in the development of the financial safety net in Hong Kong. Building on a strong foundation established in the past year, we will continue to refine and enhance the functioning of the Scheme to contribute to the well-being of depositors and the financial stability of Hong Kong."

Mr Raymond Li, Chief Executive Officer of the Board, added "Apart from maintaining an efficient operation of the Scheme, the Board will continue to work on strengthening public understanding of the Scheme. Our publicity campaign in the next stage will focus on maintaining high public awareness of the Scheme. We will also step up effort in areas of general interests where there is room for improvement, such as understanding of the coverage of Scheme, identification of protected products and methods for calculating compensation. We will also seek to enhance the effectiveness of the campaign through diversifying the channels and means for disseminating the Board's messages."

The Board also released today its annual report for the financial year ended 31st March 2007.

Enclosure 1: Chairman's remarks at the press briefing (Chinese version only)
Enclosure 2: Presentation by the Chief Executive Officer at the press briefing
Enclosure 3: Annual Report 2006-2007

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