Press Release

Hong Kong Deposit Protection Board Annual Report 2008-2009

The Hong Kong Deposit Protection Board (the "Board") today (Friday) published its Annual Report for 2008-2009. The Report reviews the operation of the Deposit Protection Scheme (DPS) during the year. It also highlights the plans for 2009-2010.

Professor Andrew Chan Chi-fai, Chairman of the Board, said in the Annual Report that although the financial crisis had brought about new challenges to the DPS, it had also opened up opportunities for fortifying the Scheme. During the year, the Board commenced a review on the DPS, and completed the first phase of the review, which focused on level and scope of protection. The review concluded that the existing design features of the DPS were in substantial compliance with international best practices. However, improvements for further enhancing the effectiveness of the DPS were identified, for example, the recommendation on raising DPS protection limit from HK$100,000 to HK$500,000.

Mr Raymond Li, Chief Executive Officer of the Board, reported in the Annual Report that the Board had met fully the operational objectives set for the year notwithstanding the pressure the deepening global financial crisis had put on the DPS. The key achievements made by the Board in 2008-2009 include:

- collected HK$340 million in contributions for 2009 on schedule and achieved a positive investment return of 0.8% for the DPS Fund;

- completed the first phase of the review on the DPS, which focused on level and scope of protection, as scheduled in the first quarter of 2009;

- implemented a number of surveillance mechanisms for monitoring Scheme members' compliance with DPS rules and guidelines;

- maintained and enhanced the readiness of the DPS to payout through

simulation tests and a payout rehearsal; and

- maintained public awareness of the DPS at a high level and enhanced understanding of its key features through on-going as well as focused publicity activities.

Mr Li said, "The key objective of the Board for 2009-2010 is to complete the review on the DPS and commence the legislative process for effecting the enhancements concluded in the review". The Board completed the second phase of the review of the DPS in July 2009, which focused on payout efficiency and transparency of the coverage of the DPS, and issued a consultation paper on the recommendations identified in the review together with the report on the results on the consultation on the first phase of the review. It is the intention of the Board to introduce the enhancements concluded from both phases of the review as soon as possible, preferably before the end of 2010, so the public will benefit from an enhanced DPS when the blanket deposit guarantee introduced by the government expires. Meanwhile, the Board will continue to collaborate closely with the Hong Kong Monetary Authority to align the operation of the DPS with that of the blanket deposit guarantee to maximise their effects in contributing to confidence and banking stability.

The Hong Kong Deposit Protection Board Annual Report 2008-2009 is available on the Board's website (www.dps.org.hk).

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Hong Kong Deposit Protection Board
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