PRESS RELEASE

HKDPB publishes the report on the public consultation on the first phase of the review of the Deposit Protection Scheme and the consultation paper on the second phase of the review

The Hong Kong Deposit Protection Board (the Board) today (Tuesday) published the report on the public consultation on the first phase of the review of the Deposit Protection Scheme (DPS) and the consultation paper on the second phase of the review.

Report on the public consultation on the first phase of the review of the DPS

In the light of the experience gained from operating the DPS since its inception, and developments in international and local financial markets since the outbreak of the global financial crisis, the Board commenced a review of the DPS in the fourth quarter of 2008. The first phase of the review, focusing on enhancing protection to depositors, was completed in the first quarter of 2009. Public consultation on the recommendations from the review commenced in late April and ended in late June.

During the two-month consultation period, the Board received more than 800 responses from the general public. Comments were also received from major stakeholder groups, including the legislature, academics, consumer interest groups, industry associations and professional bodies. Towards the end of the consultation, the Board conducted a territory-wide opinion survey to obtain a comprehensive view of the public sentiment towards the recommendations. In general, the consultation concluded that there was broad public support for the Board's recommendations. Professor Andrew Chan Chi-fai, Chairman of the Board, said, "The keen public responses indicate the consultation has achieved its objective of triggering extensive discussion on the subject in the community. We are glad to note that the public are in general supportive of our recommendations. A lot of work, however, still has to be accomplished to turn the recommendations into legislative proposals, and continued public support will be vital at the legislative stage."

The report provides a summary of the major comments received by the Board, the findings of the opinion survey, and the Board's responses and conclusions. Except for the further discussions required with the industry on the appropriate adjustments to the DPS charging scheme to avoid the additional cost due to providing better protection from being passed on to depositors, the Board will proceed with the development of the legislative amendments for effecting the other recommendations concluded in the consultation.

Consultation paper on the second phase of the review of the DPS

In parallel to the public consultation on the first phase of the review, the Board started the second and final phase of the review in the second quarter of 2009. The review was completed in July 2009, and the recommendations identified from which are contained in the consultation paper. The review covered mainly technical amendments for improving payout efficiency and transparency of the coverage of the DPS. The key recommendations identified from the review include:

- simplifying the processes for calculating accrued interests on deposits and liabilities, and value of annuities or future or contingent liabilities with a complex calculation methodology to speed up the determination and payment of compensation; and

- strengthening the disclosure requirements for non-protected deposits, introducing positive disclosures and making disclosures more legible, prominent, and easily identifiable by depositors.

Mr Raymond Li, Chief Executive Officer of the Board, said, "The recommendations from the second phase of the review are expected to add significantly to payout efficiency and transparency of the DPS, which are also key deterministic factors of the effectiveness of the Scheme. The publication of the consultation paper marks the completion of the two-phase review of the DPS by the Board. Subject to the progress of the consultation, the Board intends to introduce the recommendations concluded from the second phase of the review together with those concluded in the first phase."

Members of the public who have comments on the recommendations in the consultation paper on the second phase of the review may send them to the Board on or before 17 October 2009 via the following channels:

- by mail to the Board's office at 78/F, Two IFC, 8 Finance Street, Central, Hong Kong marked with reference to "DPS Review – 2nd Phase"

- by fax to 2290 5050

- by email to dps_review@dps.org.hk

- by visiting the Board's website

Annex 1: Report on the public consultation on the first phase of the review of the DPS
Annex 2: Consultation paper on the second phase of the review of the DPS

For press enquiries, please contact:
Raymond Tsai, Senior Manager (Payout & Publicity), at 2878 1060 or
Teresa Lai, Manager (Publicity), at 2878 1305

For general enquiries, please call the Board's hotline 1831831

Hong Kong Deposit Protection Board
18 August 2009